

CELC Meeting - August 6, 2010

Stoel Rives, Seattle, WA

Attendees:

Speakers:

Ron Nichols – Navigant Consulting

Council Members:

Bert Gregory – Mithune

Chris Coleman – Washington Technology Center

David Benson – Stoel Rives

Ernesta Ballard – Weyerhaeuser

Roger Woodworth – Avista

Bart Phillips – Columbia River Economic Development Council

Kimberly Harris – Puget Sound Energy

Kim Zentz – SIRTI

John Gardner – Washington State University

Rep. John McCoy - Washington State 38th Legislative District Representative

Marc Cummings – PNNL / Battelle

Margaret McCormick – Targeted Growth

Michael Atkinson – Areva T&D

Michael Butler – Cascadia Capital

Peter Brehm – Infinia Corporation

Senator Phil Rockefeller - Washington State 23rd Legislative District

Rogers Weed – Washington State Dept of Commerce

News Updates

This is the last scheduled CELC meeting.

CELC will be conducting four outreach meetings around the state to socialize the CELC final report in Sept/Oct. – Spokane, Seattle, Vancouver, and Richland.

- Please contact Marc Cummings or Element Strategic if you would like to help organize or sponsor any of these meetings.

Navigant Summary of draft CELC Roadmap Report

Goal of CELC Roadmap is sustained growth of the clean energy industry in Washington State. This process is different than State Energy Strategy.

Need to address major problem in the state: Fragmentation.

- Fragmentation among technology development, policy, regulatory, overall aims, etc

Need to focus on commercialization and deployment of existing technology.

Regulatory issues in WA are large - but don't want to spend time just talking about major policy issues, *instead* recommend using targeted projects – Market Driving Initiatives (MDIs) to drive needed policy changes:

- Utility policy – UTC mission makes it difficult for utilities to embrace innovative solutions
- i.e. get agreement for utilities' cost recovery for smart grid project
- MDIs designed to focus attention on specific technical / industry challenges and demonstrate leading edge solutions that support job/business growth in WA

Navigant recommends forming an ongoing organizational structure that will carry the CELC's mission and execute the roadmap into the future – referred to in the report as the “Clean Energy Technology Partnership” (CETP).

Exec Director with ~5-6 employees that facilitate the high level discussion and facilitate the convening of key stakeholders to execute the MDIs

Discussion - Recommendations for Improvements to the Report

General Recommendations

E. Ballard – What about the issues of liability and risk sharing when implementing the MDIs? The draft report does not address.

Members agree it would help to have a graphic of roadmap in front of the report

J. Gardner – recommends a sidebar on the aviation biofuels initiative facilitated by Climate Solutions as an example of an MDI already underway in the state

B. Gregory: How does the CELC define its target outcomes when identifying MDIs to pursue?

- i.e. human wellbeing? Energy efficiency? Jobs? Water savings?
- Also need to define in the report metrics for “leading edge”, “cost effectiveness” (incl the target length of ROI), “innovation” – terms that mean many things to many people

K. Harris and M. Atkinson – Wind Integration – one of the four target sectors in the report – is not a major issue for WA utilities. Storage is more of an issue.

Structure of the Clean Energy Technology Partnership Organization

Concerns raised that this is a council making a recommendation of making a new council. Does it really need to be a new org with staff? Members felt there should be a stronger case in the report that the CETP is needed. What is the incremental value?

- R. Nichols – the reasoning behind a staffed org is the capacity to host forum that can convene key stakeholders to collaborate on large scale, innovative demonstration projects
- To get federal, state and private funding requires an organizational structure with staff and a more narrow topical focus than existing governmental entities.
- Need to have method for buyers of clean energy technology solutions and suppliers of those solutions to work together to identify new solutions and opportunities – requires a different type of entity to achieve this

Questions -

Should this organization be an advocate that facilitates and informs the CELC roadmap implementation – OR – should this org have regulatory authority?

Is this a funding agency? If so, how would awards to specific MDI projects be awarded?

The proposed CETP combines private sector, public sector, and non-profit activities.. is there an existing org, perhaps a public development authority that could house such an org?

Comments -

- M. Butler – The metrics for success of the org are different for an advocate/facilitator organization and a funding organization. Executive Director of the new org needs to be responsible for the success of the projects selected for funding.
- B. Philips – good model is the Clean Washington Center, an org established in the 90s to align recycling industry interests and promote industry standards. The private sector initiative achieved its goals in WA and was emulated nationally and internationally.
- E. Ballard – suggests issuing an RFP for existing orgs to take on the CETP role.
- R. Weed – The org needs to have the capacity to manage all the different funding streams involved.
- M. Cummings – org will need to 1) blend public and private funds; 2) have staffing level and competence that investors can trust; 3) flexibility and capability to facilitate a wide variety of MDI projects.

Job Creation

Members raised the question of job creation from the MDIs and how it aligns with the mandate of the council? What are the metrics required from the Council on job creation?

>>Insertion>> SB 5921, the legislation mandating the creation and responsibilities of the CELC does not provide specific language around job creation metrics, simply stating:

"It is the intent of the legislature to create a clean energy leadership initiative that will set the path to leverage Washington's energy infrastructure and make Washington a hub for clean energy technology and a leader in the creation of green jobs and the development, deployment, and export of clean energy technologies and services." (p.2)

Policy Issues

Currently no clear policy recommendations in the report. Members suggested adding list of key policy/regulatory barriers that could block/hinder the MDI model in general. Then cluster groups could address other more specific policy or regulatory issues that effect specific MDIs through the planning process.

Examples of policy barriers:

- Utilities needing approval from the UTC for cost recovery on EE projects
- "Used and useful" criteria of the UTC, applied "post-hoc" when utilities are implementing mandates for renewable energy or energy efficiency discourages innovation

Rep. McCoy - raised the concern that WA State needs to talk more with California, since currently WA is paying for the infrastructure to deliver clean energy to CA. Also need to review taxes and fees on utilities – since federal law only requires that they cover avoided cost.

Funding

Navigant estimates a budget of \$2 million for ongoing operations of the CETP to manage the overall org and the implementation of individual MDIs. An additional approximately \$20 million per year to be leveraged with match funds from Federal government, private foundations and others to carry out the four initial MDIs proposed.

Goal is to fund "bridging the gap" between the cost of baseline EE project (~15% efficient) and innovating EE project (~80% efficiency).

Questions –

M. McCormick - How do you incent private sector companies to fund the CETP org, especially if they are not guaranteed funding through the specific MDIs?

- Navigant A: The CETP org would first identify MDI that meets utilities' or other customer's goals (the first round of which have been identified in the CELC Roadmap Report), then it would convene interested parties that would then work out project financing – matching funds required of participants, applications for external funding, etc.

K. Harris - The report suggests that utilities will be funding the MDIs. But utilities must get approval from the UTC to spend Energy Efficiency projects with ratepayers money. Hard to justify programs – such as an innovative EE project on one building as proposed in the report – which don't potentially benefit all or most ratepayers.

- Navigant A: the MDIs are large-scale pilot projects that could be replicated widely. Example: Retrofit large building to be 80% energy efficient. First, identify project design and leading edge technologies to be used. Calculate budget and future cost savings of project, ensure that this project achieves better energy saved per project \$ than other EE projects. Next, seek UTC approval for utility to fund and recover costs. Issue RFP to define goals and metrics, funding and select project team. Once project completed, share data so projects can be replicated.
- K. Harris – Why should utility spend all this effort instead of spending this time and \$ on more straightforward projects, i.e. retrofitting residential housing.
- R. Woodworth – The UTC does not currently have a mechanism for this. May require a change in their charter. As it stands currently, the process required to get UTC approval could potentially delay projects.
- K. Harris – This sounds like rate-basing EE projects, which was common practice in the 1970s and 80s. There were problems with this model, incl. the need to then securitize these assets, i.e. EE windows. Now need a new model – full decoupling.

Comments -

- Source of project funding for the MDIs would be seed money from the state and private funding that will be used to leverage federal funding and foundation funds
- The state and federal funds would be focused on the **gap** between what a non-innovative project would cost and the added cost of innovation
- This model will mean that only projects that are considered “feasible enough” to attract private investment
- Project team will come together around a specific challenge – members will have a specific contribution to make and willing to put in funds to further the project goals
- State funding would carry specific conditions for match funding
- Need to have an org w/full time staff to manage funding and give credibility to the MDI project teams applying for funding
- Examples of clusters and organizations with similar models include the Kansas Life Sciences Innovation Center – that raises funds for its activities through an incremental payroll tax that increases as companies grow over certain number of employees; the film industry in the WA State and the Washington State Commodities Commission

- Potential conflict of interest when companies positioned to receive funding thru a potential MDI are part of the overarching org that selects MDIs
- State budget is extremely tight, but there is funding for activities such as new Global Health Cluster, that need funding to stimulate commercialization
- Jobs metrics will help convince State that this is worth funding

Another funding option is a Systems Benefit Charge such as in NY State and California - that energy utilities pay to the a state fund that supports the development of clean energy in the state.

- Members point out that such a fee must be universally applied on all utilities
- Also must be carefully design a program that does not harm competitiveness
- One option is the approach used for storm water run-off charge in Portland that water users can get waivers on storm water fees on by installing water-efficiency technologies

Other Rationale for the CETP

The renewable energy industry in the region is missing out by not speaking in a unified voice – missing out on market position, federal funding, regulatory and policy alignment

With the federal climate bill stalled there may be an early mover advantage to coordinating with EPA on GHG emissions – as Arizona is doing

Need a vehicle to incent collaboration. Collaborative solutions are often more effective for complex issues such as clean energy.

Cluster Development

Navigant – Clusters/MDIs bring together stakeholders interested in a certain systems solution with “skin in the game” – researchers, technology developers/companies, financiers, state agencies involved in infrastructure development, a policy and regulation, demand side and environmental advocates, workforce.

- R. Woodworth – This is a framework for conversation. The CETP begins by inviting stakeholders to come to the table, then those with a vested interest in the project examine project ideas and evaluate feasibility. Focus on desired system benefits, not caught up on a specific technology solution. Throughout MDI process, share data and metrics on why/why not project is succeeding.
- BPA needs to be at the table. Will need to be convinced that the potential of the MDIs to find innovative solutions to systems issues such as storage and integration.

Rep. McCoy - described how Hawaii’s Energy Park as a good model for this – operated by a government agency and funded primarily by the private sector.