

Reading Municipal Light Department (RMLD) Board of Commissioners
Power & Rate Committee Joint Meeting with the Citizens' Advisory Board
Regular Session
October 24, 2011

Start Time: 7:00 pm
End Time: 8:28 pm

Attendees:

Committee Members: Mr. Hahn, Ms. Snyder, and Mr. Soli

RMLD Staff: Mr. Cameron, Ms. O'Leary and Parenteau, and Mr. Seldon

CAB: Messrs. Carakatsane, Chairman (Lynnfield), Hooper (Wilmington), Capobianco (Reading)

Chairman Hahn called the RMLD Board of Commissioners' Power & Rate Committee meeting to order at 7:05 P.M.

Chairman Carakatsane called the CAB meeting to order at 7:05 P.M.

The Retiring/Expiring of Renewable Energy Certificates (RECs)

Mr. Carakatsane explained that at the last CAB Meeting on October 4, a question was raised about what was happening with the Renewable Energy Certificates (RECs). He added that there was knowledge that the RECs are being let to expire and in the meantime, the Board as a whole has not considered the issue. It was a concern of the CAB, so this meeting was requested to discuss both sides of the issue.

Mr. Seldon wished to modify some comments made at the last meeting. He clarified that the RECs for the Green Choice Program were allowed to expire, because that is how the program was set up. The new RECs that the Department is getting with the Swift River Project are not expired, and are being banked in the RMLD's account.

Chairman Hahn stated that the Board has discussed the issue, but there is no unanimous consensus as to whether the RECs should be retired. The Board asked Energy Services to come in with options, and the Board allowed the RECs to be bought and expired under the Green Choice Program.

Ms. Parenteau added that there has been discussion at this Committee level to develop a sustainability policy and address what to do with RECs in the policy. The Committee has also discussed whether or not to utilize the Swift River RECs to satisfy the Green Choice RECs. A definitive answer has not arisen, but there has been discussion.

Chairman Hahn noted that RECs could be sold on a retroactive basis so no value has been lost by sitting on them.

Ms. Parenteau said that the whole purpose of Green Choice is that the RMLD would go out, purchase RECs, and retire them. Since then the RMLD found a purchase power agreement with Swift River, which is a whole new set of RECs. With the new set of RECs a discussion on what should the policy be related to the RECs and how to move forward is now a pertinent discussion.

Mr. Carakatsane asked how the RECs expire.

Ms. Parenteau passed out an informational page (from mass.gov), which gives a summary and an overview of what is an RPS (Renewable Portfolio Standard), how the RECs work, how does a REC originate, and who keeps track of a REC. It also notes that generation providers who are classified as renewables have the ability to sell those RECs. She added that within the current contract with Swift River, Swift River generates the RECs, which go onto a GIS system.

Chairman Hahn explained that the GIS system maintains all the generator attributes. When a REC is generated, it is tracked on the GIS system.

Mr. Hooper asked if the Swift River REC would expire.

Ms. Parenteau responded that once the REC is banked, it is the RMLD's, and that it only has a value if someone wants to buy it. The RMLD has complete control over the REC, and it stays in our bank.

Ms. Snyder asked if the Green Choice RECs are retired annually.

Ms. Parenteau responded that the RECs are retired quarterly, and noted that there is a window of time that generators have to put the information into the system in terms of transferring the RECs. For example, from July through December, Quarter 1 RECs can be recorded.

Discussion ensued.

Mr. Capobianco noted that the RMLD is buying energy along with the RECs.

Chairman Hahn responded that was correct, and it goes into the RMLD's energy supply portfolio.

Mr. Carakatsane recalled that the basic idea behind the Green Choice Program was to raise money to invest in renewables.

Chairman Hahn stated the RECs were bought because the RMLD wanted to say that it had some renewable green power.

Mr. Soli asked how residential solar customers could get RECs.

Chairman Hahn explained that a customer would have to be a certain size to go into the GIS system, so a single rooftop solar panel would not be eligible. He added that there are developers who will install residential solar panels, and they will take the RECs and bundle them to be big enough to go into the GIS system.

Ms. Parenteau commented that there are also aggregators that will go up to individual solar customers and will start a contract with them to aggregate their solar to buy RECs. She noted that Jared Carpenter is looking into the possibility of aggregating some of the individual solar customers and working with a third party vendor who has the ability to do it.

Discussion ensued.

Mr. Carakatsane asked if a RPS policy had been developed.

Ms. Parenteau responded that Energy Services had a meeting with the Power and Rate Committee and presented an outline of a sustainability policy.

Mr. Carakatsane asked if an energy portfolio standard and having RECs go hand in hand.

Ms. Parenteau stated that municipal utilities are exempt at the present time.

Chairman Hahn noted that the Board of Commissioners has directed the General Manager and the employees to go find renewable projects, i.e., Concord Steam, Swift River Hydro, solar. Chairman Hahn believes the Board does not want to opt into an RPS, but would rather set its own policy, which is more complicated than it appears. He added that the initial step was the Green Choice Program: buy the REC and see if there is customer interest; however, there was only tepid interest. He said that the Board must decide what percentage of the portfolio should be renewable taking into consideration that it is a policy issue, a rate issue, and a generation/supply issue.

Mr. Carakatsane asked what is done with the RECs, besides sell them and get cash back to possibly subsidize buying renewables.

Ms. Parenteau noted that if the RECs were sold, the RMLD would not be buying anything that is "green". She added that what makes this "green" is having the certificate attached to the megawatt hours and keeping those together.

Mr. Carakatsane asked if you could use them to buy more "green".

Mr. Seldon explained that one of the options (as listed in a memo attached to the agenda packet) is if all or a portion of the RECs are sold you can use the money for other sustainable projects. He commented that as long as the Board sets the criteria, the Energy Services Division (ESD) could do it.

Ms. Parenteau added that it is really a policy decision.

Chairman Hahn stated that if the RMLD wants to be called "green" then a piece of paper is needed that says it is "green".

Ms. Snyder said that it appears the power generation is completely separated from the "greenness" of it, so you can sell the "greenness".

Mr. Capobianco stated that all we are really talking about is whether or not we call ourselves "green". If we want to say we are "green", the RECs get retired; if we want to take the money and invest it in other renewable projects, then we have to say we are not green.

Mr. Seldon said that if you wanted to take it one step further, we could say that we are going to call so much of the power green and retire a portion of the RECs, and sell the others for investment.

Discussion ensued.

Ms. Parenteau stated in her opinion that it is very important, no matter what option the Board may decide, that it is communicated clearly that if the RECs are sold, that we do not call it "green".

Mr. Soli commented that controlling the peak is important, and whatever the RMLD does, it should be encouraging solar. He added that if it means the RECs should be sold to use that money to build solar, and encourage solar, then that is what is important to him. Saying that you're green or not is not so important to him, but protecting the environment by cutting down CO₂ is more important.

Chairman Hahn offered a different viewpoint. He agreed that controlling the peak load is important, but CO₂ comes from generation throughout the year and is just as damaging in January as in August. He added that solar only has a 16% capacity factor, wind 25%, water 30%, and hydro 30-60%. Per kW of capacity, hydro will avoid most greenhouse gas. He believes they are all important and would not exclude hydro and wind, and solar is the most expensive.

Mr. Carakatsane asked where is the Board and/or Committee in this discussion, policy or thoughts?

Chairman Hahn stated that at the last Committee meeting they had a lot of questions that they were trying to get answered. He believes it comes down to whether the RMLD wants to be called "green" or not, and how much more above market will we pay? He said they have not come to a quick resolution on this, because it is not a simple solution.

Mr. Hooper said that in his opinion although we are talking about "green", it makes more sense to sell the RECs and invest in more renewable energy.

Mr. Capobianco's opinion was to sell the RECs and use that money to bridge the gap for more renewable energy at a more reasonable cost, and increase the amount of renewable energy within the portfolio. He agrees with Mr. Soli regarding solar panels, however, you don't get as much bang for the buck.

Chairman Hahn stated that if RMLD is not worried about its current portfolio being "green", then don't buy renewables, buy conventional power supply, and take that money that is saved and invest directly in the RMLD's service territory. Mr. Hahn (own opinion) does not believe the RMLD should buy renewable power, sell the RECs, and call itself "green".

Discussion ensued.

Mr. Cameron stated that he doesn't believe a project is dead forever with respect to "green". He believes that at a certain point in time you can stop selling the RECs and retire them. He added that the Department does not have an RPS yet, and thinks the legislature may in the future have municipals come under an RPS. When that happens, municipals will be scrambling. After some research, he found that those municipals that do have renewables are selling them. If the RMLD comes under an RPS, he would hope that the RMLD would have been proactive enough to have enough potentially green power in their portfolio so that if RMLD stops selling RECs, the RMLD would meet that portfolio standard. He believes that it is a question of philosophy, and agrees that Chairman Hahn is correct that if we sell the RECs, we cannot call ourselves "green". He feels that the Department should do a middle of road concept in acquiring green power and sell the RECs and relieve some of the cost. Mr. Cameron added that the RMLD should keep in mind that the RPS is now for the Investor Owned Utilities (IOUs), as the Department adds more potentially green power to the portfolio so that it can be there if and when a RPS is imposed. He does not disagree with Chairman Hahn, but wants to be conscious of the fact that the RMLD should be where it may need to be in the future with respect to an RPS.

Mr. Carakatsane commented that he sees Chairman Hahn's point; however, at the moment he is not against selling a portion of the RECs to try to recoup some of the expenses. He feels there is an obligation to the ratepayers to keep costs down.

Mr. Carakatsane explained that tonight was a gathering of information to discuss the philosophies of both sides. He said that perhaps after the Committee comes up with a draft; both the CAB and the Power & Rate Committee could meet jointly again.

Discussion ensued.

Mr. Soli had a question about the banking of RECs asking if the RECs have a shelf life.

Ms. Parenteau would get the information to Mr. Soli.

Discussion ensued.

Mr. Carakatsane said it sounds as though an annual discussion should take place on what to do with the RECs.

Ms. Parenteau would like to get direction from the Board and the CAB in the form of a policy.

Chairman Hahn said that ESD couldn't move forward until the Board and the CAB decide whether the RMLD is going to be "green" or not.

Ms. Snyder stated that in the conversations she has had with people from the energy office in Rhode Island, they were very interested in solar because of the issue of summer peaks. Ms. Snyder likes Option 2 with some of the RECs being sold and those funds used for municipal buildings getting solar.

Chairman Hahn would like to see the costs in a numerical analysis. If the Department did sell the RECs, how much money would we raise and would it make a difference? He stated that without some kind of numerical analysis, it is just guessing.

Mr. Capobianco stated that one of the reasons for holding on to the RECs is because we may be subject to an RPS in the future, and he wanted to know if he were correct.

Mr. Cameron said that if the RECS could be sold, and then if we do have a RPS apply to us, the Department would stop selling the RECs and then they would count as "green".

Chairman Hahn explained that the Department would buy RECs from Swift River and whatever RECs the RMLD gets in 2012 or 2013, the Department would sell. Then come 2015, the RMLD stops selling them. He said that doesn't mean that those RECs are banked all along the way, and added that RECs can't be sold and banked.

Mr. Capobianco said then why not sell them until the Department is forced to retain them.

Ms. Snyder and Chairman Hahn responded that the Department bought them to be "green".

Mr. Capobianco said they could be sold to subsidize the purchase of more green energy.

Chairman Hahn's question is how much money will be received if they are sold, and how much will the Department be able to do that is "green".

Mr. Carakatsane referred to Table 2 in the memo regarding market value.

Discussion ensued.

Mr. Carakatsane said that he encourages discussion by both Boards and the Committee on this issue, and for the Committee to perhaps develop a draft policy for review. He would welcome a financial analysis.

Mr. Soli commented that the options listed in the memo are good, and added that there should be a 2B. outlining what to do with the money.

Mr. Parenteau stated that ESD would provide more numbers or any other information the Boards would like.

Chairman Hahn noted that if the RMLD decides to sell RECs, he does not see how he could approve buying another Swift River. He feels RMLD would be taking money out of ratepayers' pockets and not be any "greener" than before.

Mr. Carakatsane asked if the Committee had anything on the table such as a meeting in the future on this issue.

Chairman Hahn stated that it will be brought up at their next meeting, and feels the issue should be decided quickly.

Ms. Snyder asked if the joint meeting of the Power and Rate and the Policy Committees was because of this issue.

Mr. Cameron responded that there were still some questions on the policy, so it was not ready to go to the Policy Committee. He feels this issue goes hand in hand with the policy. He said that the policy would have to go back to the Power and Rate Committee again for review, and keep the CAB apprised.

Chairman Hahn asked the CAB what option they liked.

Mr. Carakatsane responded that he likes Option 2, which would include a policy, perhaps a 2B, although he is concerned about not enough opportunity.

Chairman Hahn also wanted to know where those prices are going in the future. He added that the outlook of supply and demand is heavily in favor of supply, and if Cape Wind comes in the state will be awash with RECs. The RECs won't be worth much.

Mr. Carakatsane said he prefers a year-to-year approach, because what may make sense now may not make sense 18 months or two years from now.

Mr. Soli suggested having specific review dates and/or periods in the policy.

Adjournment

A motion was made at 8:15 P.M. by Mr. Hooper and seconded by Mr. Capobianco to adjourn the CAB meeting.

Motion carried unanimously 3:0:0.

A motion was made at 8:16 P.M. by Ms. Snyder and seconded by Mr. Soli to adjourn the RMLD Board of Commissioners Power & Rate Committee meeting.

Motion carried unanimously 3:0:0.