

Energy Policy Review Commission

Friday, February 22, 2013

10:00AM – 11:30AM

EEA (100 Cambridge Street, 2nd Floor Room C)

Members in Attendance:

Sandra Merrick	Office of the Attorney General
Tom Regh	Progressive Energy Services
Bob Rio	A.I.M
Elliot Jacobson (via phone)	Action Inc.
Robert Kaufmann	Boston University

Others in Attendance:

Rob Calnan	Calnan's Energy Systems Inc.
Kevin Galligan	Cape Light Compact
Hinna Upal	EEA
Jodi Hanover	Rich May, P.C.
Chris Eicher	Committee on Telecomm, Utilities and Energy
Christina Fisher	Office of Sen. Downing
Ben Davis	DPU
Mary Sylvia	DOER
Birud Jhaveri	DOER
Dan Burgess	EEA
Lauren Farrell	EEA
Barbara Kates-Garnick	EEA
Phu Mai	Office of Rep. Beaton
Jeremy McDiarmid	Environment Northeast
Martha Broad	MassCEC

Undersecretary Kates-Garnick called the meeting to order at 10:04AM.

Introductions

Undersecretary Kates-Garnick welcomed the Commission members and attendees and began the introductions around the room. The Undersecretary started the meeting by discussing the Commission's need to develop consistent metrics, and the goal of looking at the environmental and economic impact of energy programs in the state. She noted that Commission members would present over the next few weeks to educate the group, and that there is an intense schedule for a document that the Commission must write.

Presentation: Bob Rio, Associated Industries of Massachusetts

The presentation was given by Bob Rio, the Senior VP and counsel of Associated Industries of Massachusetts ("AIM"). He noted that AIM has members in many fields, including manufacturing, biotech, health care, the financial services industry, etc., and that their members are both big and small companies. Mr. Rio felt that we have to "bring it back and find the best way to move forward." He worries that the policies might not work and might also bankrupt the state. He noted that Massachusetts has very high electrical costs, that competitive states have much cheaper electricity, and

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that companies look at rate information when they are looking at where to expand their businesses. In particular, Mr. Rio notes that data centers, heavy users of energy, are leaving the state. In his presentation, he lists the high electrical costs as “Facts” and then many other items as “Not Facts,” including that high costs are due to distance from source of fuel and that companies only care about bills and not rates. Professor Kaufman notes that the price differences are difficult to compare because some areas of the country have federally subsidized power, e.g., hydro in the Northwest. Mr. Rio countered that Massachusetts receives subsidies for Cape Wind. Mr. Rio also believes that this doesn’t really matter, because it doesn’t affect the companies- they just care about rates. He believes that they care about rates in addition to just bills. He also believes that price volatility doesn’t really affect businesses because they have long term contracts. Professor Kaufman pointed out, however, that price volatility is factored into the long term contracts. Mr. Rio also notes that Green Power isn’t necessarily green.

Mr. Rio states that Massachusetts has many energy goals, but we must look at how to achieve them and analyze them. He believes that lifecycle analysis is key. He notes that there are other factors that should be reviewed, such as the effect of mining rare earth metals, which has an enormous GHG impact and are included in renewable power sources, such as windmills. Mr. Rio also brings up the goal of keeping money in Massachusetts. He wonders why renewables are treated differently from other fuels, and points out that Cape Wind is borrowing money from the Bank of Japan. Professor Kaufman believes that this is not the same thing as money going out of the state to purchase fuel; rather, money comes into the state to help build infrastructure. Mr. Rio is more concerned with the money being paid back to Japan. Professor Kaufman believes that there is a difference between purchasing gas (consumption) and building Cape Wind (investment). Other people noted that U.S. financial interests are global, and there is no such thing as a Massachusetts bank. Mr. Rio said that he was particularly responding to a slide he had seen presented by Commissioner David Cash on the goal of keeping money in Massachusetts. Undersecretary Kates-Garnick believes that Mr. Rio is seeing it out of context, and that the goal is to build infrastructure. She notes that there is no way to keep all of the money here, since Massachusetts doesn’t have energy resources other than renewable, so Commissioner Cash is more talking about supporting local infrastructure and services.

Mr. Rio also asked what the desired outcome is, e.g., windmills on the ground/MW installed, or MWh produced. Mr. Rio pointed out that goals sometimes appear to be in conflict. He presented a slide titled “You’re right, but...” – with the purpose being often if one goal is not attained or supported, proponents of certain programs justify actions with a separate goal/attainment. Mr. Rio stated that he believes that state agencies are not coordinated, programs are not coordinated, and there are too many silos. He notes that conflicting goals, large amounts of money being spent, and little gain are the unsurprising result.

Mr. Rio discussed using “all the tools in the toolbox” to transition to a lower carbon economy. He talked about gas line capacity, and a discussion was held on efforts to increase gas line capacity in Massachusetts. Tom Regh stated that he believes that gas weatherization is not reaching its potential, does not understand the ramp up period, and believes there is more that can be done to increase gas weatherization. Mr. Rio believes that some environmentalists are not looking to decrease GHG, but rather to increase fuel prices to make renewables more cost-effective. Mr. Rio also stated that he believes that if we do not use gas in New England to lower costs, the gas will get shipped overseas. It was also noted that there is a regional study of gas to electricity. Other gas discussions were held, including about FERC interactions, and early stage questions on how one might think about expanding

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gas distribution in Massachusetts. It was also noted that Hydro Quebec is a no carbon power (although some disagreed that it is NO carbon). Undersecretary Kates-Garnick noted that the state is generally supportive of the Northern Pass. Mr. McDiarmid said that we need a full lifecycle analysis of hydro. Mr. Galligan warned that we should be careful about gas expansion because we will bill peak times. Mr. Rio noted that there is “no free lunch” with any source. Mr. Rio also noted that there are trade-offs that may happen, e.g., trade of carbon for lower price. Attendees also discussed the need for reviewing transmission alternatives, and seeking a plan to reduce transmission in certain areas, such as the NEMA zone, which is congested. Some people wondered what ISO-NE would say about where the money should go. Ms. Merrick stated that there are not yet enough facts, studies, cost-benefit analyses; while the AG does share some concerns with Mr. Rio, Ms. Merrick felt that more information was needed.

Mr. Rio also noted that some companies are bringing in compressed natural gas and running off of this. He indicated concern that no one was subsidizing this, since these customers were too far from a gas line. It was also mentioned that transportation needs to be considered, including CNG filling stations. Mr. Rio also supported using money for clean transit for the MBTA. He believes we need to go beyond electric vehicles.

Mr. Rio’s suggestions include writing down programs, costs, and what we are looking to solve; he seeks metrics that make sense. He suggests no press releases for a year, and not taking credit for things you did not do. Mr. Rio does not think that number of green jobs is a good metric- in fact, fewer jobs may even be an indicator of success. He believes that the numbers are skewed and that the green jobs are often just jobs being taken from one sector and given to another. He does not state that it is bad necessarily, but believes it should be acknowledged that there may not be new jobs. Professor Kaufman noted that sometimes new money is spent that was not being spent before to create new jobs, like in the Depression. Mr. Rio notes that AIM does not support sector specific job creation, but rather a better government program across industries. He notes that we need to define “green jobs” and Ms. Broad states that the CEC did include definitions in its work. Mr. Rio wants to include industries such as recycling. Ms. Broad questioned whether Mr. Rio believes that clean tech is stealing employees; Mr. Rio clarified that he believes other companies are giving money to the government, which gives money to “green” companies to hire people. Ms. Broad questioned whether this isn’t also about assets created. Mr. Rio reiterated that jobs are not the right metric, and Ms. Broad countered that it isn’t the only metric.

Professor Kaufman noted that the state is charged with a balanced portfolio. Mr. Davis responded to Mr. Rio’s desire to have subsidies for CNG by questioning whether those companies need to be further subsidized/incentivized, if they are saving money and jobs with CNG. Mr. Rio then questioned net metering subsidies. Commissioner Sylvia noted that net metering to municipalities benefits customers with lower costs. Mr. Rio believes that everyone needs to agree on the facts and look at all of the programs together.

Open Discussion and Next Steps

Undersecretary Kates-Garnick states that Mr. Rio made some information requests to the DOER and DPU and that they would like to sit down with him to identify the information he needs. Mr. Rio notes that he wants to identify all of the programs, current costs, and costs going forward. It was noted that the state does not forecast transmission and distribution. Undersecretary Kates-Garnick said that the state is not charged with doing this and is not a forecasting agency. It was mentioned that ISO-NE does this. Undersecretary Kates-Garnick requests that anyone who has data needs to please inform her so

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that questions can be relayed to the correct parties all at once. She also stated that the Commission needs presenters on each topic laid out in the Meeting Plan. Professor Kaufman agreed to speak at the March 7th meeting (to be moved to the 8th) and he will discuss what makes an energy portfolio balanced. Mr. Regh volunteered to present on April 3rd, and Kevin Galligan suggested that PAs present as well, since the topic is related to energy efficiency. Commissioner Sylvia volunteered Tina Halfpenny to co-present with the PAs, to which Mr. Galligan and Ms. Hanover agreed. Undersecretary Kates-Garnick noted that the report should include common agreements, metrics, and goals. Mr. Regh wants longer, more workshop-type meetings. It was decided to continue with presentations and regular length meetings until the 17th, at which point attendees would stay an extra hour and people would suggest metrics and recommendations to discuss. Commissioner Sylvia pointed out that there is already an “all cost-effective” metric to measure energy efficiency that has to be followed. Lastly, it was noted that the minutes being taken are not a transcript.

The meeting adjourned at 11:33am.