

Resolution Supporting Energy Efficiency and Load Management As Cost-Effective Approaches to Reliability Concerns

WHEREAS, Both utility-sponsored and market-based energy efficiency programs have a demonstrated record of lowering demand for electricity -- according to the U.S. Energy Information Administration, in 1997, cost-effective utility DSM programs provided over 25,000 megawatts of peak load reduction and saved more than 56 million megawatt-hours annually; *and*

WHEREAS, Despite energy efficiency's proven track record, utility spending on energy efficiency programs has been dramatically curtailed, falling from \$2.7 billion dollars in 1993 to only \$1.6 billion in 1997, according to the U.S. Energy Information Administration; *and*

WHEREAS, Several areas of the country have recently experienced electric distribution and supply reliability problems and major price volatility, for example:

- Utilities from Maine to Virginia cut the voltage they supplied to customers by 5 percent on at least one occasion during a five-week period in early summer, 1999, because their three regional power pools were approaching or exceeding their prior peak load;
- New England experienced its first power warning ever in June 1999, and experienced two more power warnings in the following five weeks;
- Delmarva experienced rolling blackouts that affected 400,000 customers in early July 1999;
- Utilities throughout the midwest lowered the voltage they supplied to customers in June of 1998 because of severe capacity constraints; and
- Denver experienced rolling blackouts on July 17, 1998, when demand exceeded electricity supply.

WHEREAS, During these distribution and capacity constraints, the spot market cost of power repeatedly rose to the range of \$1,000/MWhr for one or more hours in the day; *and*

WHEREAS, According to the North American Electric Reliability Council, generating capacity additions are not keeping pace with demand growth - 24,400 MW of generation additions are planned by 2002, but demand is projected to increase by approximately 36,000 MW; *and*

WHEREAS, the North American Electric Reliability Council also reports that transmission systems are increasingly challenged to accommodate the demands of evolving competitive electricity markets, *and*

WHEREAS, According to a study performed by Applied Energy Group, Inc., nine of ten regional reliability councils in the United States will have a shortage of generating capacity by 2007; *and*

WHEREAS, Energy efficiency and load management programs are proven, cost-effective means of managing load and enhancing reliability by matching electricity demand with the system's generation, transmission, and distribution capacity constraints, and such programs help to avoid the need to rely upon excessively costly supply resources and strained transmission and distribution facilities; *and*

WHEREAS, For the last 15 years, NARUC has encouraged investment in cost-effective energy efficiency programs; *now, therefore, be it*

RESOLVED, That the Board of Directors of the National Association of Regulatory Utility Commissioners (NARUC), convened in its 1999 Summer Meeting in San Francisco, California, reaffirms NARUC's commitment to, and support for, cost-effective demand-side management measures, including both energy efficiency and load management measures, as a critical component of strategies to address electric system reliability concerns; *and be it further*

RESOLVED, That NARUC urges State public utility commissions to encourage and support programs for cost-effective energy efficiency and load management investments as both a short-term and long-term strategy for enhancing the reliability of the nation's electric system, and reducing its costs; *and be it further*

RESOLVED, That NARUC urges power pools and independent system operators to encourage and support market mechanisms that facilitate cost-effective energy efficiency investments, distribution enhancements, and load management by suppliers, marketers, and end-use customers; *and be it further*

RESOLVED, That NARUC urges Congress, as it considers legislation to restructure the nation's electric industry, to include in such legislation workable mechanisms to support cost-effective State, utility, and market participant energy efficiency programs in order to enhance the reliability of the nation's electric system.

*Sponsored by the Committees on Energy Resources and Environment and Electricity
Adopted by the NARUC Board of Directors July 23, 1999*