

Southeast Regional Update Energy Efficiency as a Resource ACEEE September 2009



Who is SEEA?

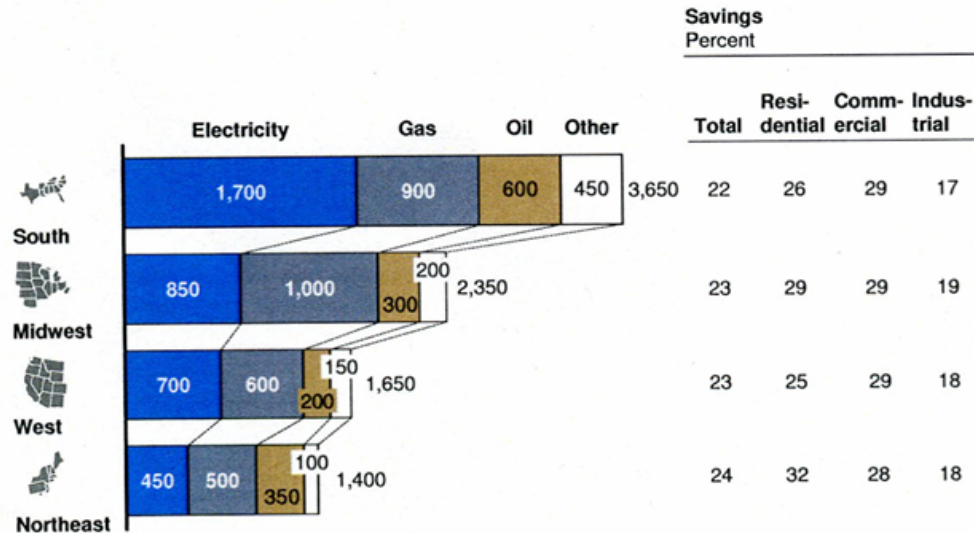
The Southeast Energy Efficiency Alliance builds regional partnerships to promote and achieve energy efficiency for a cleaner environment, a more prosperous economy, and a higher quality of life.

- SEEA covers 11 southeastern states and 71 million residents.
- Participants include state, federal, and local governments, electric and natural gas utilities, businesses (energy users and efficiency suppliers), and non-governmental organizations (environment, low income housing, etc.)



Energy Efficiency End-Use Potential Across Regions

Trillion BTUs in 2020*



* Numbers rounded to 50 trillion BTUs

Source: EIA AEO 2008, McKinsey analysis

Source: *Unlocking Energy Efficiency in the U.S. Economy*, McKinsey Global Energy and Materials, July, 2009

Meta-Review of Efficiency Potential Studies and their Implications for the South

- Comparative Review of 19 studies over 12 years
- Cost-effective investments can reduce energy consumption in the South by 1.5% per year
- With vigorous policies, 1.0% per year is achievable
- Achievable investments entirely offset the need to expand electricity generation through 2020

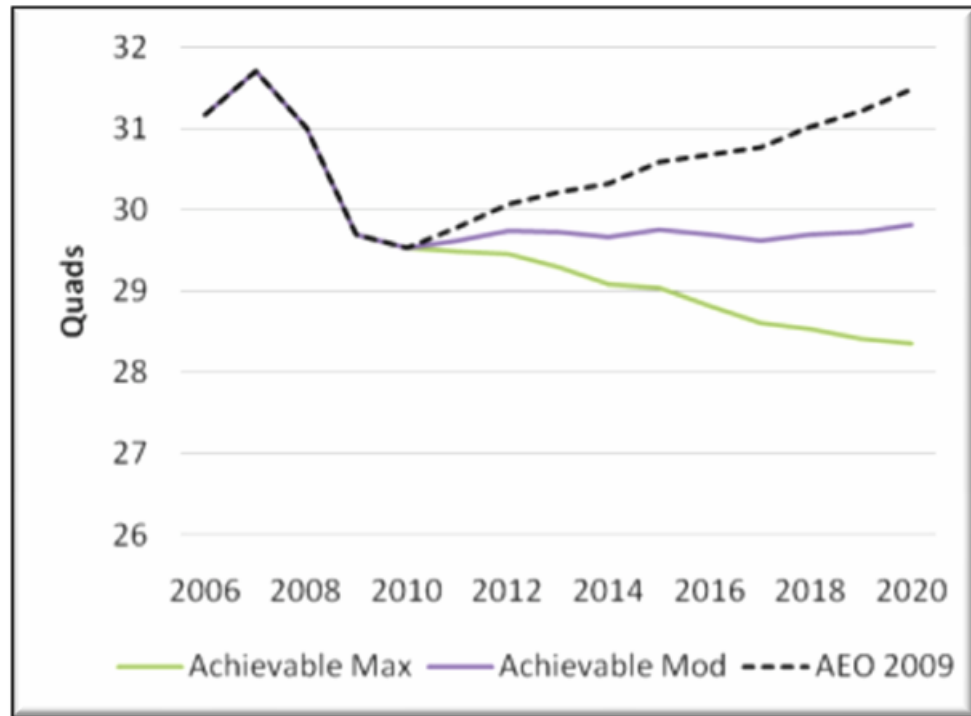


**Georgia
Tech**



Achievable Energy Potential

Achievable energy potential in the South could bring energy consumption in 2020 down to below current levels.*



*New plants may be needed to address supply imbalances, replace obsolete generation, or substitute environmentally benign sources- or for plug in vehicles.

<http://www.spp.gatech.edu/faculty/workingpapers/wp51.pdf>

Signs of Progress

- Utility EE programs under discussion by regulatory authority in all SEEA states
- State lead by example initiatives in 9 states
- Recent and supportive state energy or climate plan in 8 states
- On paper, EE a resource for planning purposes in at least 8 states

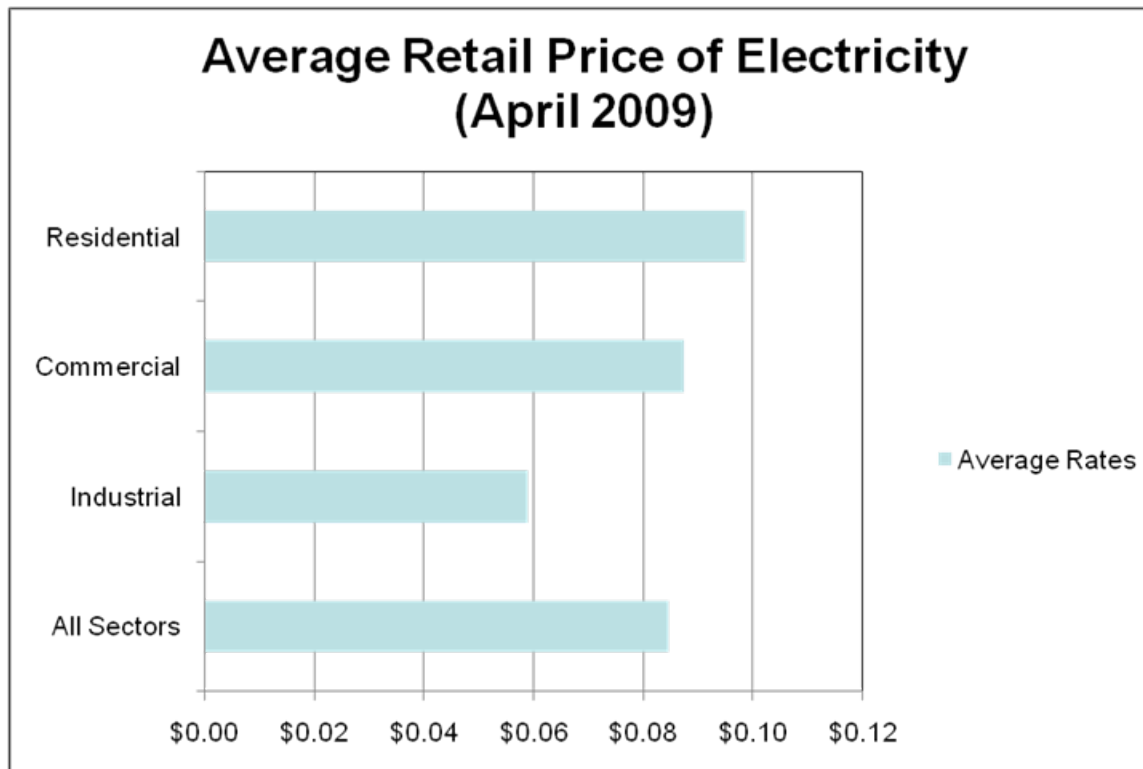
Key Steps in 2009

- VA - HB 2506 expands utility compensation
- NC and SC - Duke stipulates to significant targets and modified Save-a-Watt
- NC and SC - PSCs approve new compensation model for Progress
- TN - TVA launches IRP process
- AR - Dockets open on sustainable energy and innovative ratemaking
- FL - PSC to set EE goals

Reality Check

- Ten of eleven SEEA states in bottom half on ACEEE scorecard
- Lowest rates of penetration for Energy Star of any region
- Per capita spending on utility EE programs at one-fifth the national average

Georgia Average Rates

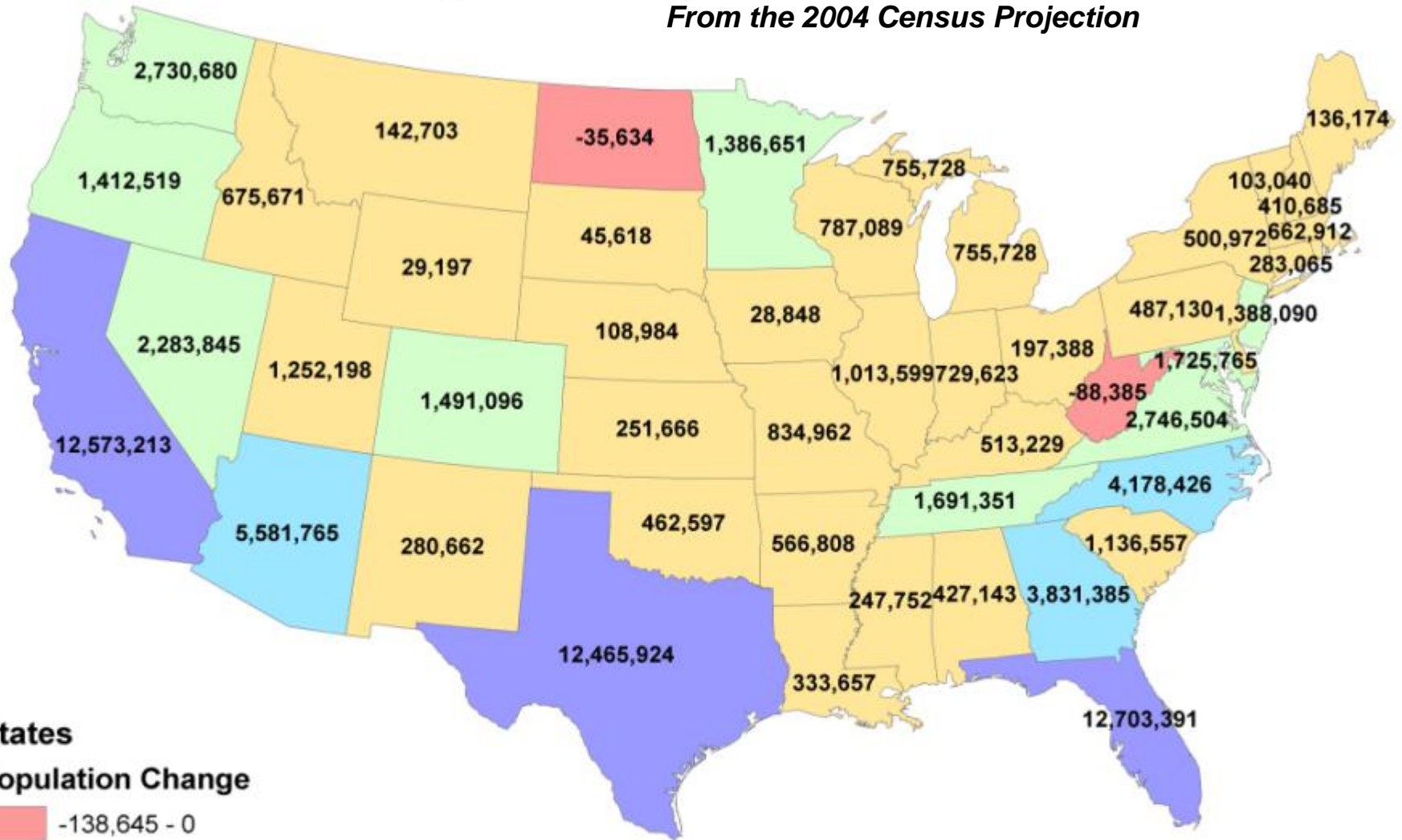


Source:

Average Retail Price of Electricity to Ultimate Customers by End-Use Sector, by State, Energy Information Administration (http://www.eia.doe.gov/cneaf/electricity/epm/table5_6_a.html)

State Population Projections 2000 to 2030

From the 2004 Census Projection

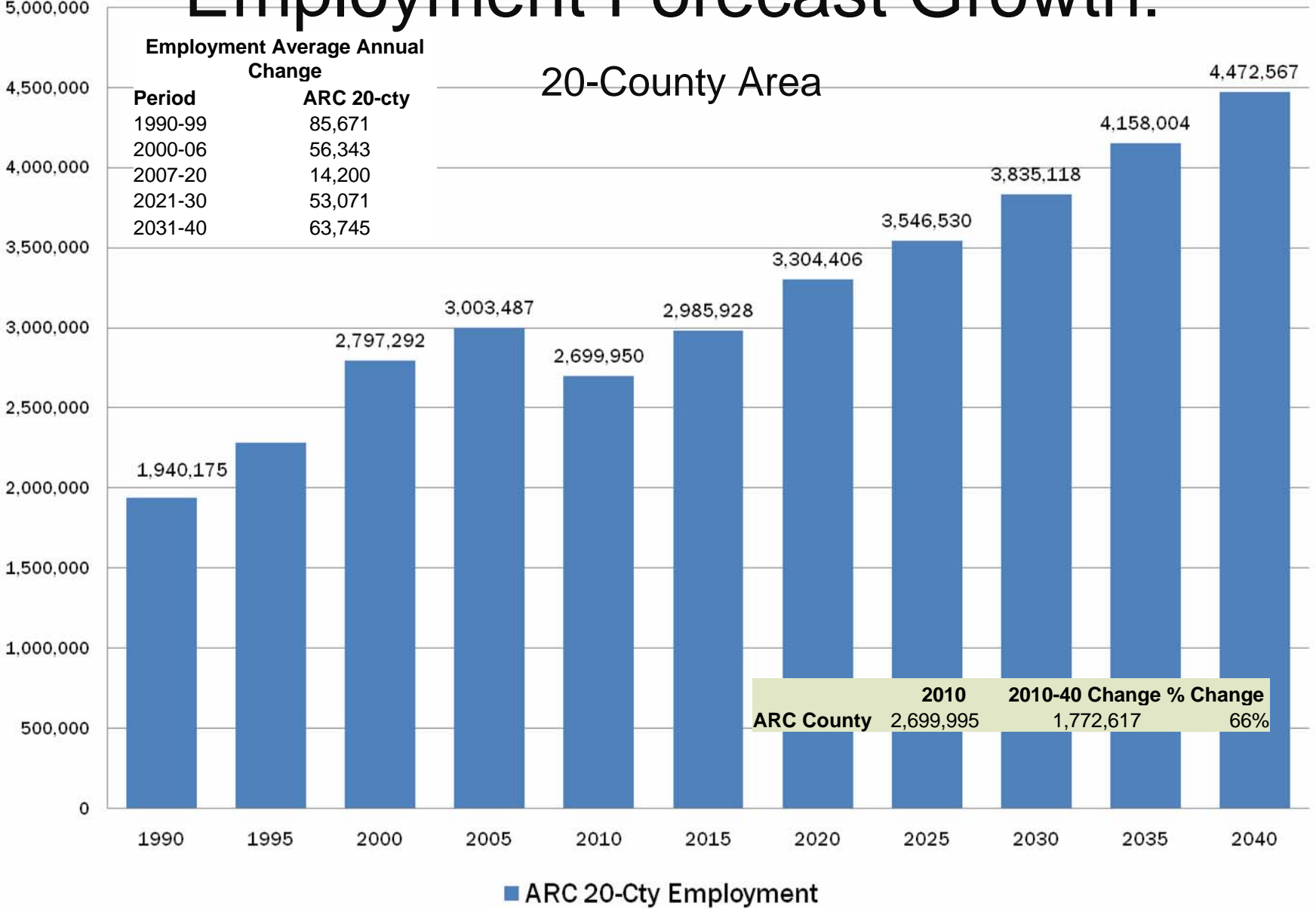


States

Population Change



Employment Forecast Growth:



Letter to NARUC



GOAL: “...Helping energy users exploit **all cost-effective energy efficiency opportunities.**”

STRATEGIES:

- Targets: “significantly higher **investment and saving targets over extended periods.**”
- Payments: “(1) **cost recovery** for prudent investment, (2) an **earnings** opportunity tied to **verified success** in delivering **cost-effective saving**, and (3) being kept whole for authorized **fixed costs** as power sales volumes decline.”



EEI/NRDC Compensation Model

- PSC has clear legal basis in AR, FL, GA, KY, NC, SC and VA
- Decoupling declined by PSC in FL, GA, KY, and NC and opposed by electric utilities across the region
- Recovery of net lost revenues, program costs, and incentives approved in KY, NC and SC; urged by utilities if EE expanded

Targets: Duke Carolinas Stipulation

- Annual incremental savings years 1-4 of .31%, .34%, .50% and .75%
- Cumulative four-year savings of 1.9%
- Target of incremental savings of at least 1% of 2009 sales by 2015
- Duke will “pursue all cost-effective energy efficiency”

Targets: Other than Duke

- Modest EERS in VA and NC
- KY plan proposes 18% by 2025 EERS
- SC PSC declines to set targets for Progress (June, 2009)
- Utilities in FL EE goal setting docket say: set goals using only EE measures that pass E-RIM test and have a payback of more than 2 years (Energy and Climate Commission concurs)

ACES Act RES

(HR 2454, passed by House)

- 6% in 2012
- 20% in 2020
- One-fourth may be EE or, upon governor's request, two-fifths
- EE from 1.5-2.4% of portfolio in 2012, 5-8% in 2020

**Energy Efficiency in the *American
Clean Energy and Security Act of
2009*: Impacts of Current
Provisions and Opportunities to
Enhance the Legislation
September 2009
ACEEE Report E096**