



March 14, 2003

TO: Air Pollution Prevention Forum, Western Regional Air Partnership
FROM: Howard Geller, Executive Director
RE: Draft WRAP Policy – Renewable Energy and Energy Efficiency as Pollution Prevention Strategies for Regional Haze

The Southwest Energy Efficiency Project (SWEEP) is a public interest organization devoted to advancing energy efficiency in six states—Arizona, Colorado, Nevada, New Mexico, Utah, and Wyoming. SWEEP was launched in 2001, and we are working collaboratively with state governments, utilities, and other types of organizations. We are pleased to have the opportunity to comment on the draft policy on energy efficiency and renewable energy as pollution prevention strategies under the Regional Haze Rule.

The finding that energy efficiency improvements can lower pollutant emissions at a net economic savings to consumers and businesses is consistent with analysis that SWEEP has done, as well as many other energy efficiency studies. The AP2 forum energy savings potential cited in this report, 8% energy savings by 2018, is in fact relatively conservative. It is conservative in two aspects—compared to real results in states with strong energy efficiency programs, and compared to the savings potential documented by SWEEP. Utilities and states with well-funded energy efficiency programs are reducing electricity consumption by 0.5-1.0% per year, meaning savings potential of 8-15% by 2018. A number of states across the country are realizing this level of savings from their efficiency programs, including Connecticut, Vermont, Wisconsin, Minnesota, and California. In addition, many of these states are realizing additional energy savings from the adoption of building energy codes, equipment standards, improved rate design, and other types of policies and programs.

SWEEP recently completed a study titled *The New Mother Lode: The Potential for More Efficient Electricity Use in the Southwest*. The study examines the cost-effective and achievable savings potential in the region along with the benefits of pursuing greater energy efficiency. For the region as a whole, we found that the cost-effective savings potential is very substantial, around 18% savings by 2010 and 33% savings by 2020, relative to electricity use in a business-as-usual “Base Scenario.” This is about four times the energy savings potential cited in the AP2 forum report. We considered more efficiency measures and a more ambitious level of implementation of cost-effective measures than did the AP2 forum analysis. We found that pursuing more efficient electricity use in the region could save consumers and businesses \$28 billion net during

2003-2020. The average cost of saved energy in our analysis, \$0.02/kWh saved, is about the same as that estimated in the AP2 forum energy efficiency analysis.

We also found that pursuing more efficient electricity use would reduce water use, reduce pollutant emissions, and lead to a net increase of jobs in the southwest region. Regarding emissions, we found that the high efficiency scenario could lower SO₂ emissions in the southwest region 4%, NO_x emissions 5%, and CO₂ emissions 26% by 2020. And the high efficiency scenario would result in 58,000 additional jobs in the region by 2020, according to our analysis.

I attach our regional press release and the Executive Summary from the study to these comments. The full study is available at www.swenergy.org/nml/index.html. We urge the AP2 forum to cite our study and its principal results in the final version of the report, as a parallel estimate of regional energy efficiency potential. We believe our study is another valuable reference for energy and environmental policy makers involved in responding the Regional Haze Rule.

Turning to policies for encouraging greater energy efficiency, first we support all of the policies suggested for increasing energy efficiency in the draft WRAP report. In particular, we agree that increasing the penetration of cost-effective energy efficiency measures can best be accomplished by increasing funding for utility or state-sponsored energy efficiency programs funded through a small surcharge on utility bills. We also support an alternative policy approach known as an energy efficiency performance standard (EEPS) for boosting these programs. This policy is analogous to a renewable portfolio standard in that it sets goals for the amount of energy savings to be achieved rather than establishing the program spending levels.

One policy recommendation that we suggest adding to the WRAP report is to urge states to set goals for energy savings, analogous to the 10/20 renewable energy goals. In the area of electricity conservation and savings, the *New Mother Lode* provides justification for savings goals of 15% by 2010 and 30% by 2020, relative to electricity consumption without any efficiency efforts. Achieving savings of this magnitude would require adoption of a number of policies and programs recommended in the report and in these comments. At a minimum, we believe states should set goals for 10% electricity savings by 2010 and 20% savings by 2020.

In the area of appliance standards and building codes, we suggest separating the recommendations for equipment efficiency standards and building energy codes. They are fundamentally different types of policies. Second, we suggest noting that California enacted new efficiency standards on eight products not covered by national standards in 2002. These standards are not preempted by federal law. Other states can and should adopt the same product efficiency standards that California recently adopted.

In the area of building codes, we suggest adding a separate recommendation related to having states and municipalities adopt and effectively implement state-of-the-art building energy codes. Energy codes are especially important in the fast-growing

southwest region where many states and localities have outdated codes (or in some cases no energy codes). We recommend a policy of upgrading to state-of-the-art codes such as a recent version of the International Energy Conservation Code, as well as expanding training and technical assistance to achieve high levels of code compliance. Also, energy agencies and utilities should expand efforts to promote construction of new homes and commercial buildings that significantly exceed minimum code requirements.

We also suggest adding a set of policy recommendation related to promoting greater energy efficiency in the industrial and agricultural sectors. One recommendation, which we present in our *New Mother Lode* study, is establish voluntary commitment programs where companies are encouraged to establish quantitative commitments to reduce energy intensity or emissions intensity. This can be done through new state or regional programs, or through participation in national programs. And energy agencies and programs in the region could provide technical assistance to participating companies as well as recognition to companies that realize outstanding achievements.

Another policy recommendation we suggest including is to urge states and utilities to undertake targeted energy efficiency and load management efforts to help defer transmission and distribution system investments. Some portions of the western power grid are experiencing T&D capacity problems. Efficiency programs targeted to these areas can help improve power reliability and defer costly investments in T&D systems, as well as provide environmental benefits by reducing electricity use and thus power generation. Both regional transmission organizations and individual utilities should consider using geographically targeted energy efficiency programs for this purpose.

Finally, we suggest adding a set of policy recommendations to encourage greater adoption of combined heat and power (CHP) systems as an overall pollution prevention strategy. The specific policies that can be used to promote adoption of CHP systems include reforming utility regulations to make it easier for CHP systems to interconnect to the power grid, ensuring that owners of CHP systems receive fair rates for power they sell to the grid, and ensuring that utilities charge reasonable rates for back-up power sold to CHP system owners. Also, environmental regulations can be reformed so as not to penalize or prohibit CHP system development if on-site emissions increase but overall emissions (including central station power plant emissions) fall.

Please let me know if you have any questions concerning these comments.

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