National Action Plan for Energy Efficiency
Mid-Atlantic Implementation Meeting

Breakout Group Notes

Group B

Overview

- Approximately 30 participants formed Group B discussion.
- Group B discussions focused on advancing the dialogue in the Mid-Atlantic region to "modify policies to align utility incentives with the delivery of cost-effective EE and modify ratemaking practices to promote EE investments."
- Group discussed and identified:
  - Barriers and options for making a strong, long-term commitment to implement cost-effective energy efficiency as a resource
  - Assistance needed to implement the Action Plan recommendation
  - Actions and next steps

Discussion Questions (from background presentation)

1. While all three policy areas (remove disincentives, recover costs, reward performance) are important, in your state/region is it appropriate to address one or two before the others?
2. In the Mid-Atlantic, is the throughput incentive limiting increased investment in EE?
3. What is the right balance of incentives for the program administrator that also reflects the utility obligation to procure long term least cost resources?
4. To what extent should EE be a reason to justify dynamic prices?

Discussion

Does it make sense to have same regulatory structure with the new commitment to EE or does it need to change?

As addressing regulatory structure make sure to look at other policies for consistency (e.g., declining block rates).

Some key fundamentals of traditional regulation do not change with decoupling.

Important to distinguish between customer perspective/incentives (i.e., rate design approaches, like inverted block rates) and utility perspective/incentives (e.g., program cost recovery, throughput incentive)

Does provide rate of return on EE investment eliminate the need for addressing throughput?

There is a place for shareholder incentives (treatment like other investments and, perhaps, even providing for higher rate of return). This should not be thought of as making up for lost revenues.

Can decouple, lower target RoR to reflect decrease in revenue risk, and provide bonus performance incentives. If do in fact reduce risk than should see an improvement in credit rating.

Short term changes needed, but long term perspective must be kept in mind. Recovery should be spread over same period as longer term of EE benefits, growing over time.

Long term perspective is important to bring to this re-commitment to EE.

EE has to be as reliable as new coal plant that would be built.

Need permanent and valuable measures (e.g., windows, radiant floor heating) … items that people do not want to, nor easily are able to, remove.

Need to strike a balance between short/long terms. Find models for this. As utility is facing long term generation investment decisions, can't we use similar model and apply to EE?

Use benchmarks, normalized for key factors (hardware costs, labor costs, etc.), share savings between utility and ratepayers.

Use existing models that everyone is already familiar with. Can we build on these? Need to make investment in consumer education over the long term.

Similarities and distinctions exist between Electric and Gas utilities. Electric: need for more generation or more EE to negate new generation. Gas: need for new investment is not of same magnitude as on electric side. Gas can use rate design more than electric can to address EE. Electric side is 90% investment issue, 10% rate issue. Gas is 10%/90%.

More effective if address both investment and rate issue and achieve results more quickly.

Sectors … large C/I claims they do not need EE help. Differentiation of policies for sectors is appropriate/needed. For example, SBC may be appropriate approach for residential but not for C/I.

ELCON opposing decoupling; easily fixable complaints; ELCON saying 'leave us out.'

NJ Energy Master Plan: phase in EE/policies over time, employing both carrot and stick.

On gas side: decoupling almost never applies to industrials. Gas utilities are staying away from applying decoupling to large C/I.

Decoupling: no one size fits all.

To point of inverted rates … isn't this all about price signals? Not all customers can afford but if this is all about EE, inverted rates are key.

Price signals are appropriate, but not most efficient way to achieve EE investment. Price signals should not be to exclusion of investment in EE programs.

Virginia is taking a renewed look at their EE programs.

No silver bullets, but rather silver BB's, and may change overt time. Shooting moving target.

Doesn't fluid market vary incentives for EE?

Rates Mostly NOT time differentiated for end users.

There are unknowns w/ RPM implementation in PJM.

Need to distinguish between conservation and DR. DR: price signal is key. EE: price signal is not as critical.

Economists love price signals. Most customers want cold been and T.V. Therefore, need smart thermostat, etc. with no thinking/effort required by end-user. Automated.

Gas: delivery of gas and agent of therms purchase. Price signal is same to customer whether therms are a pass-thru or not.

Industrials hate to pay for residential service and vice versa.

Why don't we address EE in similar way as we do for a new power plant? EE is the cheapest resource.

From consumer advocates view, key is best available price for consumers. Their focus is on residential and impact on their rates.

Residential should pay for what they cause.

Barriers & Options

- Consider impact on other stakeholders (e.g., ESCO's, HVAC, banks)
- Fix existing rate design disincentives (e.g., declining block rates)
- Investment incentives relative to other resource choices
- Be mindful of differences in customer classes
- Design flexibility to adapt to changes

- Differences between electric and gas – rate design

Assistance Needed

- Checklist of things to consider when evaluating EE-related actions (model toolkit)
- Link between FERC, states, etc.

Actions/Next Steps

- Provide ways that states can get involved in and support the Action Plan