

STATEMENT OF THE ELECTRICITY CONSUMERS RESOURCE COUNCIL (ELCON) ON  
S 1115, LEGISLATION TO IMPROVE ENERGY EFFICIENCY, BEFORE  
THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES, APRIL 23, 2007

The Electricity Consumers Resources Council (ELCON) is the national association representing large industrial users of electricity. Our members come from across the manufacturing spectrum and are, for the most part, multi-national companies competing in global markets around the world.

ELCON members have extensive experience with both energy efficiency and with regulatory efforts designed to promote efficiency such as Revenue Decoupling.

ELCON members and other manufacturers are perhaps the leaders in energy efficiency, in part because manufacturers have long strived to reduce their energy costs so as to better compete in domestic and international markets. In addition, ELCON members are conscious of their role as large energy users and they recognize that reduced energy use today provides more energy resources tomorrow.

For over twenty years, ELCON members have watched governmental efforts to encourage energy efficiency, and they have often seen “Revenue Decoupling” proposed as one mechanism to accomplish that objective. We understand that proponents of Revenue Decoupling believe that, under both traditional regulation and in open markets, gas and electric utilities have a disincentive to support and/or undertake any energy efficiency efforts because, if successful, such efforts would reduce a utility’s revenues and therefore its earnings. Proponents assert that by “decoupling” a utility’s earnings from its delivery of power – and by ensuring a constant earnings level for each utility – the utility’s incentive to oppose energy efficiency is removed.

In fact, at best Revenue Decoupling merely makes utilities neutral in the efficiency debate – it does not provide any incentive for them to promote efficiency. But, at the same time and more importantly, Decoupling removes any linkage between consumers' (large and small) success in achieving energy efficiency and their receiving some reward or compensation (e.g., lower electricity bills) as a result. A major incentive for consumers to engage in any energy efficiency on their own is removed if Decoupling is implemented.

ELCON members recently prepared the attached paper on Revenue Decoupling which explains why Revenue Decoupling is both unfair and ineffective. As an alternative we support proposals – such as those in operation in several States at present – that promote efficiency through an independent State or quasi-State entity. Utilities are not designed to implement efficiency – they are designed to plan and operate power delivery systems – and they should not be tasked to do so. That responsibility is best given to a dedicated third party.

Energy efficiency is important. But history has clearly shown us that Revenue Decoupling is not a means to achieve it.