



Meeting Minutes: Industrial Interim Work Group
February 27, 2012

Moderators:

Scott Smith, Smith Management Group
Samantha Williams, Midwest Energy Efficiency Alliance

DEDI Participants:

Lee Colten
Paul Brooks

Stakeholder Participants:

Brent Powell, TVA	Dwight Stoffel, Arkema
David Hamilton, Kenergy	Steve Wilkins, KFTC
Paul Ackerman, Lexmark	Mike Hornung, LGE-KU
Richard Meisenhelder, KPPC	

I. WELCOME

1. Introductions
2. Opportunities to provide feedback outside group forum, contact Scott and/or Samantha by email, phone
3. Designation of group leader/reporter

II. RECAP OF ISSUES RAISED ON FEB. 6 INTERIM CALL

1. Opportunity for comments/corrections on Feb. 6 minutes

- Facilitator Question - Corrections to the minutes?
- Advocates Response – Would like to amplify comments re position on industrial opt-out
 - Primary objection to opt-out had to do with issue of fairness, any sector that contributes to EE benefits all other sectors

- Facilitators providing opportunity to make edits to accurately reflect comments

2. Issues to table for now

- “Heavy Industrial Users” (>5MW) will typically be implementing their own EE
- Self-direct, opt out for this sector

3. Carry-over issues from Feb. 6 Interim Group Call

- Education, EE awareness as a whole for industrial sector
- Size of the industrial user may be an indicator of receptiveness to EE programs/services
- Facilitator Question - Industrial customers <5MW - Who are these customers?
- Non-Regulated Utility Response - <5MW customers are heavily weighted by commercial customers
 - These customers are typically contracted at 5MW, but typically only use 3MW
 - The ones who are still below 5MW but are industrials are auto suspension parts; Tier 1, 2, 3 auto support facilities for Toyota, etc.
 - Some customers have multiple facilities, some of which are below 5MW
 - Less than 5MW programs are essentially the same as for larger customers, but a more hands off approach.
- Regulated Utility Response - Don't have DSM programs for industrial programs of any size, only serve commercial customers
 - They don't have the luxury to split the industrial class into size
 - They do have tariffs that are based on usage. There are designations from a usage perspective
 - Those customers are similar to what the previous commenting utility is seeing
- Regulated Utility Response #2 - Most of customers below 5MW are agriculture, coal mining, and some small manufacturing
- Academic Institution - Non-regulated utility is taking large industrial programs and starting to push them down to the smaller industrials
- Non-Regulated Utility Response
 - Yes, had EE forum this week, heard from Bonneville Power and how their programs are being run.

- Realistically, they are trying to take the prescriptive aspects from <5MW programs and pull them into heavy industrial programs, and in turn trying to get more custom programs for <5MW
- Trying to blend the best of both worlds into the two kinds of industrial users
- Aiming for 144 GWh savings for industrials, 10 cents per KWH
- \$550 Million total budget
- **Industrials**
 - They are heavy industrial energy users, larger than 5MW
- **Facilitator Question** – Would the utilities be interested in looking at programs for <5MW customers if they were included in the cost-recovery aspect of the DSM Statute?
- **Regulated Utility** - If they chose to do a program, and the DSM statute was changed to be more size-related, notwithstanding political issues, then utilities would have a better ability to value programs for <5MW customer
 - Yes, they would be interested in looking into that

III. REVIEW OF REFERENCE MATERIALS

1. Kentucky's Existing Industrial Incentives

- **Facilitator Questions** - How beneficial would these incentives be to your business?
 - How could these be altered to incent you to make energy efficiency upgrades?
 - Compare with TVA's *Valley Investment Initiative* - What elements of this program could be applied to improve Kentucky's existing industrial incentives, if any?
- **Industrial Response**– Has taken advantage of Kentucky Industrial Revitalization Act (KIRA), not for anything involved with energy though
 - Those incentives do provide benefit industrials
 - KIRA has helped with new investment at the plant, training incentives
 - Providing increased or retaining present employment
- **Non-Regulated Utility** – It is their understanding that KIRA cannot be used for project justification
 - Issue with a credit approach - If we develop a project for a facility, and Kentucky offers a credit and gets it below 2 years, that justifies
 - Internally, though, the company needs to be able to accept those incentives and turn them into real \$\$

- **Industrial Response**– That’s correct, but if they work on it, it is a viable means of making a project more attractive
 - The real issue is a lack of internal resources at the local level to make that happen – typically the application process does not track with the reality of the business world
 - For example, many state-sponsored grant programs have only a 45 day application period
 - Those short time periods make it impossible to take advantage of grants –They need something that exists long enough where they can identify the need, and then put a project together and get upper level approval
 - 6 months would be a better time period to work with, give them time to put together something that is worthwhile, particularly because these are substantial projects
 - State-level folks do not appear to understand budget cycles in Kentucky’s businesses – very few things projects are sitting on a shelf, “shovel-ready” and waiting for funding

- **Industrial Response #2**– Grants are the most helpful for this industrial user
 - They resubmit as opportunities come up
 - Though they agree with the other industrials that the cycling of budget with grants is a not always helpful
 - Specific grant \$\$ would be the ideal for them, not tax incentives
 - Re timing - it would be helpful if there was advance warning/knowledge of those awards being made available

- *Facilitator Question* - What do folks think about the Kentucky Reinvestment Act (KRA)? – There is a fee for the application, for processing, etc.

- **Industrial Response** - Folks are more likely to use KIRA
 - Use of tax incentives is beneficial because it is continuing, for normal projects coming up, they can use these incentives at any time
 - This is in contrast with one-time grant offerings
 - KY incentives are very focused on what you can use the money for energy-wise
 - Have to take in a whole mix of ways we could improve EE
 - Thus, reference to energy efficiency upgrades in any future incentives should be broad enough to encompass diverse options

- **State Rep** - There is a misperception with regard to State RFPs
 - The recent TVA RFP contemplates renewed funding, as well as contemplates project development; the only requirement for the

upfront application is to identify the general project, but could take the first year to develop the details of the project

- **Industrial Response** – If the State Rep’s comments are true, then the State needs to put forth clearer application procedures, more communication upfront
 - From his reading, it seemed like the first proposal was the final proposal
 - And if you had questions, there was no guarantee that the answers would be given before end of grant application period
- **State Rep** - Communication between industrial users and the state is essential
 - Suggestion for ongoing forum for this kind of communication between the State and industrials, especially as it relates to grants

2. Texas LoanSTAR Program-Revolving Loan Fund

- *Facilitator Question* - Texas LoanStar program would provide perpetual \$\$\$. How would it be funded? EPA penalty dollars could be useful, diverted into a separate pool.
- **Industrial Response** – First step would be to look into whether loan funds would be useful to an industrial, as opposed to straight up grant funds
- *Facilitator Comment* – The KY Green Bank is not really offering a revolving fund
 - Rather, they have a finite amount of \$\$\$ lent out by legislature
 - Theoretically self-perpetuating fund, though not proven yet
 - Additional funding is available every year for new projects
- **Advocate Response** –Benefit to Loan Star above KRA and KIRA is it establishes technical assessment and reporting guidelines
 - They have a feedback mechanism with monitoring to make sure electricity savings are realized.
- *Facilitator Comment* – That is true, some standardization would be useful so we’re comparing apples to apples
 - Problem with RLF is often the payback period exceeds what the industrial would want
- *Facilitator Question*– What funding level would be necessary to make it attractive/useful to Kentucky’s industrials?
- **Industrial Response** – Will check with financial folks, and get back to us. And what would the bond window look like?

- **Industrial Response #1** –Generally, they don't want loans, would rather work with grants
 - Payback may be different depending on what the item is
 - If the company has cash it will put it into good use for EE projects, and grant funds would be more helpful

IV. ADDITIONAL ISSUES TO ADDRESS ON MARCH 22

1. Transparency of Energy Savings

- **Facilitator Question** - Does the group agree with this statement?
 - To build credibility for EE amongst the industrials – and all customer classes - we need reliable data that is easily accessible in both form and content to all energy users
 - Availability of clear, transparent data is a best practice in many other states with established efficiency programs, regardless of whether industrials participate or opt out
 - Plan to focus on this issue during the in-person collaborative on March 22
- **Non-Regulated Utility** – Transparency is core to the overall health of a program
 - Putting onus on the industry itself to provide data is the way to go
 - Maybe it would be attached to the incentives and grant programs, and industry would have the book-keeping
 - Reporting would be linked to incentives or grant programs
- **Regulated Utility** – Education is good of course, but who bears the burden of making sure that the reporting is done accurately
 - Is it the state? Who bears the cost?
- **Facilitator Comment** – Have seen this done three ways – 1) utility; 2) central entity that is attached to the energy office; or 3) some mechanism within state government
- **Industrials** - Showing credibility for EE is important; to show to the consumer, as well as to the internal brass
 - Some industrials are already reporting their data
 - They get requests from customers all the time, and have everything on a database

2. Review of March 22 agenda, breakout sessions

3. Closing Comments