

- SUBJECT:** Revising the metric for determining energy efficiency goals
- COMMITTEE:** Energy Resources — committee substitute recommended
- VOTE:** 8 ayes — Keffer, Crownover, Carter, J. Davis, C. Howard, Lozano, Sheffield, Strama
- 1 nay — Craddick
- WITNESSES:** For — Walt Baum, Association of Electric Companies of Texas; David Power, Public Citizen; Cyrus Reed, Lone Star Chapter, Sierra Club; Jason Ryan, Centerpoint Energy, Inc.; Tod Wickersham, Business for an Energy Efficient Texas Coalition; (*Registered, but did not testify:* Scott Anderson, Environmental Defense Fund; Jessica Akard, TXU Energy; Chad Blevins, Public Citizen of Texas Org; Joshua Houston, Texas Impact; Roy Jackson, Texas-New Mexico Power Company; Luke Metzger, Environment Texas; Phillip Oldham, Texas Association of Manufacturers; Matt Phillips, The Nature Conservancy of Texas; Robin Schneider, Texas Campaign for the Environment; Russel Smith, Texas Renewable Energy Industries Association; William Stout, Greater Edwards Aquifer Alliance; David Weinberg, Texas League of Conservation Voters)
- Against — Bill Peacock, Texas Public Policy Foundation
- BACKGROUND:** In 1999, the 76th Legislature enacted SB 7 by Sibley, which established an energy efficiency program administered by the Public Utility Commission (PUC). The program is designed to reduce energy demand and lower energy costs. It is operated by utilities and funded through transmission and distribution rates.
- HB 3693 by Straus, enacted in 2007, required each utility to institute efficiency and demand-side management programs sufficient to offset 10 percent of its 2007 growth in the peak load of residential and commercial customers. The percentage grew to 15 percent of 2008 peak demand growth by December 31, 2008, and 20 percent by December 31, 2009. HB 3693 also specified that the PUC conduct a utility-funded study on the future potential of energy efficiency. The study determined that improvements in efficiency could lower annual demand growth by 30 percent in 2010 and 50 percent in 2015. The report also recommended

changing the metric for energy efficiency goals to .5 percent of peak demand in 2010 and 1 percent of peak demand in 2015.

The PUC recently proposed rule amendments to increase the energy efficiency goal to 30 percent of the electric utility's annual growth in demand beginning December 31, 2013.

Municipally owned utilities and electric cooperatives are not subject to energy efficiency goals.

DIGEST:

CSHB 1629 would amend Utilities Code provisions on energy efficiency goals and programs, public information, and the participation of certain energy markets. It would amend energy efficiency goals and require electric utilities to submit energy efficiency plans to the Public Utility Commission (PUC). It would require the PUC to publish information on energy efficiency programs on its website.

Distributed renewable generation and renewable energy technology.

CSHB 1629 would require that each electric utility in ERCOT use its best efforts to encourage and facilitate energy efficiency programs and demand response programs, including programs for demand-side renewable energy systems that would use distributed renewable generation or reduce the need for energy consumption by using a renewable energy technology, a geothermal heat pump, a solar water heater, or another natural mechanism of the environment.

Increased energy efficiency goals to reflect PUC rule.

CSHB 1629 would codify recent PUC rules to increase the existing energy efficiency goals for residential and commercial customers from at least 10 percent to at least 30 percent of the electric utility's annual growth in demand by December 31 each year, beginning in 2013, and not less than the amount of energy efficiency to be acquired for the utility's residential and commercial customers for the most recent preceding year.

Change of metric to a percentage of peak demand.

For electric utilities whose amount of energy efficiency reached four-tenths of one percent of the utility's summer peak demand for residential and commercial customers in the previous calendar year, the goal would change to not less than that amount by December 31 of each subsequent year, and not less than the amount of energy efficiency to be acquired for the utility's residential and commercial customers for the most recent preceding year.

Cost cap. The bill would make energy efficiency measures subject to cost ceilings established by the PUC.

Additional PUC rules. CSHB 1629 would add to existing rules and procedures to ensure that utilities achieved energy efficiency goals, including rules to ensure that:

- the costs associated with programs and any shareholder bonuses awarded were borne by the customer that received the services;
- programs were evaluated, measured, and verified using a framework established by the PUC that promoted effective program design and consistent and streamlined reporting; and
- an independent system operator or other person that was sufficiently independent of any producer or seller of electricity allowed participation in energy efficiency programs in all energy markets.

Alternatives to the program. An electric utility in an area outside of ERCOT could achieve the goal by providing rebates or incentives to its customers to promote the program or develop a new program that would offer the same cost-effectiveness as standard offer programs and market transformation programs.

An electric utility could use energy audit programs to achieve these goals if the programs did not constitute more than 3 percent of the total program costs and the addition of the energy audit program did not cause a utility's program portfolio to no longer be cost-effective.

Rural carve-out. If an electric utility operating in an area open to competition, on demonstration to the PUC, could not meet the energy efficiency requirements in a rural area through retail electric providers or competitive service providers, that utility instead could achieve the energy efficiency goals by providing rebates or incentive funds to the customers in the rural areas to promote or facilitate the program.

Standardized forms and terms. To help residential or nongovernmental nonprofit customers make informed decisions on energy efficiency, the PUC could consider program designs that ensured that the customer was provided with standardized forms and terms that allowed the customer to compare offers.

Energy efficiency plans and reports. An electric utility would be required to submit electronically an energy efficiency plan and report on or before April 1 of each year.

The plan and report would have to provide information on the utility's performance in achieving energy efficiency goals for the previous five years, how the utility intended to achieve future goals, and any other relevant information.

The PUC would be required to adopt a form, by rule, that would allow the public to easily compare information submitted by different electric utilities.

The PUC would be required to publish information on energy efficiency programs, including an explanation of the state's energy efficiency goal, a description of the types of programs available, a link to the energy efficiency plans and reports, and a list of installers of energy efficiency measures or services.

Repealers. CSHB 1629 would repeal the requirement for the PUC to establish an incentive to reward utilities administering programs that exceeded the minimum goals.

Effective date. The bill would take effect September 1, 2011.

**SUPPORTERS
SAY:**

Energy efficiency lowers utility bills for consumers by avoiding higher costs of electric generation. Consumers save between \$2 and \$3 for every dollar spent on energy efficiency programs. The American Council for an Energy Efficient Economy (ACEEE) estimates that Texas, under its current efficiency program, will drive a net savings to customers of \$3 billion over the period 2012 to 2030. A recent ACEEE report suggests that Texas could increase those savings to \$14 billion over the same time period with increased efficiency goals.

A recent PUC report, known as the Itron report, stated that increased energy efficiency goals would generate between \$4.2 billion and \$11.9 billion in net benefits to citizens of Texas. This past summer, the PUC undertook rulemaking to raise the goals from 20 percent of growth in demand to 30 percent. Energy efficiency also positively impacts the environment and eases stress on the electric grid.

CSHB 1629 would take a step toward achieving those increased savings by changing the metric of the energy efficiency goals from a percent of new demand to percent of peak demand. The new metric would provide for a more predictable goal, instead of one that was vulnerable to variables such as downturns in the economy, which impact the growth of new demand.

**OPPONENTS
SAY:**

Since 2002, Texas consumers have paid \$591.1 million to support the state's energy efficiency program. The 2009 costs totaled \$104.8 million, and the program's estimated cost for 2010 is \$114.8 million. The revisions to the state's energy efficiency goals that would be made by CSHB 1629 could increase these costs.

It is unclear if Texans are getting their money's worth from energy efficiency programs because the full costs of the programs are not accurately measured and the benefits are overvalued. Given the existing data and methodology, it is possible that the returns of the program are negative. Government mandated energy efficiency programs are designed to decrease energy use. They generally do this by increasing the cost of energy, which results in a decrease in energy use and subsequently in economic growth. The state should evaluate the energy efficiency program to encompass all the costs involved with energy efficiency, including those to the program, consumers, and the Texas economy. The state's energy efficiency program should be closely examined to ensure that it actually would reduce the cost of energy use.

NOTES:

A similar bill, SB 1125 by Carona, passed the Senate by 31-0 on the Local and Uncontested Calendar on April 21 and has been referred to the House Energy Resources Committee.