BEFORE THE
UNITED STATES SENATE
COMMITTEE ON APPROPRIATIONS
SUBCOMMITTEE ON INTERIOR

TESTIMONY OF

THE HONORABLE WESLEY H. LONG
DISTRICT OF COLUMBIA PUBLIC SERVICE COMMISSION

ON BEHALF OF THE

NATIONAL ASSOCIATION OF REGULATORY UTILITY COMMISSIONERS
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ON

FUNDING FOR DEPARTMENT OF ENERGY CONSERVATION PROGRAMS FOR FY 1989

May 9, 1988

TESTIMONY OF
THE HONORABLE WESLEY H. LONG
DISTRICT OF COLUMBIA PUBLIC SERVICE COMMISSION

ON BEHALF OF THE

NATIONAL ASSOCATION OF REGULATORY UTILITY COMMISSIONERS

Mr. Chairman and Members of the Subcommittee:

My name is Wesley H. Long. I serve as Commissioner on the Public Service Commission of the District of Columbia and I am testifying today on behalf of the National Association of Regulatory Utility Commissioners (NARUC).

As you may know, the NARUC is a non-profit, quasi-governmental Association founded in 1889, whose members are the state commissions responsible for the regulation of our nation's utilities and carriers. In this capacity, we are responsible for ensuring that consumers of electricity and natural gas nationwide are provided with highest quality, lowest cost utility service possible.

Based upon our experience in this regard we have become convinced that the public interest is best served when energy planning takes into consideration the broad spectrum of options available for serving consumers' energy needs. It is with this in mind that I appear before you today in support of the Alternative Conservation Budget for FY 1989. Three Resolutions setting forth the official position of our Association on energy

conservation and least-cost planning are attached hereto as Appendix A.

Those of us who regulate utilities at the state level have a vital interest in the federal government's funding of energy conservation programs. These federal programs have helped millions of consumers to minimize their utility bills and have spurred the development of many new energy-saving technologies by U.S. industries. Due in part to the wise investments made by the federal government over the past 15 years, energy efficiency has become the fastest growing source for meeting future energy needs in the U.S. economy, and the most economical.

Unfortunately, our nation's continued progress toward improving energy efficiency is now threatened. It is threatened by a short-sighted proposal by the Administration to cut federal funding for energy conservation in FY 1989 to barely one-fourth of the current fiscal year's levels -- even though these programs have already been cut to the bone.

It would be difficult to find a better place to invest federal funds than in energy conservation. When low-income citizens weatherstrip and insulate their homes with the help of the federal Weatherization Assistance Program (WAP), for instance, the resulting savings is repeated year after year, and it reduces their need for other assistance programs. Another

federal program offers badly needed conservation assistance to local schools and hospitals.

Similarly, federally funded research and development has enabled U.S. industries to develop numerous energy-saving innovations which are cutting energy costs across the country by billions of dollars. Let me offer just one example of the impressive track record of federal expenditures on energy conservation R&D: According to the American Council for an Energy-Efficient Economy (ACEEE), a $5-million R&D expenditure on energy-efficient lighting and windows accelerated the development of these technologies by five years. These new technologies will ultimately save consumers $36 billion that they would have spent on energy bills had this R&D program not existed -- a return of 7000 to 1.

Indeed, the energy-saving investments we have made since the Arab Oil Embargo 15 years ago are saving our country $130 billion a year in energy bills, according to ACEEE. Given the enormous contributions energy efficiency improvements make to our nation's economy, I find it astonishing that even before the cuts proposed by the Administration, less than 3 percent of DOE's budget is spent on energy conservation.

To look at it another way, for every $1000 our nation spends on energy, the government invests only 42 cents in R&D to explore

ways to use energy more efficiently. When we consider the potential economic payoffs from energy efficiency improvements, we could easily justify spending ten times that much on energy conservation R&D. Yet the Administration wants to cut that figure even further, to just 23 cents.

Because of the the vital importance of adequate federal support for energy conservation programs, NARUC has joined with 27 other national organizations in proposing an Alternative Budget for Energy Conservation for FY 1989. Our proposal recommends federal expenditures of $439 million on energy conservation programs, about 19 percent above FY 1988 levels.

This alternative budget for energy conservation represents a modest proposal for restoring balance in in the federal energy budget. We view it as a first step toward substantially higher levels of funding for energy conservation which are justified by sound energy and economic policy.

Our proposed FY 1989 budget for energy conservation R&D, totaling approximately $192 million, includes proposals for a number of promising new R&D initiatives in energy efficiency. These include R&D on factory-made housing, desiccant cooling research, and commercial retrofits (using federal buildings as test facilities). Our proposed budget also recommends modification or elimination of some existing R&D programs in

order to keep this program lean and cost-effective. Further details on the proposed alternative budget will be provided by the witness from the Energy Conservation Coalition.

Within DOE's R&D budget, NARUC is especially concerned about maintaining funding for DOE's Least-Cost Utility Planning (LCUP) program at the $2-million level. This innovative "technical transfer" program assists utilities and regulators in developing new institutional frameworks for incorporating energy conservation potentials in the utility planning process. The program helps to bring new energy conservation technologies into millions of homes, businesses and public buildings across the country.

We also urge the Congress to remove the restrictions which earmark more than one-third of DOE's LCUP funds for rural utilities in the Northeast. We believe that all parts of the nation should have an equal opportunity to participate in the LCUP program.

In creating innovative programs such as LCUP, Congress has recognized that in a society where there are many institutional barriers to saving energy, hardware alone does not deliver energy savings. The LCUP program is designed to help utilities and regulators to correct some of the market failures which make it easier to waste energy than to save it. With assistance from

DOE's least-cost planning program, utility regulators in more than half the states are implementing utility planning procedures which consider energy conservation on an equal basis with energy supply options.

For example, the D.C. Public Service Commission has recently adopted least-cost planning and has ordered its electric and gas utilities to undertake agressive energy conservation programs. Initial conservation programs will explore savings potential in lighting, cooling and gas heating. Much of the energy savings we expect to achieve through these programs is possible because of the pioneering research conducted by organizations such as the Lawrence Berkeley Laboratory, through funding provided by DOE.

As our conservation efforts in the District of Columbia move forward in the coming years, we will continue to monitor the exciting and promising federal R&D projects which are currently underway. Through our least-cost planning process, we will endeavor to quickly translate new energy savings opportunities into lower energy costs for all D.C. consumers, including our largest consumer, the federal government.

Unfortunately, the effectiveness of federal energy conservation programs has already been compromised by the enormous cuts these programs have suffered since 1981. The

additional 74-percent cut proposed by the Administration for FY 1989 would effectively dismantle these federal programs altogether. We urge Congress instead to begin the process of restoring the balance in the federal budget. Perhaps Congress should apply its own least-cost test and allocate funds to the energy technologies which promise to meet consumers' energy needs at the lowest cost. Under such a scheme, I am confident that energy conservation would command a much larger share of the DOE budget.

Energy conservation is by far the lowest cost means of meeting our nation's future energy needs. The federal government's energy conservation programs have an impressive track record for delivering energy saving opportunities which benefit our entire country. NARUC urges the Congress to adopt the programs and funding levels for energy conservation which we have proposed in the Alternative Budget for Energy Conservation for FY 1989.

I would like to thank the Subcommittee for allowing me the opportunity to testify before you today.

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Convention Resolution No. 5

Resolution Supporting the Adoption of National Energy Goals

WHEREAS, There are national imperatives which require renewed vigor in the development and implementation of national energy policy; and

WHEREAS, The Nation continues to be dependent upon petroleum and other non-renewable resources as energy sources; and

WHEREAS, Existing national and international energy policies and conditions do not preclude the recurrence of serious problems arising from this dependence; and

WHEREAS, The increase in energy prices has a major adverse impact on the Nation's citizens and its economy; and

WHEREAS, Conventional sources of energy are subject to constraints involving supply, transportation, cost, environmental, health and safety considerations; and

WHEREAS, The Nation must devise strategies by which to address these problems including, but not limited to strategies to assure adequate, efficient, reliable energy supply and to avoid unnecessary and wasteful consumption; and

WHEREAS, Cost effective energy conservation measures can address such issues appropriately; now, therefore, be it

RESOLVED, That the National Association of Regulatory Utility Commissioners, assembled in its Ninety-sixth Annual Convention in Los Angeles, California, adopts the following goals and urges the government of the United States to find it in the interest of the nation to:

I. Assure adequate and reliable energy supply by using resources in the most efficient manner, by replacing energy resources vulnerable to interruption due to circumstances beyond the nation's control with those less vulnerable, and by encouraging the development and utilization of renewable resources;

II. Define conservation in terms of both avoidance of unnecessary and wasteful consumption and in terms of economic efficiency;

III. Promote conservation by encouraging consultative participation of states, local governments, consumers, energy companies, and the public at large in developing, implementing and updating plans and programs related to energy resource conservation and development;

IV. Improve utility conservation programs by raising consumer awareness to the benefits of conservation, by increasing consumer participation and by requiring utilities to develop programs to achieve implementation of audit recommendations;

V. Encourage development of least cost system plans for major gas and electric utilities in order to meet energy needs over the coming decades, which plans shall include the following: (1) conservation, (2) renewable resources, (3) use of waste heat or high fuel conversion efficiency and (4) all other resources;

VI. Concentrate additional federal efforts on strengthening the Department of Energy's ability to gather data, provide coordination and provide assistance to states and the public; on establishing national appliance efficiency standards; on requiring increased thermal efficiency in buildings; and on establishing energy efficiency in transportation; and

VII. Provide for the essential energy needs of the disadvantaged by providing utility incentives for the development of conservation and audit services, by providing increased permanent weatherization services for low income households, and by eliminating financial barriers to conservation improvements for the needy through loan or grant programs.

Sponsored by the Ad Hoc Committee on Energy Conservation
Reported NARUC Bulletin No. 2-1985, pages 14-15
Adopted November 28, 1984

Resolution Supporting Adoption by State and Federal Regulatory Commissions of a Policy Mandating Electric and Gas Utilities to Develop and Submit for Approval Least-Cost Resource Plans

WHEREAS, It is imperative that the Nation exert more control over its energy future and acknowledge its inherent uncertainities; and

WHEREAS, It is necessary that demand and supply planning be fully integrated to ensure that resources are used prudently and that our energy needs are met at the least possible cost; and

WHEREAS, Energy conserved is a resource and should be subjected to the same need and cost-effectiveness standards as other resources; and

WHEREAS, Conservation can reduce growth in energy demand and thus reduce the need for the construction of new electric facilities; and

WHEREAS, Conservation should be viewed by utilities as an alternative to new supply options; and

WHEREAS, Implementation of this policy will provide the ability to select resources based on the most important factors: need, cost reliability and environmental considerations; now, therefore, be it

RESOLVED, By the National Association of Regulatory Utility Commissioners, assembed in its Ninety-sixth Annual Convention in Los Angeles, California, that State and Federal regulatory commissions should adopt a policy which bases the determination of need for new facilities on the development of a least cost supply plan which evaluates and incorporates all cost effective conservation, load management and alternate energy sources in the least cost supply plan; and be it further

RESOLVED, That least cost resource plans should include consideration of the following: (1) conservation; (2) renewable resources; (3) generating resources using waste heat or generating resources of high fuel conservation efficiency; and (4) all other resources.

Sponsored by the Ad Hoc Committee on Energy Conservation
Reported NARUC Bulletin No. 2-1985, page 16
Adopted November 28, 1984

Resolution in Support of Federal Research on Energy Conservation

WHEREAS, An energy policy that provides a balanced reliance on supplies and demand is essential to the Nation's future well being and security; and

WHEREAS, The current worldwide oil surplus and resulting lower oil prices are providing a misleading signal that the energy crisis has passed; and

WHEREAS, The ability of the Nation to adjust to future energy supply constraints will depend on the development of new energy efficient products and technologies; and

WHEREAS, The gestation period between the initiation of research and the introduction of new products and technologies into the marketplace is as long as 20 years; and

WHEREAS, A vigorous conservation research program must be given a high priority now if the Nation is to have the new technologies and products needed when energy supplies become increasingly constrained; and

WHEREAS, Increased energy efficiency is cost effective and will help achieve environmental goals including a reduction in acid rain, the "greenhouse effect" and oxidation damage to trees and crops; and

WHEREAS, The building industry, unlike the transportation and industrial industries, is not dominated by large firms which have the motivation and resources to invest in reducing their energy expenditures; and

WHEREAS, Building energy efficiency is of particular interest to public service commissioners; now, therefore, be it

RESOLVED, That the National Association of Regulatory Utility Commissioners (NARUC), assembled in its Ninety-eighth Annual Convention in Phoenix, Arizona, requests Congress and the Department of Energy to increase the funding of conservation research, particularly for the building sector, so that a balance will be achieved in our Nation's energy programs.

Sponsored by the Committee on Energy Conservation
Adopted November 19, 1986
Reported in NARUC Bulletin No. 48-1986, p. 6