

ENERGY EFFICIENCY

energy

Cheap, Clean, Available Now

Statement of the Issue

Energy efficiency is the cheapest, quickest, and cleanest way for the Commonwealth to meet its growing energy demands. It must be our “first fuel.” Here’s why:

It’s Abundant. There is enormous untapped potential for energy efficiency in Virginia.

It’s Reliable. Utilities can put together energy efficiency programs that deliver substantial direct kWh reductions from permanent energy efficiency improvements that can be measured and verified, and thereby relied upon as energy sources.

It’s Readily Available: Energy efficiency programs are available to us now. New power plants, in contrast, take several years to plan, build, and bring online.

It’s Affordable. Electricity “generated” through energy efficiency programs cost roughly 3 cents per kWh, while Virginians are being asked to pay more than 9 cents per kWh for Dominion’s planned coal plant in Wise County.

For all of these reasons, energy efficiency can and should stand alongside new generation as an option for supplying base load power to the Commonwealth. Efficiency has a critical role to play in developing a robust, 21st century clean-energy economy.

Background

Investing in Efficiency Saves Money

Failing to invest in energy efficiency is costing Virginians money. Exceedingly volatile prices for coal, oil, and natural gas have contributed to double-digit rate hikes for both Dominion and Appalachian Power customers. Dominion customers have also seen electricity rates go up to pay for Dominion’s \$1.8 billion coal plant project in Wise

County. And with the regulation of carbon dioxide and other greenhouse gases looming on the federal level, energy efficiency will become even more cost competitive.

When a utility devotes its engineering talent and expertise to finding 500-megawatt in energy efficiency savings—rather than to building a new, multi-billion dollar 500-megawatt power plant—its customers pay for the same amount of capacity, but at a third of the cost. The system-wide impact of tapping into the cheapest form of “generation” for a significant amount of Virginia’s energy needs will mean that *all* customers, whether they participate in these energy-saving programs or not, will benefit from lower bills going forward as compared to business as usual.



What remains missing is a mandatory energy efficiency resource standard. This critical consumer protection is needed to make certain ratepayers realize the full potential and benefits of energy efficiency programs



Energy efficiency also provides immense environmental and public health benefits. Each megawatt of electricity provided through efficiency means one less megawatt from heavily polluting, fossil-fuel fired power plants that contribute to smog, soot, mercury contamination, degradation of the Chesapeake Bay, and global warming. Without leadership from the state and utilities on efficiency, Virginia will continue to depend far too heavily on environmentally destructive, non-renewable resources.

Recommendations: Energy Efficiency

- Virginia should first and foremost enact legislation to create a mandatory Energy Efficiency Resource Standard (EERS), aimed at achieving ambitious, realistic targets for reducing electricity consumption in the Commonwealth.
- Virginia's EERS should include both short and long-term targets. Within three years, Virginia utilities should generate 1.5% their forecasted energy needs through investments in efficiency. Utilities should achieve 4% savings within five years. These short-term targets would put Virginia on a pace to meet the Climate Commission's recommendation.
- By statute, Va. Code § 67-202.C., the Virginia Energy Plan must be revised by July 2010. The Governor, the General Assembly, and other policy makers must assure that concerned citizens, environmental nonprofits and third-party experts play a central role in revising this plan. Public participation and transparency are essential for developing the plan
- Additional Virginia Conservation Network white papers (available online at www.vcnva.org) provide specifics on energy efficiency and conservation tools, including high-performance buildings, residential energy improvements, and inclining block rates.

2009 Legislation on Energy Efficiency

In 2009, the General Assembly charged the State Corporation Commission with determining the “achievable, cost-effective energy conservation and demand response targets that can realistically be accomplished in the Commonwealth...” See 2009 Va. Acts of Assembly, Chapters 855 & 752 (Senate Bill 1348 & House Bill 2531). This study was a legislative response to an American Council for an Energy Efficient Economy (ACEEE) report, which found that a mid-case portfolio of energy efficiency investments could enable Virginia to supply 19% of its projected energy needs in 2025 through energy efficiency, rather than new generation. See ACEEE, *Energizing Virginia: Efficiency First*, Report No. E085, (Sept. 19, 2008).

The Governor's Commission on Climate Change embraced the ACEEE 19% goal, formally recommending that Virginia meet that target “through a mandatory energy efficiency standard.” See Final Report, Governor's Commission on Climate Change, Recommendation 1A (Dec. 15, 2008).

To implement the Climate Commission's recommendation, Virginia Conservation Network supported efficiency legislation in 2009 that contained three, critical elements: (1) it needed to provide a fair rate of return for utilities on investments in energy efficiency, to help put efficiency on a more level playing field with new generation; (2) it needed to have a strong definition of “energy

efficiency,” to assure that investments in efficiency would directly offset electricity generated through coal-fired power; and (3) it needed a firm, mandatory energy efficiency resource target to guarantee that utilities would take seriously the need to invest in conservation.

Virginia Conservation Network won passage of legislation to accomplish two of these three criteria. In particular, 2009 Virginia Acts of Assembly, Chapter 824 (House Bill 2506), provided utilities with a fair rate of return and defines “energy efficiency program” to mean a “a program that reduces the total amount of electricity that is required for the same process or activity implemented.” Programs count as “energy efficiency” only “so long as they reduce the total amount of electricity that is required for the same process or activity.”

What remains missing, however, is a mandatory energy efficiency resource standard. This critical consumer protection is needed to make certain Virginia ratepayers realize the full potential and benefits of energy efficiency programs.

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