

A Report on the State of the Voluntary Energy Efficiency Program Industry

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Overview: ***A Report on the EE Program Industry***

- *Introduction: From "Do-Gooder" to Business Partner*
- *Funding Levels: Up, Up and Away!*
- *Public Policy Trends: Resource Acquisition & the Environment*
- *Program Needs: Don't Feed the Bears*
- *Implications for Partners: We Will All Do Well by Doing Good*



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Introduction: From “Do-Gooder” to Business Partner

- ❑ *Is Energy Efficiency Program Administration an “Industry”?*
- ❑ *What You Should Know About the EE Program Administration Industry*
- ❑ *The Role(s) of Energy Efficiency in the Energy Utility Business*
- ❑ *The Business End of Saving Energy*

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Introduction: Is EE Administration an “Industry”?

- ❑ *What Is an “Industry”?*
 - Merriam-Webster: “Distinct group of productive or profit-making enterprises”
 - ✓ Bottom line business
 - ✓ Bricks and mortar
 - ✓ Personnel and capital
 - EE Industry Partners: Manufacturers, distributors, retailers, service providers & program administrators



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Introduction: **Is EE Administration an “Industry”?**

- *Is EE Administration a Growth Industry?*
 - Growth Industry: “A business that has become increasingly popular or profitable ... Also, an interest that is increasingly popular or trendy”
 - ✓ Consumer Push & Pull: “An Inconvenient Truth” and the politics of the environment; Hybrids & H3s; “Décor” & “Home” magazines and the Sunday paper
 - ✓ Beyond Recognition to Trust Marks: From the Good Housekeeping Seal of Approval to ENERGY STAR



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Introduction: **From “Do-Gooder” to Business Partner**

- *What You Should Know About Us: We Get It!*
 - EE programs cannot – and do not – create and sustain the energy efficiency marketplace ...
 - Notwithstanding this, EE programs can – and do – influence energy efficiency markets, market actors and consumers
 - ✓ The EE program administration industry will spend nearly \$2 billion this year on programs that touch every aspect of the EE marketplace, including and especially your customers



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Introduction: From “Do-Gooder” to Business Partner

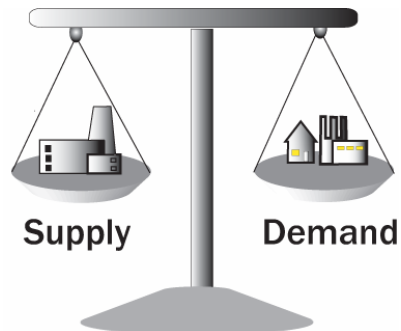
- *What You Should Know About Us: Why We Do What We Do*
 - Why? Energy efficiency program administrators are publicly (or ratepayer) funded
 - ✓ Driven by public or energy policy objectives
 - ✓ Impacted by marketplace economics
 - ✓ Accountable to policy makers, customers/constituents and fiduciaries
 - What? Purposeful intervention in the market, guided by policy objectives and backed with lots of money and muscle



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Introduction: The Business End of Energy Efficiency

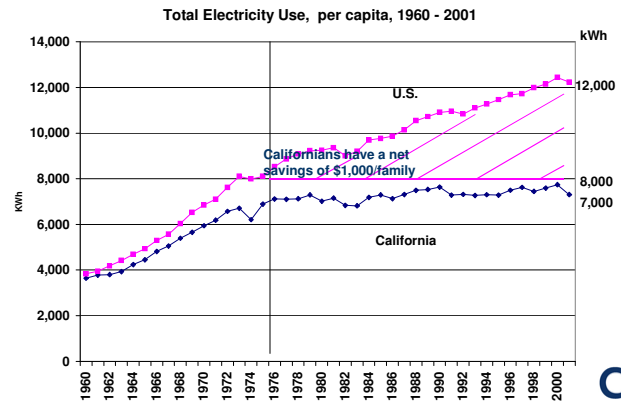
- *Roles of EE in the Energy Business*
 - Providing least cost, reliable electric service
 - ✓ Balancing supply and demand
 - ✓ Resource portfolio manager role = Harvest or procure
 - Helping customers save energy & money
 - ✓ Customer service & satisfaction
 - Fostering a cleaner & greener environment
 - ✓ Environmental stewardship
 - ✓ “No regrets” approach to climate change & regulation



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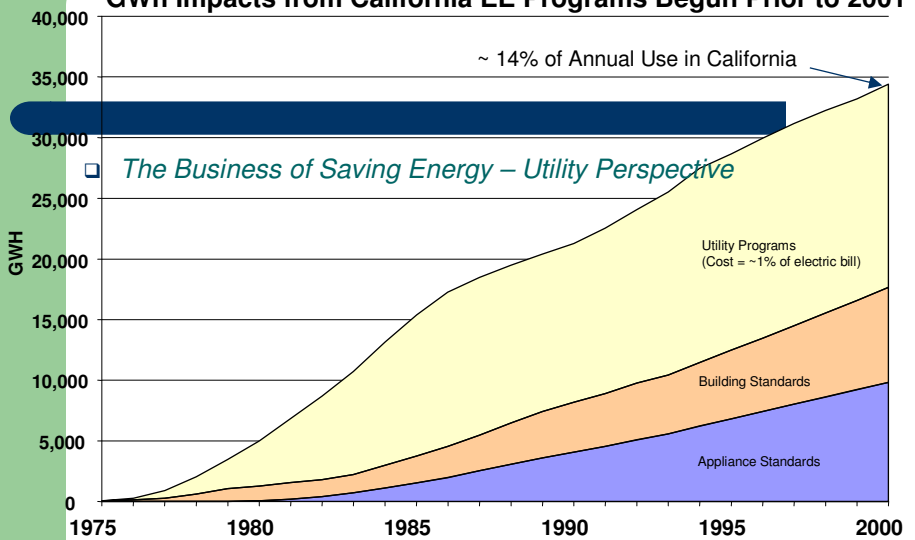
Introduction: The Business End of Energy Efficiency

□ *The Business of Saving Energy – Consumer Perspective*



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GWh Impacts from California EE Programs Begun Prior to 2001



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Introduction: **The Business End of Energy Efficiency**

- *The Business of Saving Energy – Financial Impacts*
 - Big Three
 - ✓ Recovery of reasonably-incurred costs
 - ✓ Recovery of (or insulation from) lost revenue impacts
 - ✓ Sound business case = Opportunity to earn



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Funding Levels: **Up, Up and Away!**

- *Sources of Energy Efficiency Program Funding*
- *2006 Funding Levels*

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Funding Levels: Sources of EE Funding

- ❑ *System Benefits or Public Goods Charges*
 - Legislatively-mandated, non-bypassable charge
 - ✓ Can set funding floor or specific amount
 - ✓ Usually includes a sunset clause or review window
 - ✓ Subject to politics and raids

- ❑ *Procurement Funding*
 - Goals and amounts established in Long-Term Resource Plan
 - ✓ Utilities apply for funding based on resource need
 - ✓ Amount recovered in rates along with other generation-related expense

- ❑ *Cap-and-Trade*
 - Market for credits creates funding pool



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Funding Levels: Increased Funding Levels for 2006

2006 U.S. EE
Budgets =
\$1.87 B

(2005 U.S. EE
Budgets =
\$1.65 B)



2006 EE
Budgets for
Canadian CEE
Members =
\$234.3 M
(Canadian \$)

(Note: Totals
based on
incomplete
data. Final
totals will be
posted on CEE
website.)

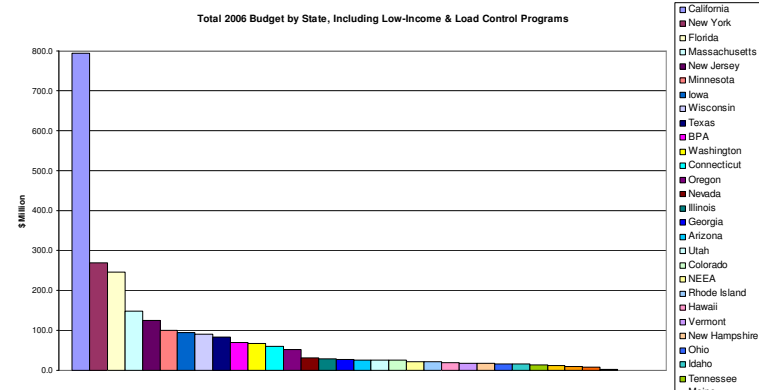
EE Budgets in \$ Millions

(Note: Does not include municipal & co-op programs; any low income, demand response, self-generation or renewable generation programs; or any federally-funded programs)



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Funding Levels: 2006 EE Program Budgets by State

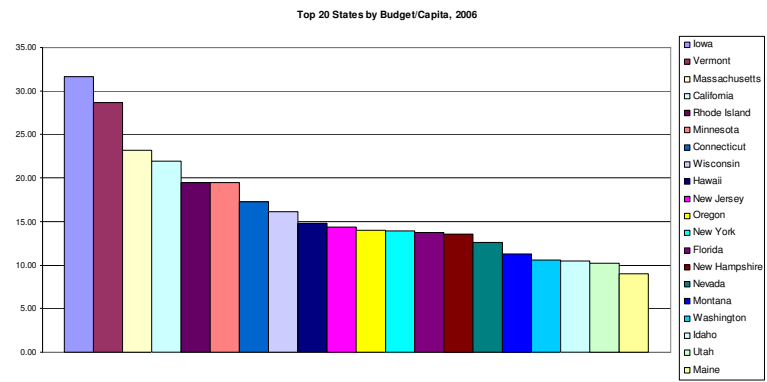


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(Note: Graph based upon preliminary data. Final data will be posted on CEE website.)



Funding Levels: 2006 Per Capita Funding Levels



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(Note: Graph based upon preliminary data. Final data will be posted on CEE website.)

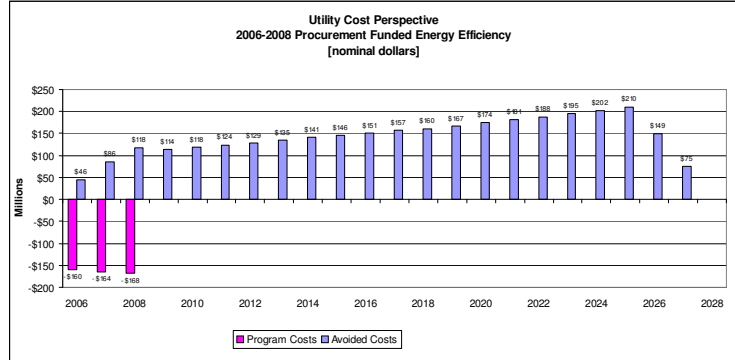


Public Policy Trends: Resource Acquisition & the Environment

- ❑ *Economics of Energy Efficiency*
- ❑ *Resource Acquisition Policies Favoring Energy Efficiency*
- ❑ *Evolving Policies on Greenhouse Gas Emissions*
- ❑ *National Action Plan for Energy Efficiency*

Public Policy Trends: Economics of Energy Efficiency

- ❑ *Utility Benefits = Least Cost Resource*



Public Policy Trends: Economics of Energy Efficiency

- *Ratepayer Benefits of EE Programs*
 - “Projected total resource savings to ratepayers (avoided utility generation and electric power and natural gas purchases, transmission and distribution costs) are over \$5.4 billion over the life of the measures. With total costs estimated at \$2.7 billion (including customers’ out-of-pocket expenditures for energy efficiency measures/equipment), the total investment in energy efficiency during 2006-08 is projected to produce **\$2.8 billion in net resource benefits** (resource benefits minus costs).”

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Public Policy Trends: EE as a Priority Resource

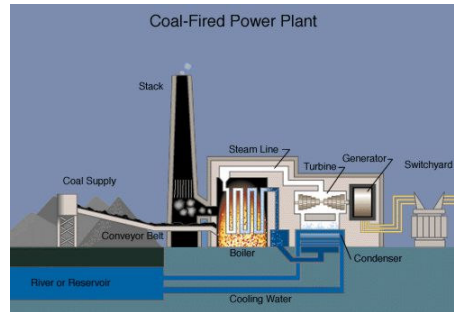
- *State Energy Policies Designate Energy Efficiency as a Priority Resource in Procurement Decisions*
 - California's Energy Action Plan = Energy Efficiency is first resource in California's "loading order"
 - ✓ Cost-effective EE must be used to address need before supply-side options
 - ✓ Extended to municipal utilities through legislation (SB 1037)



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Public Policy Trends: California's "Loading Order" in Action

- *Resource Acquisition Rationale for California Utilities' 2006-08 EE Program Budgets Levels*
 - "The utilities project that ratepayer investment in energy efficiency will be capable of avoiding three giant (500 MW) power plants over the next three years."



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Public Policy Trends: Emerging Environmental Policies

- *Legislators and Regulators Investigating Approaches for Addressing Global Warming*
 - Various mechanisms have been advocated and debated ...
 - ✓ Procurement incentive framework, including cap-and-trade mechanisms
 - ✓ Performance standards for generation resources
 - Key implementation issues have identified ...
 - ✓ Compatibility with national policy
 - ✓ Timing of policy determinations
 - ✓ Reach of regulation into geographic and market sectors



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Public Policy Trends: EE = No Regrets Environmental Action

□ *Environmental Benefits of California Investor-Owner Utilities' 2006-08 EE Programs*

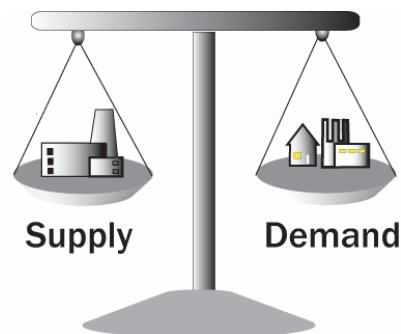
- “[T]he lifetime electricity savings that result from measures installed during that period will reduce global warming pollution by an estimated 3.4 million tons of carbon dioxide in 2008, equivalent to taking about 650,000 cars off the road.”



Public Policy Trends: National Action Plan for EE

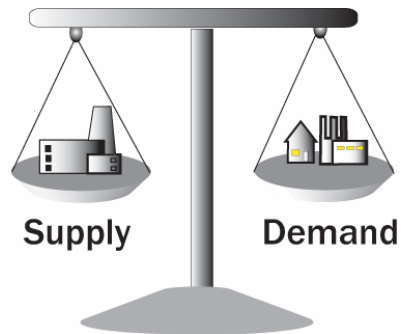
□ *What Is the National Action Plan for EE?*

- Nationwide Initiative
 - ✓ Sponsored by the U.S. Environmental Protection Agency and Department of Energy
 - ✓ Leadership Group = Over 50 representatives from electric and gas utilities and from public and private organizations



Public Policy Trends: National Action Plan for EE

- ❑ *What Is the National Action Plan for EE?*
 - Goal of the Action Plan
 - ✓ Sustainable, aggressive commitment to energy efficiency through utilities, utility regulators, and partner organizations
 - ✓ Best Practices = Designate EE as a resource; adopt targets for EE; pursue EE resources as part of long-term resource planning; regulatory framework that encourages utility investment in EE



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EE Administrator & Program Needs: Pursuing All Cost Effective EE

- ❑ *Please Don't Feed the Bears!*
- ❑ *How to Work with North America's Leading EE Program Administrators*

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EE Administrator & Program Needs: Pursuing All Cost Effective EE

- *Yogi's First Rule of Feeding Bears ...*
 - Once you start you cannot stop!
 - ✓ Least cost resource
 - ✓ "No regrets" environmental policy
 - ✓ Economic benefits
 - ✓ Consumer/customer demand
 - ✓ Expected interactive benefits with advanced metering



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EE Administrator & Program Needs: Pursuing All Cost Effective EE

- *How to Work with North America's Leading EE Program Administrators ...*



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Conclusion: **Implications for Industry Partners**

- ❑ *The EE “Do-Goeder” Sitting Next to You Is Actually Your Next Strategic Business Partner!*
- ❑ *Our Funding Levels Are Up ... Let’s Work Together to Put the Money to Mutually-Advantageous, Productive Use!*
- ❑ *Public Policy Trends in Resource Acquisition & the Environment Are Creating a Sustainable, Robust Business Environment ... Take Advantage!*
- ❑ *We Will All Do Well by Doing Good!*

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Conclusion: **A Report on the EE Program Industry**

***Thanks for Attending the
Third Annual CEE
Industry Partners
Meeting!***

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