

## CELC Meeting - June 25, 2010

### SIRTI, Spokane

#### **Attendees:**

#### Speakers:

Ron Nichols – Navigant Consulting  
Jim Gollub – Navigant Consulting  
Pat Oshie – WUTC  
Jeff Goltz – WUTC

#### Council Members:

Ernesta Ballard – Weyerhaeuser  
David Benson – Stoel Rives  
Roger Woodworth – Avista  
Bart Phillips – Columbia River Economic Development Council  
Bert Gregory – Mithune  
Ash Awad – McKinstry  
Marc Cummings – PNNL / Battelle  
Chris Colman – Washington Clean Technology Alliance  
Kim Zentz – SIRTI  
Egils Milbergs - Washington Economic Development Commission  
John Gardner – Washington State University  
Rogers Weed – Washington State Dept of Commerce  
Rep. Shelly Short – Washington State 7<sup>th</sup> Legislative District Representative

#### **Proceedings Summary:**

Ron Nichols: Summarized the Phase II report.

Idea is to have short-term (2-5 year ready to begin immediately) projects in key areas that are highly leverageable in the State – termed “Market Driving Initiatives (MDIs)”

Goals of the MDIs in all 3 areas are:

- Develop industry solutions in-state that are needed globally
- Build in-state industry with export potential
- Boost in-state R&D and commercialization of new technologies
- Drive employment and demand for workforce training in specific areas

These leading sectors identified have the resource mix, current capacity and the “push” and “pull” characteristics needed to successfully execute an MDI:

- Renewable Energy Integration,
- Green Building/Energy Efficiency
- Smart Grid, and
- Bioenergy

Other interesting sectors not included in this analysis but Navigant recommends examining, as potential future focus areas are nuclear and in the longer-term high efficiency vehicles.

Description of the 3 MDIs proposed by Navigant:

- 1) PNW Renewable Energy Integration Program - WA States early adoption of significant wind resources offers a great opportunity to lead in this up and coming area.
  - Combines demand response and grid integration
  - Boosts market for new smart grid technologies
  - Collaborate with BPA
  - Aim is to develop a system of renewables integration that is streamlined, quick, and cost effective
- 2) Large Scale Energy Efficiency, Green Building & Smart Grid Integrated Projects.
  - Address issues on customer side of the grid – i.e. up to 30% of a building’s energy may be wasted due to “user error” and ineffective controls
  - Multi-building (new and existing) projects that develop and test monitoring devices and other next gen technologies and consumer education
  - Promote partnership - diverge from the top down utility-led model

\*Ash Awad and Burt Gregory both emphasized the importance of building owners/users taking responsibility for efficiency improvements and mechanisms to recover costs on utility bills for success

3) Interim & Long-Term Bio Energy Initiative – start with (a) an initiative to promote high efficiency CHP projects to grow technology and knowledge base around biomass collection in the state; (b) continue to pursue technology and project planning around aviation biofuels.

- WA has significant biomass resource potential
- Presence of military and Boeing/aviation industry position the region well for aviation biofuel efforts

Jim Gollub (Navigant Consulting): presented on Cluster Development

- WA State needs to bring together finance, marketing, HR, innovators, academics, policy makers – Those with “skin in the game” for each of the MDIs
- To develop a successful policy landscape must have input from all these players

- Something along the lines of a “CELC 2.0” is needed in the State to develop the recommendations that come out of the CELC roadmap
- WA needs to develop its innovation pipeline to better capture in-state IP and innovation – weak compared to other states
  - TX has a pipeline that links innovators applying for Fed SBIR grants to private finance, R&D facilities, etc needed in the commercialization process
  - MA has 12 community college networks, all with specific focus sectors that help form the basis of the industry cluster
- State should play a role in “Risk Reduction” – both for financiers and innovators by providing screening, incentives, etc
- Work Groups – formed initially for each of the MDI as well as for future MDIs in other technology areas identified by the “CELC 2.0”
  - Work Groups need to have a range of participants w/skin in the game on both the “Push” and the “Pull” side of the market
- CELC 2.0 and Work Groups should not be “committees” but entities with a developed and focused business plan

Roger Woodworth – asked whether WA St. Dept of Commerce could lead the “CELC 2.0”? Secondly, how would it be funded?

- JG answered that could be “owned” by a variety of orgs, incl DOC, but the importance is the business model structure and power as an “Economic Lobby”
- Funding should come from a wide range of sources, including the stakeholders, feds, State

Commissioners Jeff Goltz and Pat Oshie from the Washington Utilities and Transportation Commission (WUTC) presented on the Conservation-related efforts of the UTC:

- Presentation can be downloaded directly at:  
<http://washingtoncelc.org/filestore/WUTC%20Goltz%20as%20presented%20CELC%20ppt%206-23-10%20jdg%20edits.pdf>
- UTC currently has to efficiency-related inquiries underway due growing frustration that the current system is not the most efficiency way to grow EE and the lack of time during the legislative sessions to hold these discussions
  - 1) Conservation Initiatives inquiry – exploring mechanisms to “recover lost margins” of utilities who’s rate payers are lowering their energy use through efficiency measures and distributed generation
  - 2) Renewables Inquiry – focus on rate making and incentives to encourage utilities to meet/exceed the WA State RPS
  - participants include utilities, consumer advocates, enviro advocates

Presentation and discussion focused largely on the UTC’s utility ratemaking process in WA State

- Set rate of return model (currently in place) that bases rates on consumption estimates ahead of time – vs -
- Decoupling
  - Full Decoupling - which passes “lost” or “found” margins (deviation of actual consumption from pre-estimates of consumption) on to the consumer
  - Targeted Decoupling – managing conservation efforts through utilities to better control “lost” and “found” margins that are passed on to consumers
- Issue is how to track “lost” margin sources and track impact on load of specific programs across utilities and inconsistent grid monitoring
  - Utilities in WA State can’t use “time of use” pricing as effectively as other regions due to the consistent nature of cheap hydro power

Recommendations from Goltz and Oshie (WUTC) to the CELC:

- 1) Don’t favor specific technologies in CELC roadmap – it is too early to tell what the winners are.
- 2) Need a uniform approach to conservation throughout the State. Currently efforts are too “siloeed” btwn diff utility districts and communities.
- 3) Need consistent funding and implementation – all consumers need same access to energy efficiency opportunities
- 4) Focus on maximizing effectiveness and consumer adoption and “take rates” for conservation programs through funding, etc.
- 5) A state-wide systems benefit charge similar to Oregon’s could help mobilize state-wide energy efficiency efforts and uniformity across communities and utility districts

Ash Awad - commented that more efficiency could be gained if emphasis was placed on buildings and campuses as “whole generators” when considering decoupling.

- Instead of focusing on one program or prescriptive technology, look to lower bldg/system consumption by i.e. 50%
- Example is the arrangement btwn Avista and WSU which gave WSU flexibility in how to achieve a set energy consumption target and protected Avista from lost margins
- Shift focus away from the rate customers pay to their overall energy bill.
- There is a new White House publication on efficiency that targets a goal of 50% energy savings coming from conservation measures.

Ernesta Ballard – a more transparent ratemaking system that put the cost/benefit of conservation on the consumer, i.e. full decoupling, would be the most efficient.

Marc Cummings – Asked what mechanisms to use to promote energy efficiency – Policy? Regulation? Administrative?

- Policy such as I-937 can have a big impact, will change the nature of the Integrated Resource Plans btwn the IOUs and the UTC

Rogers Weed – use a combination of administrative actions, legislation i.e. to change statutes, and referendums to get public input

- Last legislative session Commerce’s Energy Bill proposed to change the old regulation that prevents any Commerce officials for testifying before the UTC. WA State is currently the only State in the country with such a regulation. Source of inefficiency – but that part of the bill was opposed and did not passed.
- Pat Oshie of UTC agreed that Commerce input would be a welcome addition to the Commission process, especially as the legislative session is such a short to address all the issues that UTC deals with the State on

Shift in discussion to broader question: How WA State can spur an economy-wide effort to grow the Clean Energy Industry in the State?

R Weed – Can either use a regulatory “hammer” or convene stakeholders and build support.

M Cummings – Need to build a system that coordinates policy/regulatory/econ development.

B Gregory – CELC can provide leadership. Use policy goal such as California’s that state buildings achieve net-zero energy. Focus on building efficiency before supplying power.

Egils Milberg – Important to focus on efforts that could boost exports, not just in state industry.

M Cummings – Should involve the BPA, especially in efforts on demand response. Also important to market around what the WA is doing with the MDIs to grow support in and outside the State.

Rep Shelly Short – Consider how to boost in state manufacturing as part of the Clean Energy Industry

## NEXT STEPS

- Survey of CELC members on what actions and tools – policy, regulatory, funding, etc are need to successfully pursue the three initial Market Driving Initiatives and/or grow the industry in general.
- Navigant will use this input to draft the Phase III report.