



## STATE CLEAN ENERGY – ENVIRONMENT TECHNICAL FORUM

November 10, 2005

State & Regional Energy Planning

**Participants:** 28 state officials from 20 states and 10 national organizations participated in the call (see the attached participant list).

### Key Issues Discussed

- Policy drivers behind state energy planning
- Integrating utility resource plans in state energy plans
- Tying individual programs and projects to state energy plan
- Balancing politics and analysis in state energy planning
- Interagency collaboration and implementation challenges

### Summary of Presentations

#### ***A. Objectives of the Clean Energy-Environment Technical Forum – Julie Rosenberg, Director, State and Local Branch, Office of Air and Radiation***

Julie welcomed participants to the first call of the second year of the Technical Forum, formerly the State EE/RE Technical Forum. The objectives for the Technical Forum remain the same – to provide states with the tools and resources they need to implement programs and policies that promote clean energy. The Technical Forum will meet every second Thursday of the month between 2:00 – 3:30 pm ET, with selected state speakers providing an inside look at their experience on the topic, followed by questions and discussion among the participating state representatives. Representatives from state energy, environmental and public utility commission staff are invited to join the calls. Please feel free to forward the call in information to state colleagues whom you think may be interested in participating.

Topics considered for the upcoming 6 months include:

- High Performance Buildings initiatives to address energy, environmental and economic concerns
- The role of biomass fuels in addressing energy and air quality concerns
- Emissions implications of IGCC
- Water impacts of clean energy measures

Julie encouraged participants to contact Sue Gander ([gander.sue@epa.gov](mailto:gander.sue@epa.gov)) or Catherine Morris ([cmorris@keystone.org](mailto:cmorris@keystone.org)) with feedback on these ideas, or additional topic ideas.

#### ***B. Overview – Steve Keach, Perrin Quarles Associates*** (See State and Regional Clean Energy Planning Briefing document @ <http://www.keystone.org/html/documents.html#stateenergy>)

**C. California – Commissioner John Geesman, California Energy Commission**

- The California Energy Commission was created in 1975, as the state’s principal **energy policy and planning agency**, in response to consumer concerns about utility plans; the objective was to ensure utility resource plans were cost effective and provided for reliable power.
- State energy planning was abandoned during early years of utility industry restructuring under the assumption that it would not be needed in the new market environment.
- **CA legislature reestablished state energy planning** in 2001, with a greater focus on clean energy, resource diversity, economic opportunity and environmental quality. It has evolved into a utility procurement model; that is, demand side resources and renewable generation are determined by utility purchases based on the CA loading order criteria which prioritizes conservation/energy efficiency and then renewable energy and distributed generation and then clean fossil fuel generation (see April 14<sup>th</sup> Technical Forum Call on Energy Efficiency Resource Standards).
- State Energy Planning is a joint effort of California Energy Commission (CEC) and the CA Public Utility Commission (CPUC) through the **Committee on Integrated Energy Policy (CIEP)**. The CEC leads the development of the Integrated Energy Policy Report (IEPR) which is updated every two years. The 2005 version was adopted by the CEC on November 21, 2005, following its submission to the Governor and legislature.
- In addition to electricity resources, the IEPR also covers the natural gas and transportation fuels, although with a different level of regulatory oversight.
- **Energy Efficiency** – the intent is to optimize the role of EE; utility programs will be funded by utility procurement dollars (the 2006 – 2008 budget was recently approved for nearly \$2 billion – the largest authorization in the history of the US) and the state public good charge.
- **CA Renewable Portfolio Standard** sets the target for renewable generation for utilities (recently proposed to increase to 20% by 2010). CIEP treats it as a binding policy although it has not yet been codified.
- **Municipal utilities** – 30% of state electricity load is met by municipal utilities which are not bound by the state EE and RE targets and policies.
- **IEPR is updated every 2 years** and also must describe the environmental footprint of the utility resources, including petroleum refining.

**D. North Carolina –Mr. Larry Shirley, Director, NC Energy Office** (See “Shaping our Energy Future: The New State Energy Plan” PowerPoint presentation)

- **1992 formal energy planning stopped**; 2002 began again; undertook 18 month planning process with extensive stakeholder input.
- **NC’s 2003 State Energy Plan** focuses on RE, EE and alternative fuels with 92 recommendations with 15 priorities identified.
- **State Energy Policy Council (EPC) developed the SEP** – 9 members appointed by the governor, 9 appointed by the legislature; 4 public stakeholders and 4 cabinet agencies

- **Goal** - 20% reduction in vehicle and building energy use; Do not have renewable portfolio standard (RPS) or public benefit funds to support programs
- **Implementation** -Every energy office project must be tied to the Plan, therefore it is important to have a relevant and updated plan and to get extensive input. EPC meets quarterly; intends to revise the plan as needed every year and comprehensively revised it every 4 years. Likely to take less time in the future now that the groundwork has been laid.
- **Environmental benefits** – Tried to emphasize the connection with the environment in plan; Link between the Energy Office and the Office of Air Quality has been an important relationship
- **Challenges** –
  - o implementation of recommendations under the authority of agencies other than the Energy Office
  - o Lack of financial resources; NC does not have a public benefits fund

**E. Pacific Northwest – Mr. Tom Eckman, Manager of Conservation Resources, NWPCC**  
(See “The Role of Energy Efficiency in the Northwest” PowerPoint presentation)

- **NW Power and Conservation Council is somewhat different**
  - o Stayed the course on energy planning for past 20 yrs. Political motivation came from municipal utilities’ default on nuclear power investments and overbuilding in the 1970s which had a significant impact on electricity rates.
  - o Created by federal legislation (Northwest Power and Conservation Planning Act of 1980). NWPCC is one-of-a-kind interstate agency on energy
  - o Congress mandated public input in the planning process
  - o NWPCC has no regulatory authority, but Council members are appointed by the state governors and recommendations are cleared through the governors before final endorsement
- **Fifth NW Energy Plan** emphasizes least cost and lower risk resources to meet growth in demand
  - o 50% EE
  - o 40% RE (principally wind)
  - o 10% carbon-based technologies

### Discussion & Questions

#### ***How are utility plans integrated in State Energy Plan?***

NWPCC builds the resource plans from the ground up based on independent analysis; do not rely on utility plans, but do participate in the Integrated Resource Planning (IRP) process for utilities to try to ensure consistency with NWPCC analysis and planning.

MI relies on utility modeling and analysis

CA uses many models and solicits public input on the best way to integrate the analysis. They do struggle with the issue of confidentiality of data and transparency of the analysis.

***What was the condition(s) that made EE/RE the preferred resource in the state energy plan?***

In NW and CA the emphasis on least cost alternatives and placing EE on a parallel with generation were important.  
NW legislators were prominent players in the US Senate and House during the period when NWPPCC was created, which gave them the power to get passage of the legislation  
In other states where carbon is not represented as a risk, and renewable resources are limited, coal is the least cost resource and energy efficiency has not fared as well.  
Speakers suggested that overcoming this barrier requires a policy context such as the priorities established in the CA resource loading order which requires least cost and lowest environmental risk resources first.  
Also recommend some monetary risk assignment for carbon such as NW. CA used \$8 - \$25 per ton CO<sub>2</sub> as a proxy for financial risk.

***How have state politics been evident in the process?***

In CA analysis precedes politics to establish credibility of the least cost alternatives; therefore, it is important that the analysis be as transparent and credible as possible. Over time; CEC has been successful in convincing stakeholders that the results of the planning process are in their best interest.  
NC also relied on analysis; the analysis and public participation process was such that only the oil and gas industry opposed implementation recommendations.  
It is challenging when the regulatory authorities are split, e.g. DEQ has no authority over carbon and the PUC has no authority over environment or siting.  
In Georgia, pressure to do something arose from the rising transportation fuel prices following the recent Hurricanes (Katrina and Rita). The legislature is interested in implementing state energy planning, but the state has not resolved who will take the lead – legislature or Governor. Currently reviewing what should be the right process.

***How is climate change integrated in Energy Planning?***

NC Clean Smokestacks Act requires utilities to report CO<sub>2</sub> emissions; NC Energy Office will work in parallel with Climate Commission;  
CA Climate Change Commission maintains a greenhouse gas registry and sets reduction goals  
NWPPCC recently added carbon as a risk factor in the energy planning modeling and analysis

***Without regulatory authority, how do the NWPPCC recommendations get implemented?***

Often have to rely on “jawboning” and have been pretty successful in communicating the objectives and the procurement targets in the individual utility IRP reviews – getting the state regulators and utilities to come to the same conclusion. Some residual resistance from utilities to make EE a priority.

***What role did nuclear play as a clean technology?***

Nuclear did not emerge as a resource in NWPCC plan primarily because of cost

***What are the plans for coal gasification power plants?***

In NC utilities are closely evaluating the tradeoffs between pulverized coal and IGCC to see which is the best. Nothing expected to come on line until 2012 .

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**NEXT CALL:** Thurs., December 8<sup>th</sup>, 2 pm ET

**TOPIC:** High Performance Building Programs in the Public Sector