

Why Utilities Need to Get Out of the Energy Efficiency Business: The Ratepayers Perspective

Informational Hearing on Utility EE Programs
Senate Energy, Utilities, and Communications Committee
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** Energy Efficiency Programs Managed by Investor Owned Utilities
regulated CA Public Utilities Commission—PG&E, SCE, SDG&E, SoCal Gas*

Why End Utility EE Programs?

- 1) Significant failure to meet energy savings goals.
- 2) Bonuses are paid despite performance shortfalls.
- 3) Utility EE savings have not reduced usage or carbon.

1) Significant failure to meet energy savings goals.

Adjusting Reported IOU EE Savings: 2006-2008

PG&E, SDG&E SCE, SoCal Gas	Annual GWh	%Savings	Peak MW	%Savings
Claimed Savings	9374		1590	
Savings Goals	6811		1448	
CPUC ED <i>ex ante</i>	6345	93%	1269	88%
CPUC ED <i>ex post</i> *	4140	61%	866	60%
Additional <i>ex post</i>	3000	50-%	700	50-%

Net energy saving goals for 2010–12 actually *decrease* despite 42% *increase* in EE funding from 2006–08.

**TURN analysis / calculations from ED consultants' Nov/Dec 2009 EM&V Reports.*

2) Bonuses are paid despite performance shortfalls.

- Preliminary CPUC staff report estimated utility savings at 65%–85% of 2006 goal—\$0 Bonus range.
 - Utilities demanded \$152 million advance payment:
“We promised Wall Street 2008 shareholder returns.”
 - Admin Law Judge awarded utilities \$0 in advance, saying that they should wait two months for final report.
- CPUC President Peevey won vote to award utilities a \$82.2 million advance at Dec 18, 2008 CPUC meeting.
 - Final CPUC staff report—based on energy savings, utilities were entitled to \$3.6 million in bonuses.*
 - Due to an earlier CPUC ruling, the \$78.6 million overpayment was never refunded to consumers.

* The \$3.6 million in earned bonuses was for SoCal Gas: the only utility to meet the 85% performance benchmark.

3) EE savings have not reduced usage or carbon.

CA Energy Consumption Trends post-2005

- Absolute increases in energy consumption can and have occurred even with energy (efficiency) savings
- **CA (total) electricity consumption has continued to increase btw 2005 & '08 +5.5%; per capita increase +3.0%**
- CA natural gas consumption has increased 6.5% btw 2005 & '07; +5.1% per capita.

Source: *Electric Power Annual* (total retail sales of electricity) http://www.eia.doe.gov/cneaf/electricity/epa/epa_sprdshts.html & <http://quickfacts.census.gov/qfd/states/060001k.html>

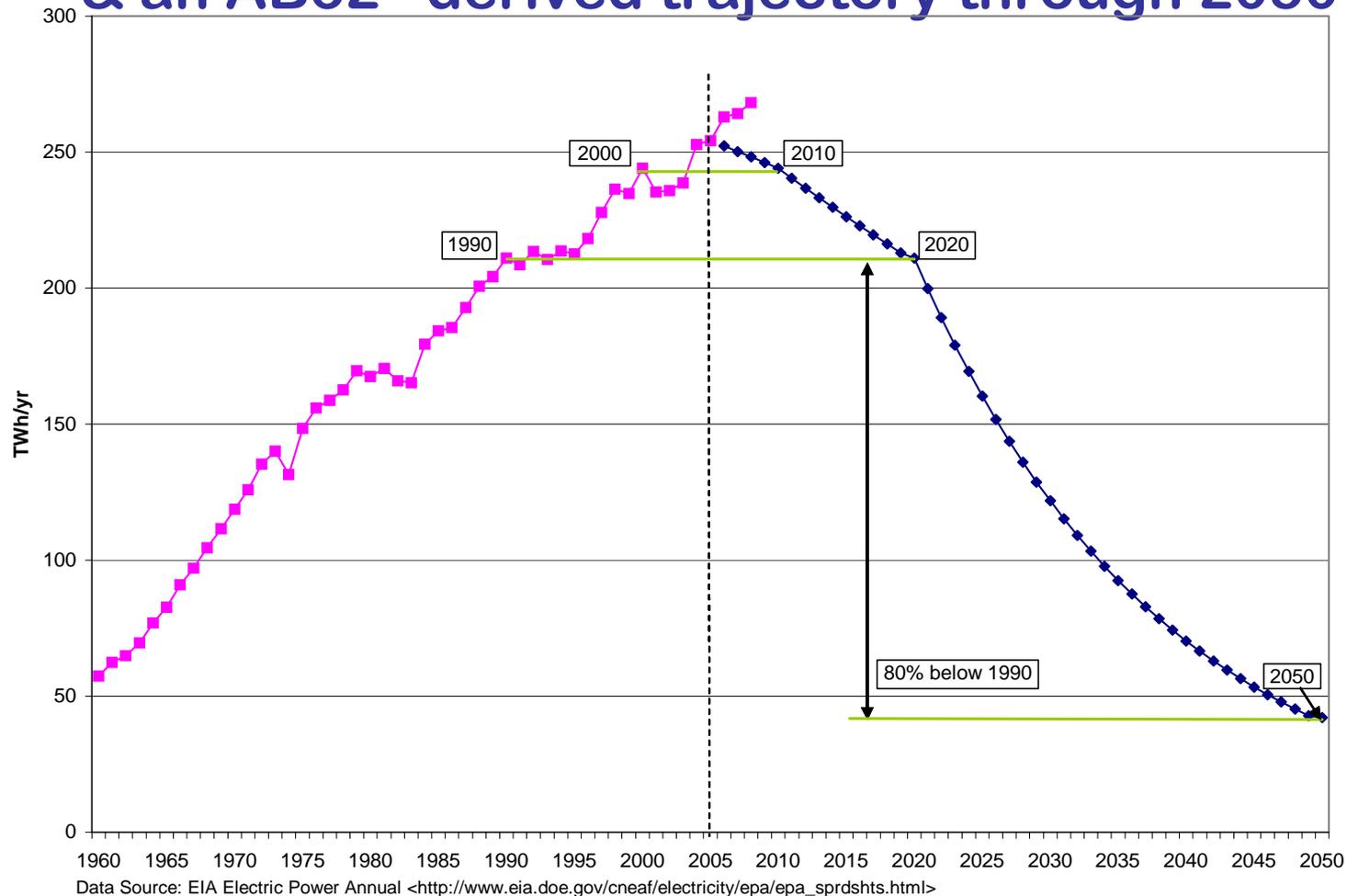
US EIA Natural Gas Consumption: http://tonto.eia.doe.gov/dnav/ng/ng_cons_sum_a_EPG0_VC0_mmcfa.htm

Deumling, Reuben, Associate Energy Economics Inc. 2007. CPUC Energy Division White Paper. "Separating Means and Ends: Reorienting Energy Efficiency Programs and Policy toward Reducing Energy Consumption in California"

http://www.cpuc.ca.gov/NR/rdonlyres/D5CFAD3F-A4EC-4721-BD79-D4BD6AC72257/0/EDWhitePaper_MeansAndEnds_090402.pdf

3) EE savings have not reduced usage or carbon.

Total CA electricity consumption 1960-2005 & an AB32*-derived trajectory through 2050



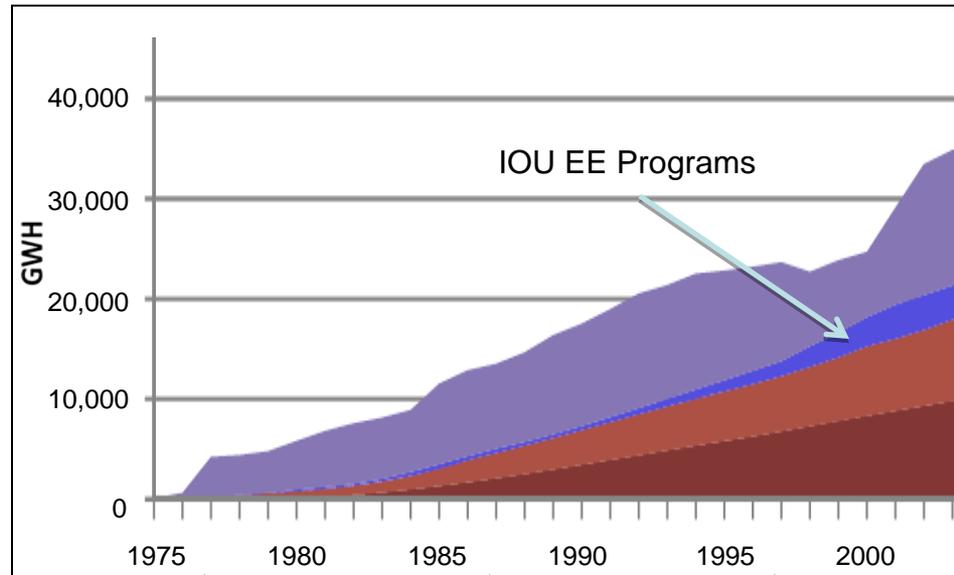
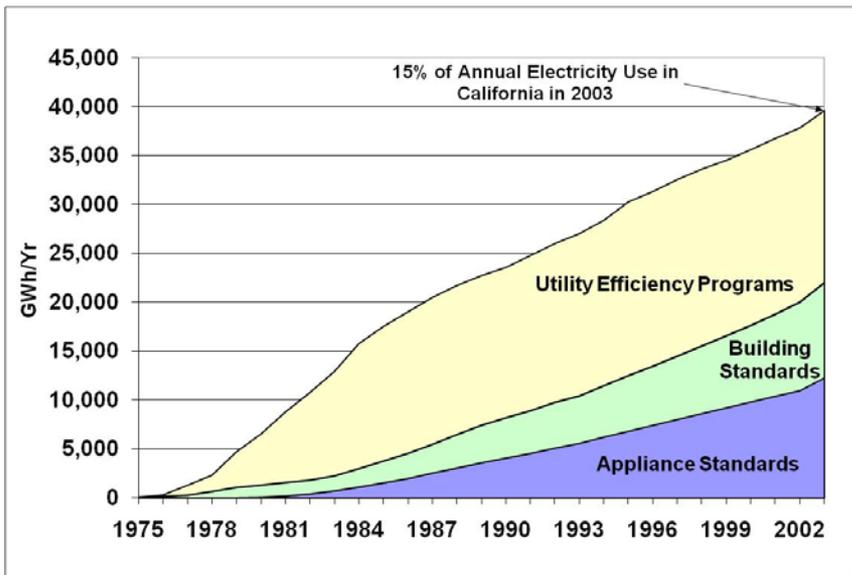
* Executive Order S-03-05 stipulates the 2020 & 2050 targets

Source: Reuben Deumling, Associate Energy Economics Inc. *Separating Means and End: Reorienting Energy Efficiency Programs and Policy Toward Reducing Energy Consumption in California*

CEC Cumulative Savings Data: EE Programs and Other Savings

Old Series: 1975 - 2003

New Series: 1975 - 2003



- Appliance Standards ■ Building Standards
- IOU EE Programs ■ Price/Market Effects

The Need for Independent Energy Reduction Management: The Ratepayers Perspective

- **A focus on Reducing Energy Consumption is more effective in reducing energy use and carbon emissions.**
- **Increases ability to focus on long-term investments such as HVAC, weatherization, white roofs over short-term fixes such as energy saving light bulbs.**
- **Redirects hundreds of million of dollars annually from administrative costs and shareholder bonuses.**