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SUSTAINABLE ENERGY STUDY #3

New Report Touts Vast Energy Efficiency Potential in Texas; Challenges TXU, Other Utilities' Call for Costly New Power Plants:

Here's a way to avoid spending billions of dollars on proposed high-polluting power plants in Texas: Saving energy. A new report concludes that Texas can meet its growing energy needs without spending money on expensive new power plants.

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"Power to Save: An Alternative Path to Meet Electric Needs in Texas"

Here's a way to avoid spending billions of dollars on proposed high-polluting power plants in Texas: Saving energy.

A new report released January 17, 2007 concludes that Texas can meet its growing energy needs at lower cost, and with significantly less pollution by using new incentives for businesses and consumers in the state, and requiring utility companies to invest in cost-effective energy savings before the spend money on expensive new plants. Together, the report says these strategies would yield nearly \$50 billion in savings and other economic benefits to Texas over the next 15 years with an investment of \$11 billion – a dividend of more than four to one.

“Texas has outstanding opportunities to meet its energy needs safely, reliably and affordably, without building dozens more smokestacks,” said Tim Greeff of the Natural Resources Defense Council (NRDC). “Investment in cost-effective energy savings is an investment in cleaner air, lower energy bills and a stronger Texas economy.”

Each dollar in energy savings initiatives would generate \$4.40 in savings, according to the study, which was prepared for the NRDC and the investor coalition Ceres by researchers at Optimal Energy, an energy efficiency consulting firm. Altogether, the energy saving programs could reduce peak energy demand in Texas by more than 18,500 megawatts – equivalent to the output of 20 large power plants – due to dramatic reductions in electricity use. The report findings are based in part on successful energy efficiency initiatives already in place in Austin and other parts of the country.

“Smarter strategies can provide Texas with all the energy it needs while maintaining a vibrant, robust economy,” said Mindy S. Lubber, president of Ceres, which directs a \$3.7 trillion network of investors focused on the business impacts from climate change. “Energy efficiency is a

cheaper, less-risky solution to the state's energy needs than betting its future on costly coal-fired power plants.”

Nineteen new power plants are currently proposed in Texas, including 11 new coal-fired power plants, costing an estimated \$10 billion, by the TXU Corp.

“The cheapest energy is energy you don't have to produce and buy in the first place,” said Philip H. Mosenthal, founding partner of Optimal Energy and the report's lead author. “Numerous technologies exist to dramatically reduce homeowner and business energy use economically, while providing greater comfort and productivity. Texas has an opportunity to become a leader in clean energy development that will ensure its energy system reliability while saving billions of dollars, dramatically reducing global warming emissions, and creating jobs and strengthening local economies.”

The report, *Power to Save: An Alternative Path to Meet Electric Needs in Texas*, evaluates the potential benefits from enhanced energy efficiency efforts in Dallas, Fort Worth, Houston, Austin and other parts of the state covered by the Electric Reliability Council of Texas (ERCOT). The region includes 75 percent of the state's area and 85 percent of its overall electricity demand.

The report shows that by investing \$11 billion in proven programs and policies focused on more efficient appliances, office equipment and building codes, as well as utility incentives, the Texas economy would achieve \$49 billion of economic benefits – a net economic benefit of \$38 billion.

The report cites the following additional benefits from enhanced energy efficiency efforts:

** Eliminate more than 80 percent of forecasted growth in electricity demand, which ERCOT now projects will grow 2.3 percent a year on average through 2020 without efficiency efforts.

** Save energy at a cost of less than 2 cents per kilowatt-hour, compared to more than 7 cents per kilowatt-hour by securing electricity from existing power plants.

** Save 20,700 gigawatt-hours (GWh) of electricity each year by 2011 and over 80,000 GWh annually by 2021, enough energy to power more than seven million households.

** Prevent 52 million metric tons of carbon dioxide emissions annually by 2021, over 20 percent of Texas' current emissions associated with electricity use and equal to the emissions from 10 million cars. Total CO2 emission reductions over the life of the efficiency improvements would be 400 million metric tons.

For every \$1 invested, Texas would recoup about \$4.40 in economic benefits from lower costs to consumers and savings for utilities from reduced power-plant capacity and delivery costs.

The conclusions are consistent with those reported by the Western Governor's Association 2006 Energy Efficiency Task Force, which found that adoption of best practices and policies for just energy efficiency could reduce load growth by about 75 percent over the next 15 years.

The new findings also include a preliminary evaluation of potential benefits from better maximizing combined heat and power (CHP) and demand response resources. By also tapping those sources, overall electricity demand could be reduced by 0.5 percent a year – eliminating the need for any new power plants altogether.

CHP refers to the generation of both electricity and useful heat energy, usually by an industrial energy consumer for use at their own facility. Demand response refers to technologies and strategies that enable facilities to reduce the power consumption of their customers during high demand periods using various approaches, including pricing and remote controls.

The report includes specific recommendations for achieving the energy efficiency goals, among those:

** Increase the state's efficiency resource standard (ERS) from 10 percent of new load growth to at least 50 percent and preferably 75 percent as recommended by the Western Governor's Association. A 50 percent ERS means that half of a utility's new load growth must come from energy efficiency resources.

** Expand investment in energy efficiency programs, such as is occurring in other states and parts of Texas. Some utilities spend more than three percent of their annual revenues on energy efficiency, seven times more than the 0.4 percent that Texas investor-owned utilities such as TXU spend.

** Require electric utilities to invest in all cost-effective efficiency resources, removing disincentives to utility investment in efficiency, and giving them the flexibility to design and deliver programs in response to customer and market needs.

** Require the Public Utility Commission of Texas to review the potential for energy efficiency and demand side management and update efficiency goals and programs every two years.

This report is the first of several reports that will be released over the next few months regarding energy efficiency and demand-side management potential in Texas. A soon-to-be-released report by the American Council for an Energy-Efficient Economy (ACEEE) will examine the efficiency potential in greater detail and make specific policy recommendations for Texas. The report will also include a detailed examination of CHP, demand response and on-site renewables potential.

The full 24-page report "Power to Save: An Alternative Path to Meet Electric Needs in Texas" is available at http://www.ceres.org/pub/docs/Ceres_texas_power.pdf

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The Natural Resources Defense Council is a national, nonprofit organization of scientists, lawyers and environmental specialists dedicated to protecting public health and the environment.

Founded in 1970, NRDC has 1.2 million members and online activists nationwide, served from offices in New York, Washington, Los Angeles and San Francisco.

Ceres is a leading coalition of investors, environmental groups and other public interest organizations working with companies to address sustainability challenges such as climate change. It directs the Investor Network on Climate Change, a network of more than 50 leading investors with collective assets totaling \$3.7 trillion. For more information, visit www.ceres.org

Optimal Energy, Inc (OEI) is recognized as a leader in energy efficiency planning, program design, and analysis, particularly in the commercial, institutional, and industrial sectors. OEI is the chief architect of Efficiency Vermont, the nation's first and only Efficiency Utility and recognized internationally as using one of the most innovative approaches to delivering energy efficiency education and savings to utility customers. OEI has designed and assisted in the implementation of "best practice" efficiency initiatives throughout the U.S., Canada and China.