



August 5, 2010

The Honorable David Dewhurst
The Honorable John Carona
The Honorable Troy Fraser
Texas State Senate
P.O. Box 12068
Austin, TX 78711

The Honorable Joe Straus
The Honorable Brett Solomons
The Honorable Jim Keffer
Texas House of Representatives
P.O. Box 2910
Austin, TX 78768

Dear Lt. Governor Dewhurst, Speaker Straus, Senator Carona, Senator Fraser, Representative Solomons, and Representative Keffer;

How many state agencies does it take to screw in a compact fluorescent light bulb and a low-flow faucet head? In Texas, the answer will make you grimace: six. That's not a very efficient way to save money or energy.

Many Texans are struggling to make ends meet, paying off mortgages or rent plus utilities. Electric and water efficiency programs reduce a home's expenses without sacrificing comfort. These investments pay for themselves over time two and threefold, and avoid the need to build more expensive and potentially more polluting power plants, which end up costing the homeowner more money. Yet ***the way the state oversees its efficiency programs is ineffective and, ironically, inefficient.*** The Legislature can fix this.

We need your help to reform Texas' efficiency programs. We think an independent efficiency agency should be created because:

- Money-saving, Pro-consumer, pro-business energy efficiency programs languish at the PUC
- Current programs are spread over six different agencies
- One agency in charge of coordinating all of Texas' efficiency programs will reduce agency overlap
- It can be a "one stop shop" for information on all the rebates and incentives available to homes and create an opportunity to achieve more savings
- One truck (instead of three) can provide homes with comprehensive electric, water and gas efficiency services

Texas Needs to Advance

The Public Utility Commission (PUC) cannot effectively manage the energy efficiency programs under its purview. As demonstrated during its hearing on Friday, July 30, 2010, the PUC radically scaled back a proposal recommended by their own consultants, that would have saved consumers \$4 to \$12 billion over twenty years. Why did they fail to advance a policy that has such clear benefits to our state?

The answer has to do with an inherent conflict of interest. Utilities profit from homes and businesses wasting energy. The more energy a house uses, the more money they make. While efficiency raises consumer spending in other areas of the economy, it reduces utilities' profits. Moreover, the PUC does not

consider the many hidden costs of air and water pollution from power plants when they consider efficiency program costs.

The problem with the PUC's recent decision on energy efficiency lies in the fact that they have failed, once again, to look at the larger picture when thinking about costs to consumers. They aren't looking at the benefits such as reduced peak power costs, fewer transmission upgrades, and less pollution.

Energy efficiency would cost around \$1 per month on a \$100 electric bill and save \$3, but they have indicated that even this small amount that pays for itself is too much. *The Legislature has the ability and the perspective to set a strong and achievable goal for energy efficiency that will save households more money on their bill that will in turn boost consumer spending in other areas of the economy.*

Another serious problem with the way things stand now concerns the Electric Reliability Council of Texas (ERCOT), the electric grid operator for most of the state. ERCOT is able to track new power plants that come online and incorporate those resource acquisitions into its long-term forecasts. Long-term forecasts are then used to determine how much new power Texas needs in order to meet growing electric demand. However, energy savings, in addition to locally-generated power like solar rooftops and co-generation facilities are not accounted for in a comprehensive way. Utilities can report their savings to ERCOT, but this doesn't include the savings from local building energy codes, energy efficiency programs of electric cooperatives, and many other initiatives. An independent efficiency agency could take on that task and enable ERCOT to be more precise in its work, and provide clearer information to consumers and policymakers.

Organizational Structure Confuses Consumers

The following agencies cover at least one aspect of overseeing efficiency programs:

- Public Utility Commission
- State Energy Conservation Office
- Department of Housing and Community Affairs
- Water Development Board
- Office of Rural Community Affairs
- Railroad Commission (potentially for gas efficiency programs)

Does it make sense to split our state's efficiency initiatives six ways? How many full time employees are charged with doing market outreach just for their program? If consumers want to learn about what efficiency programs they are eligible for, who do they turn to? It would take many hours of research to find all the rebates and incentives that exist to help Texas homes become more efficient.

It just makes sense to coordinate efficiency programs through one independent state agency. Doing so has several benefits for consumers and could save the state a substantial amount of money and streamline state processes.

Reducing Overlap

As the list above shows, state employees from different agencies review, monitor, and promote various efficiency programs that are essentially doing the same job. None of these efficiency programs are coordinated with each other across agencies.

By pulling a few staff members out of their current agencies, we will forgo the need to hire any new employees to staff the new agency. In addition, by housing efficiency under one roof, Texas can avoid duplicating many of the tasks like market outreach. With one agency in charge of coordinating and promoting water, gas and electric efficiency, it would be a one-stop shop for the consumer to learn about what home improvement programs are available in their area. It would also improve accountability, transparency and effectiveness of all the state's efficiency programs.

One-Stop Shop: Synergy Creates Higher Achievable Cost-Effective Savings

Imagine a situation where a homeowner needs to replace a 25-year old refrigerator and they see an ad from their utility that tells them to go to the efficiency agency website to download a utility coupon for a \$200 rebate toward the purchase of an Energy Star refrigerator. While browsing the website, they learn that they will also save money on their utility bill because the new refrigerator costs considerably less to operate.

On the website they also learn about how they can save more money on their utilities by taking advantage of free low-flow faucet heads from their water utility, or a low-interest loan for replacing their inefficient electric water heater with a gas water heater from their gas utility.

They decide to schedule all three things. One truck delivers all three, saving the homeowner, the utilities, and the state money all at once. There could be substantial cost and energy savings if efficiency measures were installed at the same time by the same crews. The consolidated agency will coordinate all the work and investments, providing policymakers with clear benefits and costs from the programs to ensure their continued success for taxpayers.

Ensuring Goals Are Met

It is unclear whether we're getting the savings we think we are with the state's current efficiency programs. Current PUC-reviewed programs do not have adequate auditing procedures to prove what Texans are actually saving from participating in energy efficiency programs, and a lack of coordination between agencies means that there is no overall oversight into the savings and costs of these programs. An agency whose primary focus is efficiency would be better suited to track these, and provide better transparency and accountability to policymakers and taxpayers about the actual benefits these programs provide and at what cost.

Other States

Texas would not be alone in this consumer-oriented endeavor. Several states either have an independent agency or council for efficiency or something similar that coordinates efficiency programs and provides accurate data and sufficient accountability. These include Indiana, Ohio, New Jersey, Oregon, Delaware, Vermont, and Maryland.

In short, we recommend consolidating all state efficiency programs into an entity that could independently review, approve and assess the current PUC and other state programs.

Over the months leading up to the 82nd Legislative session, you will be receiving materials that explain these issues in more detail including ways the Legislature can use efficiency to reduce energy and water consumption to improve the lives of hard-working Texans.

We are more than willing to discuss any one of these topics face-to-face as well. If you have questions, please do not hesitate to contact us.

Sincerely,



Matthew Johnson
Energy Efficiency Programs
Public Citizen



Kate Robertson
Energy Efficiency Specialist
Environmental Defense Fund

cc: **Members, Texas House of Representatives**
Members, Texas State Senate