

# **SUPPORT HB1703**

## **Bill to Establish and Implement Energy Efficiency Goals**

### **Delegate Sullivan**

---

#### **Reasons to Support**

1. Energy efficiency is the least expensive and cleanest way to meet utilities' and customers' energy needs. However, despite a voluntary legislative policy to reduce demand for electric energy by ten percent (10%) by 2022, DMME reported in 2016 that Virginia utilities have achieved only 10% of that goal and only have plans to achieve 25% of the goal by 2022. According to Bloomberg and others, Virginia ranks near the bottom of states for utility energy efficiency programs.
2. HB1703 would set enforceable energy efficiency goals for Virginia electric and natural gas utilities similar to efficiency goals in other states. Implementation would be measured on a weather-normalized basis with appropriate adjustments for customer additions and possible return bonuses for more rapid efficiency improvements.
3. HB1703 would require utilities to meet their resource needs for generation, transmission, fuel, etc. first through energy efficiency programs and measures when efficiency can meet those needs with lower cost and emissions.
4. HB1703 finds that the public interest is served by proposed energy efficiency programs and measures that meet a "total resource cost" test.
5. HB1703 requires the SCC to approve utilities' plans that meet the bill's goals for efficiency improvements and order changes as needed to meet the legislation's goals.

#### **Importance of Requiring Energy Efficiency Improvements**

HB 1703 will reform utility energy efficiency programs for the public's benefit. Energy efficiency can reduce electric and gas utilities' costs for new facilities and fuel by reducing the amount of energy customers and utilities need in peak and off-peak periods. Implementing efficiency when it is cheaper than new facilities or purchases is a prudent utility practice since the lowest cost energy is the energy that is not consumed. Electric utilities, for example, could use efficiency investments to avoid or postpone the need for controversial new generation and transmission facilities, as well as to reduce purchases of costly fuel. That would reduce Virginia's costs and pollution. The bill recognizes that load management is one element of energy efficiency that can save money and electric energy.

HB1703 establishes a clear policy that "to the extent possible," utilities "shall meet their resource needs first through energy efficiency with lower costs and emissions." It requires utilities to meet achievable efficiency goals and to submit plans to the SCC for doing so. The SCC can order modifications of the plans if they are unlikely to achieve the goals, and it can incentivize utilities to achieve greater efficiency gains. The bill defines "energy efficiency" and recognizes load management (DSM) and conservation as possible examples of energy efficiency. HB1703 also simplifies review of utilities' efficiency programs by recognizing that the "public interest" is served by a utility's proposed efficiency program or measure whenever the total resource costs are less than the total benefits of the program or measure. This will avoid the complexities of the law's current four-part test for approving efficiency proposals.