



# Financing the Clean Energy Investments of Large US Manufacturers

*What are the Roles of Utilities and Their Regulators?*

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# Unintended Consequences of Trying to Save the World



- Since the 1970s public policies in the United States have attempted to force electricity consumers to conserve electricity.
- These policies have also forced bulk resource choices away from traditional forms of electric generation.
- When applied to large manufacturers, these policies often don't work or are counterproductive.

# Demand-Side Management (DSM)



- Throughout the 1980s and 1990s, demand side management (DSM) programs proliferated at great cost to utility customers and continue to this day.
- In 2017, for example, the Consortium of Energy Efficiency estimated that gas and electric utilities spent \$8.8 billion on DSM programs of which \$8.5 billion was collected via ratepayer surcharges

# Pushing Money Out the Door is Not A Measure of Success



- Little or no attempt was made for the measurement and verification of savings—particularly capacity savings—a problem that also continues to this day.
- Program success was measured by the amount of money shoveled out the door and an almost theological acceptance of the merits of doing so.

# Cross-/Inter-class Subsidization

## *Examples*



- A cement making facility qualified for DSM rebates worth about \$100,000 but paid \$638,000 in extra surcharges in its electric bill.
- A drug company qualified for rebates worth less than \$2,000 but paid \$700,000 in higher rates that subsidized the DSM measures of other customers.

# Rationalizing State Mandates with the Large Manufacturer's Business Model



1. Recognize Customer Initiated Clean Energy Investments
2. Establish Opt-Out Procedures
3. Customers Entitled to Full Value of Tradable Credits
4. Interfuel Substitution Should be Recognized for Its Net EE Value
5. Customers Should be Allowed to Use Its Own Lower Capital Costs

# Rationalizing State Mandates with the Large Manufacturer's Business Model



6. Inter-/Intra-class Subsidization Should be Prohibited
7. Utility Programs Should be Designed to Discourage Free Riders
8. Cost of Service Principles Should Apply to Utility EE, RPS and DER Programs
9. Demand Response is an Important Resource

# Don't Bite the Hand that Feeds You



- The alleged “energy transition” that is necessary to achieve an aggressive level of decarbonization requires essential raw materials and finished goods produced by large manufacturers.
- Where do you think wind turbines, PV cells, electric vehicles, building materials need to comply with new building codes, etc, etc, come from.

# Conclusion



Aggressive state-sponsored EE and RPS programs targeted at large manufacturers can best be achieved by working with those customers and understanding how they operate and invest their own money. Promulgating policies that work against their basic economic interests is a recipe for policy failure.