

State Energy Efficiency Rules – An Economic and Environmental Priority for Oklahoma

From the OSN Board of Directors

September 2008

On October 15, 2008, the Oklahoma Corporation Commission will be evaluating new comprehensive policies for the development of energy efficiency programs in Oklahoma. The Commissioners' decision will have profound and long-term economic and environmental implications for the future of our state. Truly ambitious policies will reduce long-term ratepayer costs, avoid future carbon regulatory costs, mitigate the need for expensive new power plants, and reduce the serious environmental impacts of power generation.

To meet our future electricity needs, Oklahoma could continue emphasizing the operation and development of new fossil fuel generation, but this emphasis has led recently to dramatic rate increases and controversial battles for the regulatory and public approval of new power plants. There is a better option: Oklahoma can significantly reduce our growing need for electricity by strategically improving the energy efficiency of homes, businesses, and factories.

Detailed studies of energy efficiency in many US states confirm that cost effective savings of up to 20% of total electricity consumption are achievable within a ten year period at a cost significantly less than that of new generation. We believe that a similar scale of cost effective energy savings is achievable in Oklahoma.

Given the costs and impacts of large-scale fossil fuel dependence, OSN believes that energy efficiency can no longer be ignored or undervalued as a state resource. In 2007 Oklahoma was ranked 44th of the 50 states for commitments to energy efficiency programs and policies¹. OSN believes that Oklahoma's ratepayers and businesses deserve much better. The OSN Board strongly encourages the OCC to adopt rules and policies that will support substantial and rapid implementation of efficiency programs and to bring the state into a leadership position in this field.

OSN believes that significant improvements in state energy efficiency will produce large economic and environmental benefits in Oklahoma. As proven by many efficiency programs and utilities over the past 15 years, these benefits will include:

1. **Reduced upward pressure on electricity rates over time.** Saving energy is much cheaper than generating it. Typically, energy efficiency programs can save a kilowatt-hour of electricity for three cents, less than half of the cost of generation electricity.
2. **Major reductions in environmental pollution associated with power plants.** For example, a moderately aggressive efficiency program can produce a reduction of two million tons of CO₂ emissions in the state within five years, thereby reducing our exposure to future carbon regulatory costs. Oklahoma already produces 57.5 million tons of carbon dioxide on an annual basis².
3. **Reduced emissions of ozone precursors, particulates, and mercury.** Oklahoma ratepayers will be less vulnerable to "rate shocks" associated with likely mercury regulation and ozone nonattainment.

¹ See the [2006 State Energy Efficiency Scorecard](http://www.aceee.org/) at <http://www.aceee.org/>.

²For a summary of Oklahoma emissions and power production see the file "EIA_Oksum" on the OSN website. In addition to carbon dioxide, Oklahoma power plants also annually produce approximately 120,000 tons of sulfur dioxide as well as large quantities of particulates and mercury. For a map of US mercury emissions impacts see <http://www.epa.gov/air/mercuryrule/pdfs/NationalDepositionMaps3.pdf>

4. **Reduced consumer energy bills and reduced operating costs for state businesses.** Improved energy efficiency will help consumers who are struggling with their utility bills and will make Oklahoma businesses more competitive.
5. **A reduced need for large ratepayer investments in very costly and controversial new coal, gas, or nuclear power plants.** Aggressive efficiency efforts can defer or minimize the pressure to build new generating plants.
6. **New “green” business investments.** Sizable energy efficiency programs will stimulate new jobs and economic development in the state, with increased sales for local businesses that provide technical services or high-efficiency equipment for residential and business energy consumers.

OSN is in substantial agreement with the specific recommendations of the National Action Plan for Energy Efficiency - a joint effort of the EPA, the Department of Energy, and many large electric utilities³. Those recommendations reflect many years of efficiency program and regulatory experience in other states and are relevant and immediately applicable to Oklahoma. We urge the Commission to fully consider them in its rulemaking.

A timid and slow-paced energy efficiency effort will not serve the public interest in our state. In order to ensure that all Oklahoma ratepayers can obtain the benefits of cost effective electric energy efficiency, the OSN Board of Directors recommends that the Corporation Commission Counsel include the following specific elements within the proposed policy rules under consideration:

1. **Reasonable but aggressive multi-year efficiency goals.** We believe that Oklahoma utilities, within four years, should have mature efficiency programs comparable to those of the top 25% of regulated electric utilities in the US.
2. **A provision for significant public involvement** in the design, implementation, and evaluation of utility efficiency programs which use ratepayer funding, particularly during the initial phases.
3. **Program cost-effectiveness determinations based on the lowest long-term costs to ratepayers.** We recommend that the OCC specify the use of the “Total Resource Cost” or “Societal” tests that are employed by most states with significant energy efficiency efforts.
4. **An objective of implementing, over a ten-year period, all energy efficiency that is less expensive than developing new fossil or nuclear fueled power plants.**
5. **A requirement for using realistic cost assumptions when comparing energy efficiency options to conventional generating options.** It is essential that the OCC and utilities should use “avoided cost” numbers that reflect the current high costs of fossil fuel and nuclear power plant construction.
6. **Utility recovery of the actual, necessary, and prudent costs of approved efficiency programs.** In addition, the OCC may wish to approve reasonable financial incentives for exemplary achievements by utility efficiency programs.

The OSN Board believes a large-scale commitment to improved state energy efficiency is fundamental to a sustainable economic and environmental future in Oklahoma. We encourage both the OCC and our grass roots OSN membership to aggressively pursue that goal beginning on October 15, 2008.

- Adopted by the OSN Board of Directors, September 2008

³ The NAPEE energy efficiency recommendations reflect a broad consensus among a large number of state regulators, regulated utilities, industry associations and other parties. The Report and its recommendations are available at <http://www.epa.gov/cleanrgy/energy-programs/napee/resources/action-plan.html>