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NRDC, EEI Call on State Regulators to Help Electric Utilities Make Energy Efficiency a Durable Business Proposition

NEW ORLEANS – Building on several years of dialogue, and against the backdrop of rising electricity demand, senior representatives from the U.S. environmental community and electric power sector today called on state regulators to actively consider ways to increase energy efficiency within the electric utility industry.

In a joint letter to regulators, the Natural Resources Defense Council and Edison Electric Institute urged commissioners to go beyond simply removing disincentives to greater efficiency gains to creating a regulatory environment in which power companies can build and maintain “a durable business case for utility involvement in end-use energy efficiency.”

The letter was delivered today to the National Association of Regulatory Utility Commissioners (NARUC) during its annual meeting, in New Orleans. NARUC’s board of directors later today will consider a resolution endorsing the groups’ efforts and encouraging state commissions to “work towards a mutual goal of helping energy users exploit all cost-effective energy efficiency opportunities.”

“This joint statement reaffirms that America’s utilities can be invaluable partners for all who want to pursue our huge energy efficiency opportunities, and emphasizes that action by our state utility regulators is urgently needed to help clear the way,” said Ralph Cavanagh, NRDC’s Energy Program Co-Director.

“While the market and today’s codes and standards drive energy efficiency investment to a certain degree, utilities and regulators must work more aggressively to take it to the next level,” EEI Executive Vice President David Owens said. “Energy efficiency needs to be a true business proposition, wherein utilities don’t just recover costs but have the incentive for delivering energy efficiency products and services similar to incentives for new infrastructure investment.”

The two groups recommended that state utility regulators:

- Join NRDC, EEI and others in a nationwide energy efficiency campaign to educate the public about energy efficiency; strengthen the nation’s energy efficiency delivery infrastructure; expand efficiency-related manpower training and technology development; and secure improved building and equipment efficiency standards and tax incentives that reward builders and equipment installers who substantially exceed standards.

These steps are necessary to meet “the increasingly urgent mutual goal of helping energy users exploit all cost-effective energy efficiency opportunities, through an integrated combination of financial incentives to customers and minimum standards governing the performance of buildings and equipment,” the groups wrote.

- Adopt regulatory mechanisms that provide cost recovery for prudent utility investments in energy efficiency; an earnings opportunity tied to verifiable success in delivering cost-effective energy savings targets over time; and allow utilities to recoup fixed costs as power sales volumes decline, using mechanisms such as those adopted recently in Idaho and other states that rely on modest, regular rate adjustments tied directly to changes in overall electricity use.
- Support significantly enhanced utility investments in smart metering and smart grid technologies aimed at delivering new energy management tools to customers; promoting adoption of plug-in hybrid electric vehicles and other new technologies; and reducing the costs of integrating renewable electricity generation into resource portfolios.
- Support substantially higher levels of utility investment in joint research, development and deployment initiatives, including the Electric Power Research Institute. “RD&D investment is critical to securing the reliable and affordable energy services that will be needed to meet twenty-first century economic and environmental objectives,” NRDC and EEI said.

In their joint letter, NRDC and EEI said, “Our constituencies are different, but as many of you know, we have found much common ground on utilities’ resource planning and investment role generally and the vital importance of cost-effective energy efficiency in particular.

A copy of the NRDC-EEI letter is available at www.eei.org/whatwedo/PublicPolicyAdvocacy/TFB%20Documents/NRDC

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The [Natural Resources Defense Council](#) is a national, nonprofit organization of scientists, lawyers and environmental specialists dedicated to protecting public health and the environment. Founded in 1970, NRDC has 1.2 million members and online activists, served from offices in New York, Washington, Chicago, Los Angeles, San Francisco and Beijing.

The [Edison Electric Institute](#) is the association of U.S. shareholder-owned electric companies. Our members serve 95 percent of the ultimate customers in the shareholder-owned segment of the industry, and represent approximately 70 percent of the U.S. electric power industry. We also have more than 65 International electric companies as Affiliate members, and more than 170 industry suppliers and related organizations as Associate members.