Energy efficiency in a low-cost environment

Presentation to the

National Electricity Regulatory Commission of Ukraine

Kyiv, Ukraine September 2011

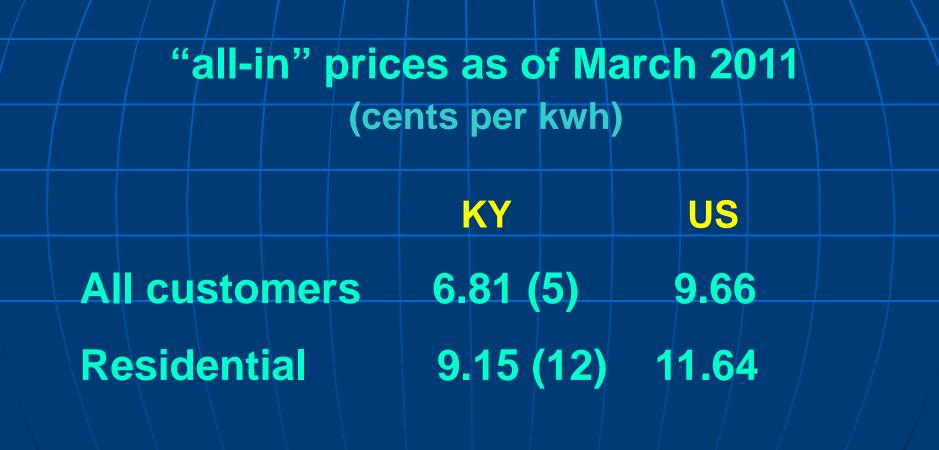
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Kentucky: inexpensive electricity



Kentucky lags in energy efficiency

Low electric costs are a barrier to energy efficiency programs

Programs that are common in higher-cost states are not as wellestablished in Kentucky

Future of energy efficiency in Kentucky

Financial incentives to consumers can help overcome lack of economic imperatives, but are not as persuasive as high energy costs Kentucky already has abundance of "low-hanging fruit" > Attractiveness of energy efficiency will increase as electric costs rise

Kentucky's electric costs will increase

More stringent Clean Air Act standards for SOx, NOx, particulates and mercury; new water quality regulations related to ash and scrubber wastes and cooling water

Added controls on newer coal units; old units retired and replaced with natural gas; more emphasis on DSM

Kentucky's electric costs will increase

- Utilities expect total electric costs to rise 20-25%
- Additional increases if coal ash declared a hazardous waste
- Possible carbon constraints not yet factored in

Opportunities for increasing energy efficiency in Kentucky

Residential sector has lagged behind commercial and industrial users

High proportion of older and substandard housing – small investments in weatherization and other improvements can have big returns

Opportunities for increasing energy efficiency in Kentucky

Recent base rate increases have increased interest in energy efficiency

With expected rate impacts over next 5 years, demand for energy efficiency programs, especially at residential level, expected to increase

Cost-efficiency paradox

Higher energy costs incentivize energy conservation and efficiency by increasing return on investment

Higher energy costs put greater financial strain on low-income customers, especially those living in substandard housing

Low-income customers benefit most from reductions in energy use

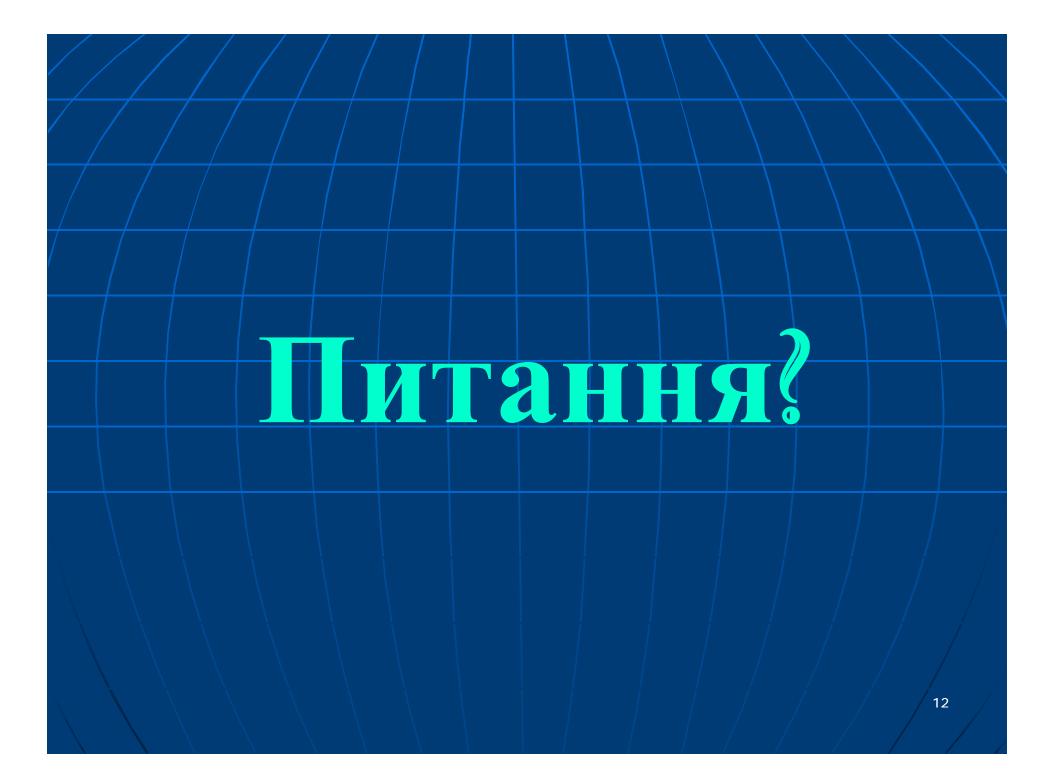
Cost-efficiency paradox

As energy costs rise, low-income customers who are unable to reduce energy consumption will be increasingly unable to pay their energy bills

But low-income customers are least able to invest in energy efficiency and conservation in order to reduce consumption

The challenge

In times of limited government budgets and rising electric costs, innovative approaches will be required in order to avoid disproportionate impacts on the most vulnerable portion of the population.





<u>Циро дякую!</u> ТНАПК YOU