The Link Between Decoupling and Utility-led Energy Efficiency

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ACEEE Energy Efficiency as a Resource Conference

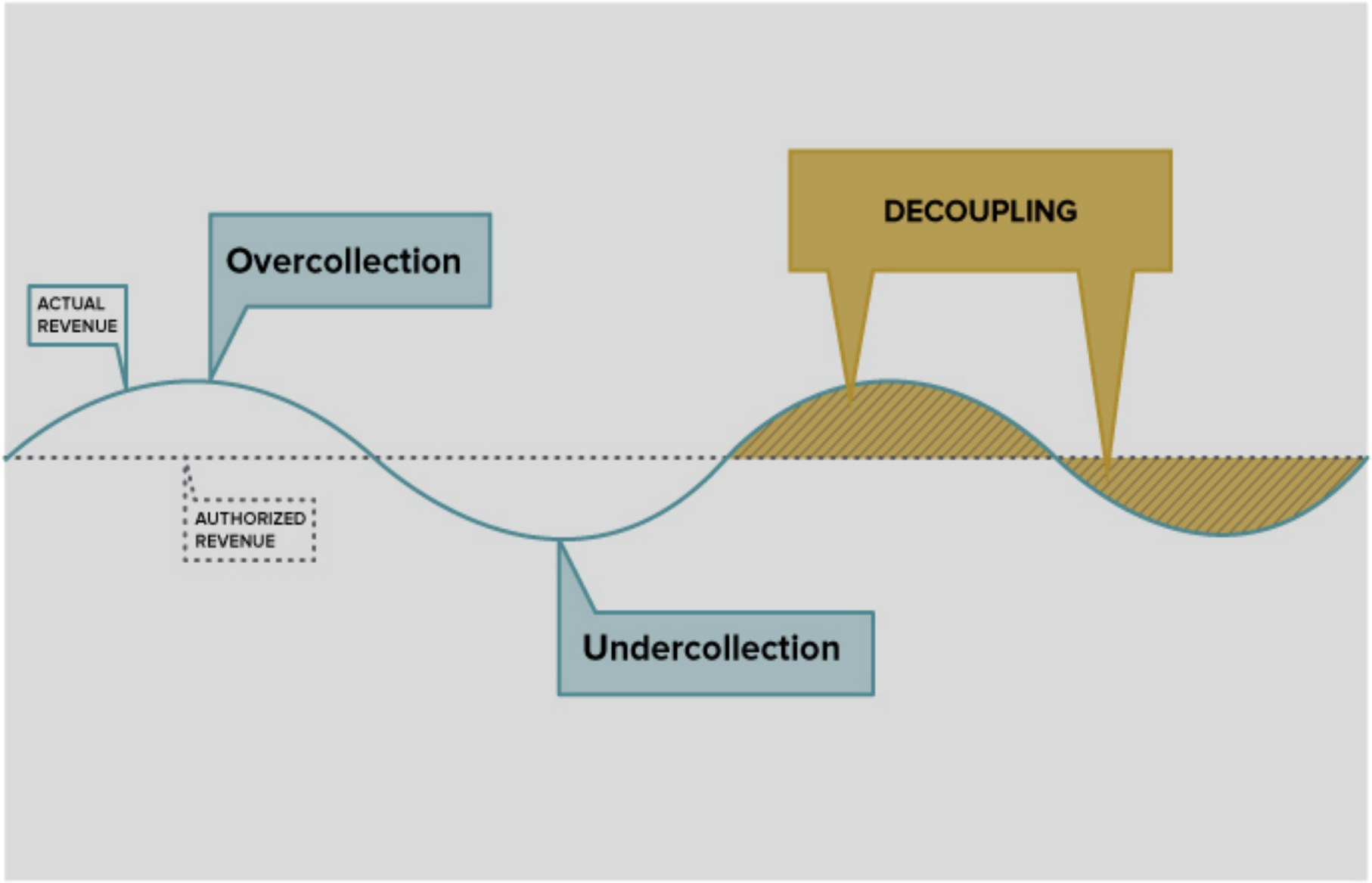
Defining the Problem

1. The costs of efficiency programs constitute financial losses to utilities unless they are able to recover those costs through rates or fees.

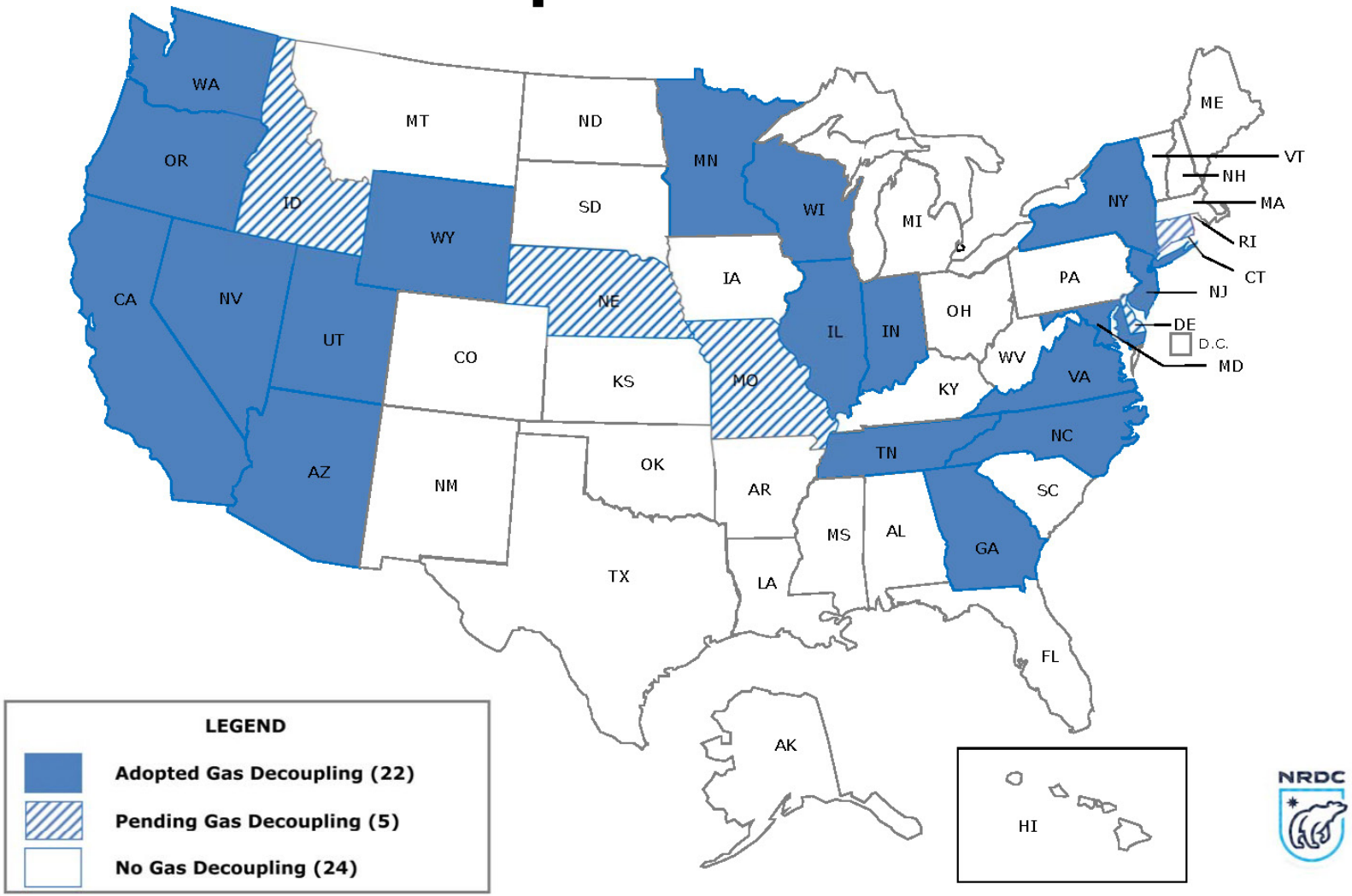
2. Investments in capital assets like power plants provide a return on investment under the traditional utility business model. Expenditures on energy efficiency programs avoid the need for these capital investments but do not provide a return.

3. The traditional utility business model is based on a throughput incentive, whereby utilities earn more profits by selling more electricity. Investments in energy efficiency drive down energy use and therefore utility revenues. However efficiency does not reduce the short-term, fixed costs of providing service.

HOW DECOUPLING WORKS

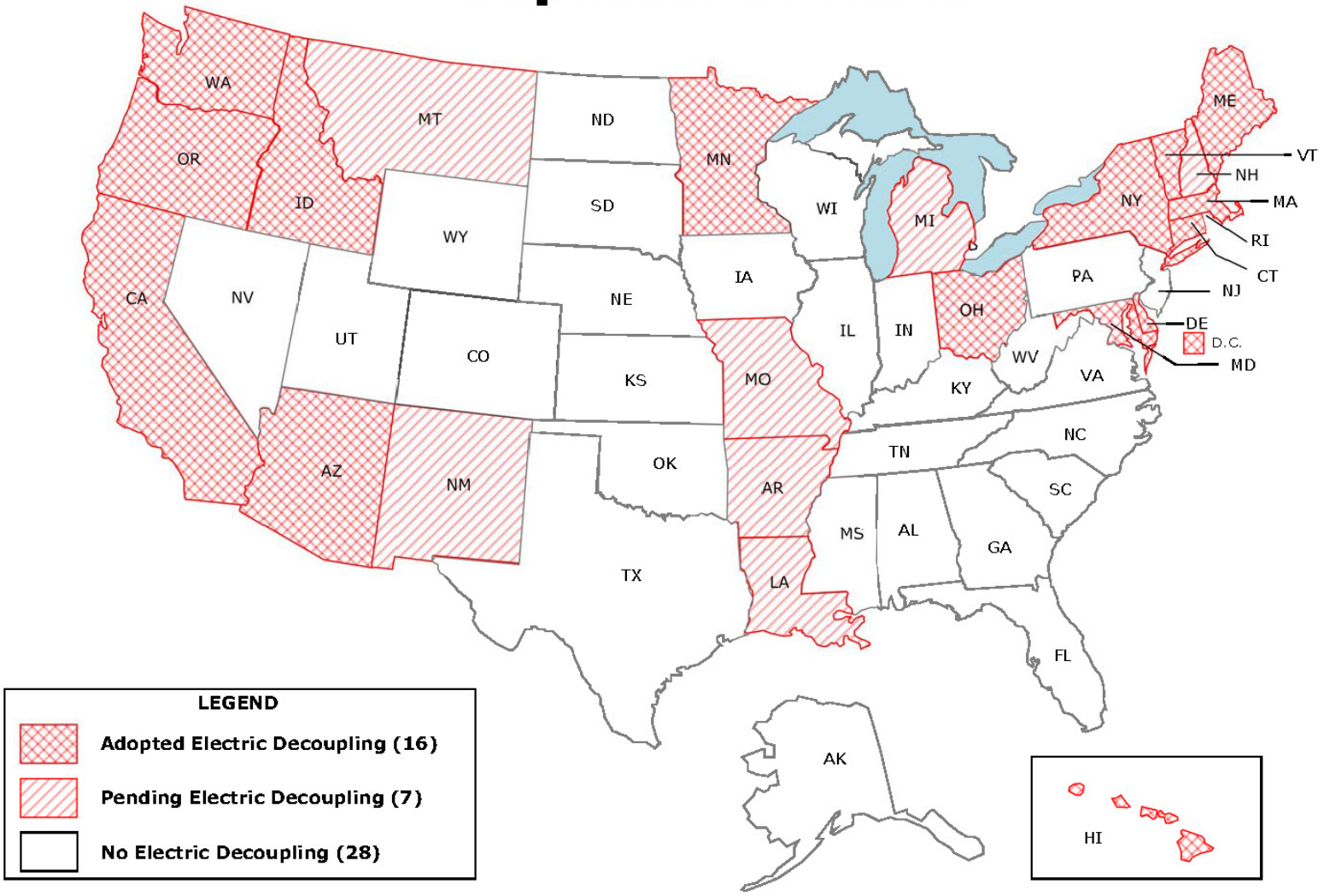


Gas Decoupling in the U.S.
September 2015



NRDC

Electric Decoupling in the U.S.
September 2015



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Utility	Data Range	Decoupling Year	Average Annual Program Expenditures		Average Annual Program Savings (MWhs)	
			Before Decoupling	After Decoupling	Before Decoupling	After Decoupling
Central Vermont Public Service (VT)	2000-2012	2006	$1,702,998 *	$6,154,155 *	19,327 *	46,245 *
Green Mountain Power (VT)	2000-2012	2006	$1,456,589 *	$4,278,010 *	13,804 *	38,023 *
Idaho Power Company (ID)	2002-2014	2007	$4,060,657	$21,337,761	24,822	133,650
Portland General Electric (OR)	2003-2014	2009	$24,352,670	$62,225,692 *	152,186	277,394 *
Pacific Gas & Electric (CA)	2000-2012	2004	$145,944,200	$337,719,165 *,†	502,250	862,422 *,†
San Diego Gas & Electric (CA)	2000-2012	2004	$38,922,148	$119,662,218 *,†	155,492	198,710 *,†
Southern California Edison (CA)	2000-2012	2004	$101,487,188	$255,279,136 *,†	537,506	970,145 *,†

* Energy Efficiency Renewable Standards (EERS)
† Utility DSM Financial Incentives

In one utility's words…

"…the Company has actively pursued new opportunities to promote energy efficiency and demand-side management since the inception of the pilot FCA. By removing the financial disincentive to invest in DSM programs, the FCA has provided the Company an opportunity to enhance and expand its portfolio of cost-effective demand-side resources. In total, the Company substantially increased its level of investment toward energy efficiency and demand response programs annually since the inception of the FCA…"

Idaho Power

Conclusions

- Decoupling is part of a suite of policies that can motivate utilities to pursue energy efficiency
- The implementation of decoupling among electric utilities is **connected** to increases in average energy efficiency achievements and spending over time
- Decoupling can alter a utility's perception of and attitude towards energy efficiency by mitigating the concern of eroding revenues

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