



House Bill 2200: Creating Jobs, Saving Money, Enhancing Security and Environmental Protection through Energy Efficiency

Overview

House Bill 2200 is landmark energy conservation legislation that will save families and businesses money and create jobs. It will move Pennsylvania to the national forefront of the clean energy economy, protect our environment, and reduce the need to build new power plants and transmission lines.

The bill creates new electricity conservation programs in each utility service territory that would give business and residential consumers the tools to save about 20 percent on their electric bills. Without such programs, demand for electricity will increase at the current rate, about 1.5 percent each year.

House Bill 2200

- **Creates** conservation programs in all parts of Pennsylvania to reduce electricity use by 2.5 percent of the projected 2012 total demand. This goal is to be met by 2013.
- **Requires** a minimum reduction in peak demand of 4 percent of current levels by May 31, 2012. Peak demand drives the need for more power lines and power plants.
- **Ensures** that every electricity customer will receive a smart meter within ten years. Smart meters are a vital tool that empowers families and businesses to manage their energy use. Users not only save money for themselves, but also for all customers by reducing peak demand.
- **Gives** all customers the choice of three pricing plans: their current plan based on an average rate; a rate that differentiates between peak and off-peak periods; and an hourly rate. Customers could stay with their traditional bill with the average price or select a pricing option that would enable them to save money by moving consumption to cheaper times of the day.

How will the legislation help consumers and businesses save money?

The legislation creates programs in all parts of Pennsylvania that save energy and lower electric bills such as:

- Replacement of inefficient lighting and HVAC equipment in the commercial sector;
- Incentives to families for the purchase of high efficiency appliances, air conditioning, lighting, furnaces and boilers;
- New ENERGY STAR homes that use 30 percent less energy than traditional homes.

Experience nationwide has shown that such energy efficiency programs can help electricity consumers reduce energy bills by 20 to 30 percent. In other states, some businesses have realized 60 percent reductions. Such savings are vital during a time of sharply rising energy prices.

How will the legislation help our economy?

Energy efficiency programs reduce the cost of living and the cost of doing business in Pennsylvania by helping all classes of consumers save electricity. Conserving a kilowatt-hour of electricity costs less than 3 cents. Building new power plants and power lines or buying a kilowatt-hour of electricity in the wholesale market costs about 7 to 10 cents per kilowatt-hour. Conservation, therefore, saves money. The savings achieved from lower electric bills and avoided new generation will be injected into the economy.

If Pennsylvania went beyond the goals of House Bill 2200 to offset all electric demand growth with energy conservation, the state could achieve a net-savings between \$9 and \$12 billion dollars by avoiding the need to build more power plants and transmission lines as shown in a recently released report, *Building Pennsylvania's Energy Future: Efficiency Means Real Gains for Security, the Economy, and the Environment* (<http://www.pennfuture.org/UserFiles/PDFs/BuildingPennsylvaniasEnergyFutureFinalReport.pdf>)

A strong commitment to energy efficiency can also attract a whole new sector of companies and jobs. Thousands of jobs will be created in energy conservation companies. Without any commitment to energy efficiency in the state, jobs in the region are flowing to neighboring states.

What will happen to electric rates and our electric reliability if this bill is not passed?

If Pennsylvania does nothing to reduce its electricity consumption, our state will have to make room for at least 12 new 300 megawatt power plants – complete with high costs of construction, human health costs and increased global warming pollution. Hundreds of miles of new towers and transmission lines will have to be built, and we will be subject to volatile fuel prices. All told, **business as usual** — with electricity demand growing by 1.5 percent annually and no statewide conservation program — **will cost \$17 billion** in capital, fuel, and other costs associated with meeting increases in electricity demand.

How will the program work?

The Public Utility Commission (PUC) would be required to conduct a competitive bidding process to select an independent program administrator. The program administrator will enter into a performance-based contract with the PUC and develop energy efficiency and demand side programs that vendors will compete to provide. The programs must achieve the required savings set forth in House Bill 2200, be deemed cost-effective and must target each customer class (residential, commercial, industrial) across every electric service territory in Pennsylvania. The programs will open up an entirely new set of jobs for Pennsylvanians across the state, part of the new clean energy economy.

The independent program administrator model is currently used in several states, including Maine, New Jersey, Oregon and Vermont. Vermont's administrator, Efficiency Vermont, has been highly successful, cutting Vermont's electric energy demand growth by 0.9 percent annually over the past three years.

What are the benefits of smart meters?

Smart meters allow customers to know the cost of electricity at the time they are using it. Customers who shift a portion of their demand to non-peak periods such as evenings not only save themselves money and energy, but also reduce prices for everyone. Providing electricity at peak demand periods is extremely expensive. A one percent reduction in peak demand during the highest peak demand times can cut the market price by ten percent. Reducing peak demand reduces the chances of blackouts and keeps wholesale prices down.

Smart meters provide many benefits for utilities. For example, PPL, Inc. installed smart meters in every business and residence in its service territory at a time when rates were capped because the devices were cost effective. Smart meters save utilities money by immediately identifying service outages and allowing fast restoration, identifying theft of service, and reducing billing costs and disputes.