

Energy Policy Review Commission

Friday March 8, 2013

10:30AM – 12:00pm

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

Members in Attendance:

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

Others in Attendance:

Rob Calnan	Calnan's Energy Systems Inc.
Barbara Kates-Garnick	EEA
Hinna Upal	EEA
Dan Burgess	EEA
Lauren Farrell	EEA
Jeremy McDiarmid	Environment Northeast
Jodi Hanover	Rich May, P.C.
Ben Davis (via phone)	DPU
Martha Broad (via phone)	MassCEC
Andy Goldberg	AGO
Rita Carvahlo (via phone)	Action Inc.

**Please note, due to the inclement weather, commission members were allowed to call into the meeting. The weather emergency also accounted for the delay in start time.

Undersecretary Kates-Garnick called the meeting to order at 10:43AM.

Introductions

Undersecretary Kates-Garnick welcomed the Commission members and attendees and began the introductions around the room. The Undersecretary started the meeting by thanking everyone for attending. She also thanked the attendees who chose to call into the meeting due to the severe weather. The Undersecretary then introduced Professor Robert Kaufmann as the speaker for the meeting.

Presentation: Robert Kaufmann, Boston University

The presentation was given by Robert Kaufmann, Professor at Boston University. He presented on an Energy Portfolio for Massachusetts, with the objective to create jobs and economic growth; energy security; reliability; low costs; and reduced carbon emissions. He then went to state that the market needs help due to no information, externalities, and poor decisions. Undersecretary Kates-Garnick asked if Professor Kaufmann could provide an example of a poor decision in the market to which he replied that the insulation of homes is a bad example that is often not thought through. He went on further to state that the government bribes residents to insulate their homes however it's been proven that people will still insulate their homes with a lower bribe. Sandra Merrick replied that poor decisions could

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also be due to little time, money and/or knowledge. Professor Kaufmann referred to the book, “Nudge” which examines the science of choice. Undersecretary Kates-Garnick opened the room for discussion and questions.

Open Discussion and Next Steps

Elliot Jacobson added that affordability should be included under low cost as it is a major concern for residents who are not in a position to make these decisions or participate in these programs. Undersecretary Kates-Garnick agreed that is important to consider.

Undersecretary asked Professor Kaufmann to expand on behavioral economics. Professor Kaufmann explained that behavioral economics looks at understanding how people make decisions. He stated that people typically do not receive good feedback on how to make the right decision and this can be especially difficult with Energy. He went on to say that there are ways to nudge people in a way to make the right decision. Professor Kaufmann explained that a study in the U.K. showed that residents insulated their homes with a lower bribe from the government and with the aid of junk removal. He also explained a study that looked at the participation in a 401K if people were automatically enrolled and presented with the option to “opt-out”. Going further, Professor Kaufmann explained that when the government put up signs on buildings that indicated how much energy is saved and energy efficiency tips, there was about a 20% saving. Furthermore, he stated that when a label is publicly assigned, people will make their decisions based on that rating. Bob Rio added that poor decisions that have an effect on people can also be made by the government. He also said that there has been too much focus on carbon policy and can think of instances when carbon should be increased. Professor Kaufmann stated that he agreed and would like some focus on radiative forcing, however the focus is not on whether the State would do it, it is really at the Federal level. Bob Rio replied that he believes the State is short-sighted and as a portfolio, is heading down because there is more to life than carbon.

Both Professor Kaufmann and Bob Rio both questioned what the Commission is looking to do. Undersecretary Kates-Garnick stated that she believes the end product of this Commission is not a highly analytical report, rather a compilation of Commission discussion in some form of structure. She suggested a portfolio is a nice way to frame the report, with focus on the State energy policies and what the Commission believes the goals are. The Undersecretary suggested the Commission see where they can reach common ground however the report should reflect everyone’s perspective. Bob Rio replied that there is more agreement among the Commission than one would think. He further stated that he wished the State would look beyond the electricity sector at transportation, for example.

Ben Davis agreed that a framework would be helpful and thought that the Commission members should identify a place they think is the most important to focus on.

Tom Regh agreed with Professor Kaufmann regarding behavioral economics and stated that the focus on motivation for consumers is not the payback, which is the pitfall for programs such as MassSave that focus on payback periods. Professor Kaufmann replied that the point of behavioral economics is not that consumers know what they will get back or forcing, instead giving consumers the information to make decisions. Elliot Jacobson countered that there is a disconnect because there has to be a payback so the ratepayers can justify spending money. Sandra Merrick agreed with this statement.

Undersecretary Kates-Garnick asked the Commission what type of metrics they want to use as a framework for this report. Bob Rio replied that he felt closure rates of audits should be a metric.

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Professor Kaufmann responded that people like Tom Regh know how to do that but with the State, the subsidies are right but people like Tom and others need to figure out why closure rates are so low. Tom Regh replied that this conversation he has been trying to have with utilities however people are not receptive. Sandra Merrick questioned Tom Regh on whether his perspective is different because he is not in the MassSave Program. Tom Regh replied that his opinion is not based on his personal experience rather how MassSave compares to other programs. Rob Calnan stated that he has been in the audit business for 31 years and believes a bribe is a carrot/stick situation. Professor Kaufmann asked what the others felt was wrong with MassSave. Rob Calnan responded that his opinion is more of an observation rather than a complaint. He believes the focus should be more about keeping costs down and what is best for ratepayers and that the money is not being spent in a wise way.

Undersecretary Kates-Garnick reiterated the idea to generate broad metrics as a starting place. Professor Kaufmann brought up societal benefits, which Tom Regh stated fall under “non-energy” but questioned their value. Professor Kaufmann replied that this was the whole point to his portfolio analysis and that the State is looking for system-wide benefits. Undersecretary Kates-Garnick agreed, saying that the Commission needs to look at the notion of risk, diversification, and costs and benefits. She continued that each subgroup has different costs and benefits and the Commission can use the portfolio to identify problems in State policy.

Undersecretary Kates-Garnick suggested that based on the conversation, perhaps EEA staff should provide a structure. Professor Kaufmann stated that he felt there should be two discussions; first a high level conversation on diversification; and second, a conversation for the people who have expertise in individual programs to look at cost benefits.

Undersecretary Kates-Garnick asked the Commission to send in writing a useful framework before the next meeting, which should be more of a bulleted list rather than an articulate document. She said that if she does not hear from the Commission, EEA will provide a structure but believes it is better if the Commission provides the framework first to offer perspective.

Undersecretary Kates-Garnick thanked everyone for participating via phone and attending in person. She said that a data request meeting has been scheduled around Bob Rio and the Agency schedules for March 29th (11:30am-12:30pm) but is an open meeting. The next Commission meeting is March 20 (1pm-2:30pm).

The meeting adjourned at 11:52am.