

Section 9.1: Utility-sponsored Programs¹

Topic/Issue Description

An oft-cited approach to increasing the adoption of energy conservation and efficiency measures is through utility-sponsored programs—commonly referred to as energy efficiency (EE) programs or demand-side management (DSM) programs. Such programs first appeared in the late 1970s and saw increasing popularity through the 1980s. Utility and ratepayer spending on EE programs peaked at \$2.74 billion in 1993 and then declined,² coinciding with a decline in political popularity of these programs.

Currently, with energy prices increasing relative to the rate of inflation and growing concerns about the relationship between energy use and the environment, U.S. policymakers are once again focusing on utility-sponsored EE programs (see, for example, the National Action Plan for Energy Efficiency discussed below). Many utilities across the country offer programs that are designed to help their customers use energy more efficiently and, as a consequence, conserve energy. Programs range from efforts to inform and educate (e.g., online energy use calculators, energy efficiency tips) to cash rebates or other direct subsidies (e.g., the recent Change a Light program) to installation of control devices that can actually shut off power at times of peak demand (e.g., smart metering devices), to name a few.

Kansas utilities also offer an array of programs, and many are considering expansion of these programs (see section on existing policies and programs for more details about Kansas utility EE programs). Although individual EE programs vary greatly among utilities, generally most programs result in somewhat higher bills for all customers to cover the cost of programs used by only some of the customers.

Existing Policies and Programs

1. Many Kansas utilities offer energy conservation and efficiency programs and services to their residential, commercial, and industrial customers (however, no comprehensive summary of these currently exists³). For example, Kansas City Power & Light (KCP&L) offers smart metering programs for residential and commercial customers to reduce peak load, rebates for commercial energy audits, and energy efficiency training for building operators, as well as assistance programs for low-income households. Kansas City Board of Public Utilities (KCBPU) and KCP&L offer rebates for installing energy efficient systems such as heat pumps in residential and commercial buildings. Midwest Energy offers time-of-day pricing to commercial and industrial customers, and a number of services such as infrared scans, blower door tests, energy audits, and duct leakage tests to

¹ For charts and graphs related to energy efficiency and conservation, please refer to the *Kansas Energy Chart Book*, Chapter 9 (http://kec.kansas.gov/chart_book/).

² American Council for an Energy Efficiency Economy (ACEEE), 2000, State Scorecard on Utility Energy Efficiency Programs, by Steven Nadel, Tor Kubo, and Howard Geller: <http://www.aceee.org/pubs/u004.htm> (accessed November 2007).

³ KEC staff compiled a preliminary listing of some of the programs currently offered; this summary can be accessed on the Reports page of the KEC web site: <http://www.kec.kansas.gov/reports.htm>.

various customer classes. Westar Energy offers time-of-use tariffs for commercial and industrial customers and is developing a real-time pricing pilot program; they also offer an online energy usage calculator. In addition, many of the state's electric cooperatives have programs that include load reduction or curtailment credits, time-of-use pricing, real-time pricing, rebates for heat pump installation, home energy audits, peak alerts, load control programs, educational programs, and low-income weatherization assistance.

2. Midwest Energy recently received KCC approval for an energy efficiency program called How\$mart. The program will provide money for energy efficiency improvements such as insulation, sealing, and heating and cooling systems to customers who will repay the funds through energy savings on their monthly utility bill. Under the plan, participating customers must have an energy audit to determine their savings. If the customer qualifies, they will receive a lower net bill, even including repayment of the improvement costs. If the tenant moves or if a property owner changes the repayment obligation, like the energy savings, transfers to the next customer. The program is available to both electric and gas customers and will be piloted initially in Ellis, Rooks, Graham, and Trego counties, after which it may be offered to more of the utility's 41-county service area.
3. In September 2006, the Kansas Corporation Commission opened a generic investigation (Docket No. 07-GIMX-247-GIV), *In the Matter of a General Investigation Regarding Energy Efficiency Programs*.⁴ After comments by interested parties and a Staff report, the Commission issued a Final Order on October 10, 2007. The Order concluded that the Commission should continue to work collaboratively with the utility companies to further energy efficiency programs and need not address various legal issues regarding KCC authority to mandate programs. The Commission found that it should develop a uniform framework for reviewing and encouraging energy efficiency programs. It therefore opened two separate dockets on November 6, 2007. The first one, Docket No. 08-GIMX-442-GIV, is intended to address the benefit cost tests to be used in evaluating potential EE programs. The second proceeding, Docket No. 08-GIMX-441-GIV, will look at cost recovery, decoupling, and incentives. Comments and reply comments on numerous questions posed in the orders are due December 21, 2007, and January 14, 2008, in the first proceeding, and January 25, 2008, and February 15, 2008, in the other docket. The Commission intends to conduct informal workshops in both proceedings. The goals are to complete these dockets in 6 and 9 months, respectively, but the orders recognize that the timelines may need to change.
4. The U.S. Environmental Protection Agency and the Department of Energy have developed a National Action Plan for Energy Efficiency, the goal of which is "to create a sustainable, aggressive national commitment to energy efficiency through gas and electric utilities, utility regulators, and partner organizations."⁵ Chief among the recommendations released in July 2006 are the recognition of energy efficiency as a

⁴ The Commissions' Final Order on Docket 07-GMIX-247-GIV is available on the Kansas Corporation Commission (KCC) website: <http://www.kcc.state.ks.us/scan/200710/20071010110245.pdf>. Other dockets can be accessed through the KCC Docket web page: <http://www.kcc.state.ks.us/docket/docket.htm>.

⁵ U.S. Environmental Protection Agency (EPA) 2007, Clean Energy, National Action Plan for Energy Efficiency: <http://www.epa.gov/cleanrgy/actionplan/eeactionplan.htm> (accessed October 24, 2006).

high-priority energy resource, a long-term commitment to implementing energy efficiency through stable funding, and the alignment of utility incentives with delivery of cost-effective energy efficiency programs.