

APRIL 27, 2009

The Honorable Henry Waxman
Chairman Committee on Energy & Commerce
United States House of Representatives
Washington, DC 20515

The Honorable Joe Barton
Ranking Member
Committee on Energy & Commerce
United States House of Representatives
Washington, DC 20515

The Honorable Edward Markey
Chairman Subcommittee on Energy & Environment
United States House of Representatives
Washington, DC 20515

The Honorable Fred Upton
Ranking Member
Subcommittee on Energy & Environment
United States House of Representatives Washington, DC 20515

Re: Energy Efficiency Legislation

Dear Congressmen:

On behalf of a diverse group of residential and industrial consumers and state energy officials, we are writing in support of policies to improve the nation's energy efficiency—policies which will help the country achieve its energy security and climate change goals. Our organizations view energy and climate change issues from different perspectives. Nonetheless, we all support policies to improve energy efficiency, but we believe that Congress should not impose a mandatory, national rate structure to drive efficiency improvement, such as revenue decoupling, which may unnecessarily raise the cost of electricity and natural gas. Instead, Congress should allow for flexibility and innovation in the development of efficiency programs at the state level to enable states to reach the energy efficiency goals in the statute in the most cost effective manner possible.

Policies addressing the role of energy utilities in efficiency and climate change should define a least-cost energy plan in order to ensure that costs are minimized and that energy savings are genuine. Specifically, such plans should:

- Be comprehensive: Energy efficiency legislation should accommodate all options that lead to the lowest projected long-term net cost instead of options that seek to guarantee earnings for utilities.

- Recognize Market Imperfections and the Deficiencies in Relying on High Prices Alone to Achieve Efficiency: A cost effective policy must recognize that there are numerous market imperfections in the energy sector, which means that simple reliance on higher prices will impose unnecessarily high costs on consumers.
- Allow for Flexibility in Implementation. To ensure effective implementation, states should be given the flexibility to choose the approaches that best fit their needs. One size does not fit all. Federal legislation should not mandate specific practices or approaches to achieve the targeted efficiency goals. Federal legislation should allow the states to design programs that best achieve energy efficiency in a manner that best fits the state, and allow states to choose utility or non-utility-based approaches, and consider a wide range of incentive/penalty structures.

Several states have implemented successful efficiency programs establishing non-utility entities whose mission is to improve energy efficiency. In addition, while several states have adopted and retain “revenue decoupling” rate programs as their preferred approach for increasing energy efficiency, others have terminated the program, determining that it was not working effectively, or was not adequately addressing consumer needs. This is not unexpected, as states have found that their individual circumstances vary, and varying approaches are needed to address those circumstances. Whatever the pros and cons of implementing decoupling mechanisms, we believe retail ratemaking policies do not lend themselves to a top-down federal solution. Providing the proper incentives for energy efficiency requires careful consideration through each state’s individual regulatory process.

In conclusion, we support policies to increase energy efficiency, but we believe there are many ways to achieve that goal in a least cost manner that are flexible enough to work effectively for states and consumers. We look forward to working with you and your committees to develop legislation to achieve the efficiency gains we all seek.

American Forest & Paper Association
Consumer Federation of America
Electricity Consumers Resource Council (ELCON)
Industrial Energy Consumers of America
National Association of State Energy Officials
National Association of State Utility Consumer Advocates
National Association of Regulatory Utility Commissioners
National Community Action Foundation
National Consumer Law Center, on behalf of its low-income clients
Public Citizen