

## **Duke Energy Pioneers Collaborative Approach to Energy Efficiency in Indiana**

Over 200 representatives of Indiana's utilities, regulators, legislators, consumer and environmental advocates, industry, academic institutions, and regional transmission organizations came together on February 12, 2007 for a statewide "energy efficiency summit." Co-sponsored by the Indiana Energy Association (IEA) and the Indiana Governors Office of Energy and Defense Development (OED), the day-long meeting was the second in a series of collaborative engagements initiated by Duke Energy to create and implement energy efficiency action plans in each of its five service territories.

One of the largest electric companies in the United States, Duke is a leading signatory of the National Action Plan on Energy Efficiency (NAPEE), which calls for a sustainable, aggressive national commitment to energy efficiency. Duke Energy CEO and President James E. Rogers, who co-chairs the NAPEE leadership group, has described energy efficiency (EE) as "a fifth fuel" – as important as coal, nuclear, natural gas, and renewable power. (NAPEE is co-sponsored by the U.S. Department of Energy and the Environmental Protection Agency.) Under Rogers' leadership, Duke, EPA, Edison Electric Institute and others are working with RESOLVE, a non-profit consensus-building organization, to conceptualize and build support for implementing NAPEE on a national scale.

In their welcoming remarks to the Indiana summit, IEA President Ed Simcox and OED Director John Clark emphasized the need to develop more robust partnerships between energy providers and energy consumers, and touched on the three main themes of the conference: Why EE makes economic and environmental sense for Indiana; challenges to increasing EE and educating consumers; and, EE cost-recovery mechanisms.

### **Why Energy Efficiency?**

In his keynote address, Brian Castelli, Executive Vice President and COO of the Alliance to Save Energy, pointed out that energy efficiency (EE) has "provided [the country] more quads of energy than any other source since 1973," and that [EE] "is cheaper, quicker, and cleaner than any other energy source." Panelists from Toyota and Vectren Corporation noted that, from the perspective of industry and business energy users, EE is a least-cost strategy that enables the energy user to take control of energy use and costs. National Resource Defense Council Climate Policy Specialist Elizabeth Martin described EE as key to achieving the "overarching goal [of] safe, reliable, affordable energy service," while "ris[ing] to the challenge of reducing carbon emissions by 50% by 2050."

Duke Energy V.P. for Regulatory Strategy Kay Pashos reiterated these points, adding that a "robust resource portfolio" that includes a substantial contribution from energy efficiency offers utilities an important hedge against the uncertainty of future regulations.

### **Challenges to Increased Energy Efficiency**

Panelists addressed “Challenges to Increased Energy Efficiency” from the perspectives of the various consumer sectors (business and industry, buildings, utilities, residential), as well as from the policy, regulatory, and legal perspectives.

David Ziegner, Indiana Utility Regulatory Commissioner, noted that energy policy since the 1970s has included “various EE initiatives, usually in reaction to crises,” but has failed to constitute “a sustained and comprehensive response.” Susan Macey from the Indiana Office of Utility Consumer Counselor agreed that effective “priority resource planning” would require a more serious, “high-profile” approach. “A utility-by-utility approach is short-sighted,” Macey said. “We need to look at the problem as a state, a region, a nation.”

How best to engage consumers in energy efficient behavior and decision-making? Marc Lewis, VP, Indiana Michigan Power Company, pointed out that “Indiana has large [energy] consumers with some of the lowest energy prices in the country... [and that] the low rates make the need for energy efficiency harder to justify in Indiana.” On the other hand, Jack Wickes, Executive Director and Counsel of the Indiana Industrial Energy Consumers urged conference participants “Don’t make [EE] cost more to industry!”

Speaking for the residential building sector, Mark Jansen, President of Energy Efficient Homes Midwest, argued that financing mechanisms – such as energy efficiency and energy improvement mortgages – are a more effective way to encourage efficiency in existing homes than through changes to building codes. And Angela Beehler, Director of Energy Regulation for Wal-Mart, agreed that policymakers would do better “to incentivize consumers” than to try to legislate efficiency.

### **Energy Efficiency Cost Recovery Mechanisms**

The final panel session addressed the issue of cost-recovery. Frank Shambo, Director, Regulatory and Governmental Policy, Northern Indiana Public Service Company, Northern Indiana Fuel & Light, Kokomo Gas & Fuel said that “appropriate cost recovery mechanisms must exist to align customer and utility interests. Cost recovery solutions should be efficient and match the impact of energy efficiency. Are we sending the right price signals? Do customers know the effect of peak load use?”

Dalton Perras, of Cambridge Energy Research Associates, argued that retail energy pricing does not send consumers the right price signals, and that “solving the underinvestment problem requires policy and regulatory intervention... The burden falls on regulators to ...appropriately value a ‘negawatt’ so producers invest in the right mix of conservation and production.”

Consumer Representative Matthew Parsell, Director, Energy Planning and Development, Indiana Office of Utility Consumer Counselor agreed that utilities should be able to recover lost revenue due to energy efficiency. “There are lots of utilities doing energy efficiency programs and they are not getting their money back.”

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The first major U.S. energy company to create a Vice President for Energy Efficiency with a full-scale department of over 40 people, Duke Energy under Rogers' leadership is pioneering the "fifth fuel" EE concept. As Regulatory Strategy V.P. Pashos noted, "to take EE to the next level, we need to create a business and regulatory model that makes utilities indifferent to new generation versus efficiency... [to become] providers of efficiency as they are of electricity or gas."