



Building Sustainable Efficiency Businesses

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Overview

- Why is energy efficiency a strategic priority
- How does standard regulation discourage energy efficiency
- Why must utilities pursue efficiency on a sustainable business basis
- What are the criteria for sustainable businesses
- Conclusion



Energy Efficiency Is The First, Best Resource Option

- Climate change-to slow growth, reduce emissions
- Reliability-to reinforce the grid against declining reserve margins
- Rate impacts-to give customers new tools to control costs
- Risk mitigation-to increase planning options by deferring new investments



Standard Regulation Discourages Energy Efficiency

- Program costs not in rates must be deferred for future recovery
- Aggressive conservation and efficiency can lead to under-recovery of fixed costs
- Efficiency does not earn a profit



Efficiency Must Be A Sustainable Business

- The challenge of climate change will be with us for the foreseeable future
- Efficiency needs to be a core aspect of utility business strategy
- There must be a reasonable return to attract private capital
- There are many aspects of change including efficient rates, smart grid, measurement and verification



Criteria for Sustainable Energy Efficiency Business

- Timely recovery of costs
- Keeping whole for fixed costs
- Making a profit on efficiency products and services
 - Shared savings model
 - Capitalization/bonus RoE Model
 - Virtual Power Plant Model



Conclusions

- Need for increased energy efficiency is recognized nationally and internationally
- Alignment of incentives in ratemaking is beginning
- Policies that align the interests of the utility with the interests of the customer need to be instituted to make efficiency a sustainable business

