



RAP

Energy solutions
for a changing world

A Year of Challenges: Seeking to Insulate Energy Efficiency Programs from Harsh State and National Fiscal Realities

2011 NAESCO Annual Meeting

Presented by Richard Sedano

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2011: The Pendulum Doesn't Always Go Your Way, but just wait and keep working...

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Introducing RAP and Rich

- RAP is a non-profit organization providing technical and educational assistance to government officials on energy and environmental issues. RAP Principals all have extensive utility regulatory experience.
 - Richard Sedano directs RAP's US Program. He was commissioner of the Vermont Department of Public Service from 1991-2001 and is an engineer.

- This symphony will have three movements
 - Music appreciation students may have an advantage identifying them

Outline for Today

- Big EE Savings Targets Drive Progress
- Politics
- Leadership and Mixed Messages
 - Chronic RIM
 - Slow Progress on Utility Business Model
 - EM&V Consistency
- What's new at RAP: Clean First

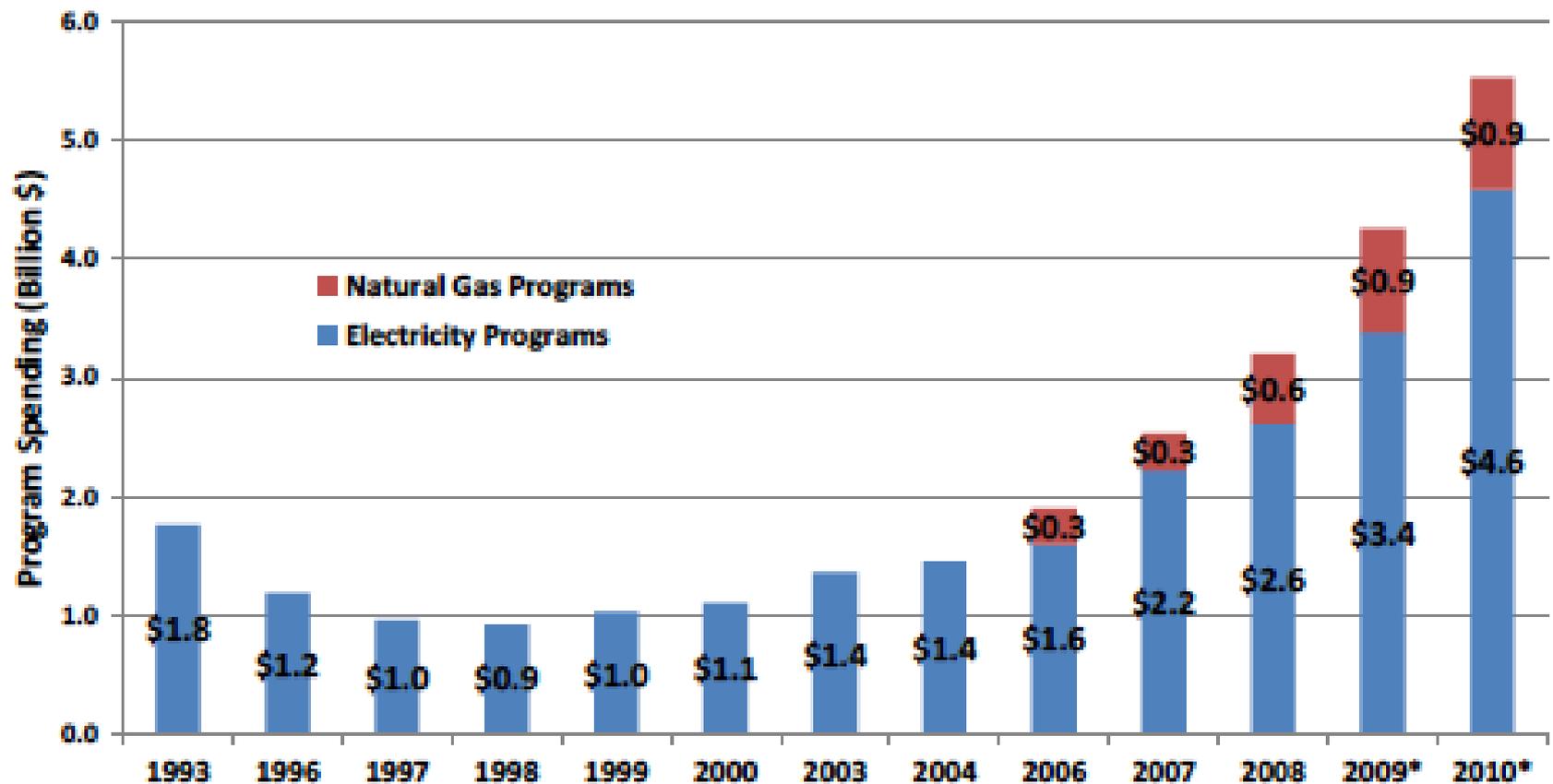
Big Targets, More States

- Momentum of big savings targets in many states
- Many states gaining (enduring) experience
 - States resisting lessons from early adopters so progress can be slow

Northwest conserved 254 megawatts

- **Spokesman Review** October 12, 2011
- **The Pacific Northwest had a record year for energy conservation in 2010, saving enough megawatts to provide power for 153,900 homes. The 254 megawatts saved is the single largest one-year gain in energy efficiency in the past 30 years, surpassing the Northwest Power and Conservation Council's goal by 25 percent. The council tracks energy efficiency. Ratepayers saved approximately \$135 million from energy efficiencies.**
The savings are calculated based on surveys of the region's electric utilities, the Bonneville Power Administration and others. About half of the savings occurred at commercial businesses and industries. Improvements to residential lighting accounted for another 28 percent. Replacing water heaters, furnaces, washers and other appliances with energy- efficient models accounted for another 18 percent. More than 90 energy-efficiency measures are tracked, including installation of programmable thermostats, adding insulation and replacing machinery.

Figure ES-2. State-Level Energy Efficiency Program Spending or Budgets by Year, 1993–2010



*All values actual program spending (EIA Form 861) except for 2009 and 2010, which are budgets (CEE Annual Industry Reports).

Notes: Includes ratepayer-funded programs. Natural gas efficiency program spending is not available for 1993–2004.
Sources: Nadel et al. (2000); York and Kushler (2002), (2005); Eldridge et al. (2008 and 2009)

2011 ACEEE State Energy Efficiency Scorecard

There is a lot of good news!

- But...

Politics have clearly changed in 2011

- Recession (and cheaper gas)
 - Raids on EE funds by government approps
 - Buildings Departments taking less risk
- Resistance to government initiatives
 - Notably EPA regulations
 - RGGI: attacks in state legislatures
 - And passively managed: Carbon caps too high
 - WCI drifting
 - Some new administrations willing to disrupt EE
- Utility EE largely standing up to attacks, though advances not mandated have slowed

Washington? Washington? Are you there Washington?

- While Congress appears energy-deadlocked
- US DOE is supporting many initiatives with ARRA funds
 - Favorable to EE and community development
 - But these funds are running out and then what?
 - And standards. And SEE Action.
- EPA will continue to pressure large power generation to reduce impacts or retire

Leadership and Mixed Messages: EE giving as good as it's getting

- Energy Efficiency is popular and cheap!
 - Resisting rollbacks (though increases put off)
 - Southeast US is opening to EE
 - FERC policy shifts favor EE
 - But some braking forces remain
 - RIM test remains strong in some states
 - Utility administrators report being expected by state regulators to do more than is fair for less cost recovery than is fair

Slow Progress on Utility Business Model

- Electric utility compensation still driven by sales and rate base in majority of states
- Some states have committed to assuring utility revenue adequacy
 - Decoupling making progress in 2011 (WA, OH)
 - So sales don't matter to meeting annual #s
 - But lost revenue adjustments also on the rise (AR, MO)

Growing recognition of importance, but of what?

- Address lost revenue?
- Address overall corporate incentives regarding sales?
- Address energy efficiency performance?
- Address overall corporate incentives regarding investment?
- Address overall corporate incentives about performance?

More Hard Work Ahead

- Utility Business Model Issues
- EM&V

Measurement and Verification Consistency

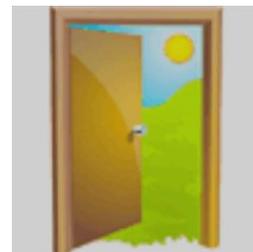
- Confidence in savings is critical
 - Will smart grid help?
- States with EE programs have developed their EM&V practices
 - EE now a grid resource, which can be commoditized
 - What if we get a national Clean Energy Standard?
- See Action EM&V initiative and NEEP EM&V forum



CLEAN FIRST

Clean First

- Policy as if Clean Energy were a top priority: what does that look like?
 - Innovations
 - Long time good ideas still with great potential
 - Due discrimination



The Pendulum Does Not Seem to Stop

- So RAP is anticipating when it will change direction again
- Energy Efficiency businesses need to be heard
 - Glad to see business councils forming in states

The Energy Efficiency Symphony for 2011

- Vibrant good news in many places in the realm; heroes doing great things
- New threats and attacks beleaguer the heroes and spirits flag
- In reality, these ebbs and flows are always in flux, and the real work is about continuously improving what we all do to realize the full value of energy efficiency

About RAP

The Regulatory Assistance Project (RAP) is a global, non-profit team of experts that focuses on the long-term economic and environmental sustainability of the power and natural gas sectors. RAP has deep expertise in regulatory and market policies that:

- Promote economic efficiency
- Protect the environment
- Ensure system reliability
- Allocate system benefits fairly among all consumers

Learn more about RAP at www.raonline.org

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