

# Starting from Scratch: Promoting Energy Efficiency without the Foundations of IRP or an EERS

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- Regulatory environment in West Virginia
- Current energy efficiency offerings
- Illustrative proceeding at West Virginia PSC
- Challenges of promoting energy efficiency
- Strategy going forward

- No integrated resource planning
  - No PSC rule or order, or established practice
  - Efforts at legislation so far unsuccessful
- No EERS
  - No PSC rule or order, or established practice
  - Efforts at legislation so far unsuccessful

- West Virginia ranked 49<sup>th</sup> in 2012 ACEEE State Energy Efficiency Scorecard
- Minimal program offerings by AEP and FirstEnergy in West Virginia
  - AEP: Low-income weatherization, residential home audit and lighting, and commercial-industrial incentives
    - Utility goal of achieving 1.1% savings in 2012; actual savings of 0.3% of sales in 2012

- FirstEnergy: Residential low-income program and non-residential lighting program
  - Goal of achieving 0.5% savings over 5 years, or 0.1% annually
- AEP and FirstEnergy offer many more EE programs in surrounding states in which they operate, due to need to meet EERS targets

- FirstEnergy proposal for Monongahela Power (Mon Power) and Potomac Edison to acquire 80% interest in Harrison plant
  - WV PSC Case No. 12-1571-E-PC
- Harrison is a 1984-MW coal plant built in the early 1970s
- Transaction would add 1476 of new capacity for Mon Power; filing indicated that Mon Power was only 938 MW short of capacity

- Proposed acquisition terms were 7.4 cents/kWh
  - Inflated value of plant included acquisition adjustment from FirstEnergy/Allegheny merger of February 2011
  - Proposed acquisition cost of \$1.163 billion versus net book value of \$574 million
- FirstEnergy “Resource Plan” filed with the application stated that “demand side resource options are not a viable solution capable of meeting Mon Power’s obligations”

- Testimony offered by WV Citizen Action Group (WV CAG)
  - Potential contribution of energy efficiency of 0.3% of sales in 2014, 0.5% in 2015, 0.7% in 2016, and ultimately increasing to 1.2% per year
    - Testimony of Catherine M. Kunkel
- Statement of PSC Chairman during cross-examination of witness for WV Coal Association:
  - “I don’t know if you were here this morning, but everybody trooped up and said we’d save the world by energy efficiency and demand response.”



- Proposed settlement filed with the WV PSC on August 21
  - Price reduced to \$858 million (still \$257 million over net book value)
  - Commitment to a energy efficiency savings of an additional 0.5% by 2018 (or cumulative savings of 1.0%), with a commitment to issue an RFP
  - Shareholder payments over five years for Home Weatherization Assistance (\$500,000), Low-Income Energy Assistance (\$500,000), Governor's WV Kids First Initiative (\$500,000)

- Proposed settlement (continued)
  - Shareholder payments of \$2.3 million to provide a rate discount for industrial customers
  - Companies to increase employment in West Virginia by 50 employees, with the majority in the distribution sector
    - Companies will “work with [Commission] Staff to determine which areas of the Companies may be in need of additional personnel”
    - Costs recoverable in rates

- Long-term education process
  - Culture of not embracing energy efficiency as a resource
  - Contrary to perceived objectives of coal industry
    - “Unpatriotic” to suggest that utilities burn less coal?
  - Example: AEP residential energy audit program unsuccessful in filling program availability of 3000 applications

- Lack of West Virginia-specific energy efficiency data
  - No energy efficiency potential study for the state
  - Witnesses must rely on national data, or 2009 Appalachian Regional Commission study of Energy Efficiency in Appalachia
    - Also a utility (AEP) EE potential study from 2009
  - Hurts credibility of advocates in rate proceedings

- Regulatory solutions
  - PSC on its own could require IRP and EERS-like targets in regulatory proceedings
  - Possibility of requesting rulemaking to adopt IRP rule
- Legislative solutions
  - Continue pursuing IRP and EERS legislation in West Virginia

- Case-by-case advocacy
  - Offer EE alternatives to traditional supply-side options
  - Consumer Advocate Division
    - Represents residential customers, but underfunded (annual budget of about \$1 million)
  - Intervenor groups: West Virginia Citizens Action Group (WVCAG) (which includes Energy Efficiency West Virginia), Sierra Club

- Education and outreach to policymakers
  - Discussion papers, one-page fact sheets on IRP, EE solutions
  - Blogs on relevant proceedings  
[http://energy.law.wvu.edu/wvulaw\\_energy\\_forward](http://energy.law.wvu.edu/wvulaw_energy_forward)
- Working behind the scenes with reporters to brief them on utility ratemaking issues

- Other ideas?





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