

Meeting Summary

**Energy Policy Council
Advanced Energy
909 Capability Drive, Suite 2100
Research IV, NCSU Centennial Campus
Raleigh, NC 27606
November 18, 2009
10:00 a.m. – 3:00 p.m.**

Energy Policy Council Members Present:

George Everett	Steven Burke	Michael Regan	Marcus Wilhelm
Cy Rich	Rodney Locks	Henry McKoy	Kevin Garrison
Jo Anne Sanford	Reginald Speight	George Baldwin	Senator Ellie Kinnaird
Rep. Angela Bryant			

State Energy Office Staff Present:

Tim Toben	John Morrison	Peggy Walker	Ward Lenz
Larry Shirley	Richard Self	Lauren Harris	
Seth Efron			

Guests:

Bruce Davis	Joseph Conaty	Elizabeth Biser	Tim Dodge
Joseph Baden	Sushma Masemore	Rosalie Day	Tony Reevy
Keith Johnson	Lorenzo Joyner	Jennifer Bumgarner	

Energy Policy Council Members Absent:

Pricey Harrison Richard Stevens

Tim Toben called the Energy Policy Council (EPC) meeting to order at 10:00 a.m. and welcomed the new EPC members, former EPC members, former State Energy Office staff, Energy Division staff and guests on behalf of the governor. Toben acknowledged Bob Koger and the Advanced Energy staff for agreeing to host the EPC meeting.

Toben provided an overview of the EPC agenda and what the meeting would entail as far as presentations, the tour of the Duke EnVision Center and Governor Beverly Perdue's press conference.

Tim Toben honored the former members of the EPC, some of whom agreed to serve on the current Council, the staff of the SEO, former members of the EPC and former members of the SEO, who have provided a platform upon which to build, beginning with the State Energy Plan that was developed by Larry Shirley and the State Energy Office. Toben stated that former EPC members Sen. Richard Stevens, Sen. Ellie Kinnaird, Rep. Pricey Harrison and Rodney Locks will be receiving a commendation from the governor.

Like 2002 and 2007, the EPC expects 2010 and 2011 to be landmark years for energy policy both at the federal and state level, which makes the EPC's job critical. There are strong indications that Congress will pass comprehensive climate legislation in 2010 that will establish a Cap & Trade System for carbon. Part of the EPC's mandate is to stay ahead of that curve and establish policies that enable a smooth transition into a low carbon economy that creates jobs and puts NC at a competitive advantage relative to other states. Toben expects that the EPC will recommend a comprehensive energy policy package in the long session of 2011, with some interim simulative recommendations to create green jobs during the short session (May 2010).

Tim Toben collected oaths of office from EPC members. EPC members that did not submit an oath to Tim were instructed to submit the oath to the Boards and Commissions by the end of the week. Toben also instructed EPC members to familiarize themselves with HB 1481, which was distributed in the EPC meeting packets. Toben provided an overview of HB 1481 highlights as follows:

HB 1481 Changes

1. The bill starts with consolidation of the state's energy assets and their transfer into Commerce. The SEO was transferred from the Department of Administration, and the Weatherization Office was transferred from the Department of Health and Human Services into the SEO of the Department of Commerce, which is headed by Assistant Secretary of Commerce John Morrison, who reports to Commerce Secretary Keith Crisco.
2. **113B-2 Creation of EPC:** "to advise and make recommendations on Energy Policy to the Governor and General Assembly." ... "The EPC shall serve as the central energy policy planning body of the State and shall communicate and cooperate with federal, state, regional and local bodies and agencies to the end of affecting a coordinated energy policy."
- 3.
4. **113B-3 Establishes the Composition of the Council:** 16 members 2/2 House/Senate and 12 public members who are citizens of NC, appointed by the governor.
5. **113B-6 Defines General Duties and Responsibilities:** The EPC shall have the following general duties and responsibilities: 1) To develop and recommend to the governor a comprehensive long-range State Energy Policy to achieve maximum effective management and use of present and future sources of energy;

such policy to include but not be limited to efficiency, renewable and alternative sources of energy, R&D into alternative energy technologies and improvements to the state's energy infrastructure and energy economy. 2) To recommend to the governor and General Assembly needed energy legislation and to recommend for implementation such modifications of energy policy, plans and programs as the Council considers necessary and desirable.

6. **113B-11 Powers and Authority:** The EPC may request and secure information from government agencies, energy producers and major energy consumers, which the EPC deems necessary to carry out its duties as defined in Articles 1 and 2. The Department of Commerce shall provide staffing capability to the EPC and its subcommittees and the Utilities Commission is authorized to make its staff available to the Council to assist in the development of a State Energy Policy (SW).
7. **113B-12(b) was rewritten** to describe one report to be issued by the Council, which will include:
 - 1) An overview of statewide growth and development as they relate to future requirements for energy, including patterns of urban and metropolitan expansion, shifts in transportation modes, modifications in building types and design and other trends and factors which, as determined by Council, will significantly affect energy needs.
 - 2) The level of statewide and multicounty regional energy demand for a five-, 10- and 20-year forecast period which, in the judgment of the Council, can reasonably be met, with proposals as to possible energy supply sources.
 - 3) An assessment of growth trends in energy consumption and production and an identification of potential adverse social, economic and environmental impacts which might be imposed by continuation of the present trends, including energy costs to consumers, significant increases in air, water and other forms of pollution, threats to public health and safety and loss of scenic and natural areas.

Statutory changes that affected EPC Duties and Responsibilities

1. Last October, the stock market dropped precipitously and economists confirmed what most of us knew already – that we were in the deepest recession since the Great Depression. There are many uncertainties still looming. An unemployment rate over 10 percent shifts the EPC's focus. Many talented North Carolinians are out of work, so, as an example, retooling shuttered boat factories to build wind turbines and retraining boat builders make turbine blades offers the hope of revitalizing the state's economy. It is no accident that the SEO now resides in the Department of Commerce. The transition period between a relatively inefficient and higher carbon economy to a more efficient low carbon economy can and must be a period of economic expansion and job creation.

2. In November, we elected a new governor and a new president. A signature issue for both leaders is to build a 21st Century economy, with a clear understanding that the energy that powers that economy will change – carbon will have a cost. In the near future, carbon will be priced/regulated. Some version of the Waxman-Markey Bill will pass or the EPA will regulate carbon. Here are the Waxman targets (show graph). We're dependent on coal for electricity (50 percent) and petroleum for transportation. Again, we can look at this as a daunting challenge or as a transition period that offers the greatest opportunity for retooling and new jobs since WWII.

These times call for major shifts, and some states will be winners and other states will be losers. Some will lead the green economy and some will cling to the old paradigms. Our governor wants NC to be a national leader in the green economy.

So what exactly does that entail? Our job is to build the policy platform to enable a low carbon or “green” economy to flourish. We know from our own experience with S3 here in NC that enacting policies that promote renewable energy and energy efficiency work. Since enacting S3 in 2007, we've gone from 50 companies in that sector to 500. From watching other states and nations who are ahead of us in this enterprise, we know we can do better than S3. California has 10,000 such companies and attracts the vast majority of VC from this sector. Because of S3, NC is beginning to attract those companies and that investment capital, and our utilities are making parallel investments.

What Might A Comprehensive Energy Policy Platform Look Like?

Tim Toben provided an overview of what a comprehensive energy policy platform might look like and personal experience to support his examples:

1. A 20-year plan that meets or exceeds Waxman-Markey targets.
2. Minimal need within that plan to purchase federal carbon offset allocations. We want to keep NC dollars in NC and avoid a wealth transfer outside the state.
3. Coal dependence effectively reduced by two-thirds from 50 percent to 17 percent of generation through alternate fuels generation or CCS.
4. Maximal utilization of solar, wind and biomass resources for electricity generation.
5. Decoupling of rates such that utilities can earn a rate of return for conservation that competes with the rates of return they earn on new generation – optimizing energy efficiency such that NC is a top 10 EE state – we are currently 26th.
6. Ten percent of our liquid fuel coming from in-state, with higher fuel efficiency standards.
7. Low carbon base load generation.
8. An energy mix that minimizes cost to consumers and maximizes job security and economic expansion.

Ethics Committee

John Morrison discussed the governmental function of the Energy Policy Council and plans to have the Ethics Committee attend the December 2009 EPC meeting to provide a clear role for the EPC members. Morrison instructed the EPC members to avoid conflict and use common sense when making decisions until further direction is provided at the December 2009 EPC meeting.

Morrison also polled Council members to get a sense of meeting time and location availability for future EPC meetings. The plan is to eventually meet throughout the Triad, Charlotte and in western NC.

Council, Leadership and Guest Introductions

Council members introduced themselves and provided an overview of past involvement in policy work, sector roles in related business and their hopes and aspirations for the Energy Policy Council. John Morrison introduced the NC Department of Commerce Leadership Team (Secretary Keith Criso and Deputy Secretary Dale Carroll); they will oversee the governor's energy initiative, "Green is Gold." John also introduced the new State Energy Office director, Ward Lenz, and members of the Energy Division Leadership Team.

Guests attending the Energy Policy Council meeting introduced themselves and their organizations.

Energy Policy Council Subcommittees

Tim Toben provided an overview of the Energy Policy Council subcommittees and proposed subcommittee chairs:

1. Low carbon energy supply – renewable (wind, solar, biomass, hydroelectric), gas (transition fuel from coal), nuclear and coal with CCS (doubts in NC), CHP.
2. Low carbon transportation – CAFÉ and tailpipe standards, biofuels, State Fleet fuel efficiency, truck stop electrification, clean mass transit.
3. Energy efficiency – Decoupling, DSM programs for residential, commercial, industrial sector, building energy codes, Smart Grid, EERS (resource standard), appliance efficiency.

Inputs to Formulate Recommendations

Historical: State Energy Plan, DENR CAPAG Final Report, REPS – Senate Bill 3. These will provide input data to the subcommittees, but EPC members are invited to bring other data.

Current: The EPC’s expertise, that of the SEO and Energy Division of Commerce, the NCUC and any other state agency or IOU. As provided in 113B-11(b), the EPC will have the staff of Commerce assist with any research or assistance needed.

Primary Deliverables

- Identify present and future (potential) resources.
- Quantify MWh saved or generated, jobs lost/created/net, investment, ROIs.
- ID policies needed to get to scale and optimize potential – looking at other states.
- Estimate the GHG reductions relative to 2005.

Proposed Subcommittees

Low Carbon Energy Supply

George Baldwin

George Everett

Rep. Pricey Harrison

Michael Regan

Jo Anne Sanford -- Chair

Marcus Wilhelm

Low Carbon Transportation

Steve Burke

Kevin Garrison

Rodney Locks -- Chair

Sen. Richard Stevens

Energy Efficiency

Rep. Angela Bryant

Sen. Ellie Kinnaird

Henry McCoy

Simon “Cy” Rich -- Chair

Reginald Speight

Energy Policy Council proposed subcommittees moved by Sen. Kinnaird for unanimous consent, seconded by Reginald Speight, and approved by voice vote.

Tim Toben directed Commerce to begin its work with the NCUC on a joint report pursuant to Section 10 of HB 1481, examining the respective duties and functions of the Utilities Commission and EPC. The set draft due date is January 15, which will be two weeks prior to submission to the governor on 1/31/10. Relative to Section 9 G.S. 113B-12(b), Toben would like for Commerce to initiate research on the statewide and

multicounty growth and energy demand forecast for the 5-, 10- and 20-year period. Toben requested that Utilities and NCUC Public Staff offer assistance.

Presentation:

Dr. Harvey Seim, Professor at UNC-CH. Offshore Wind Potential presented on “*Coastal Wind of North Carolina’s Future.*”

Working Lunch

At noon during the working lunch the Advanced Energy staff presented on “*Energy Efficiency and AE Practice.*”

Duke Envision Center Tour

The Energy Policy Council members participated in the Duke EnVision Center Tour at 1:00 p.m.

Press Conference

At 2:30 p.m., Governor Beverly Perdue held a press conference at the Duke Envision Center to address and charge the Energy Policy Council members. The governor believes that “*Green is Gold.*”

The meeting adjourned at 3:10 p.m.