



October 9, 2007

Massachusetts Department of Public Utilities

RE: D.P.U. 07-50 : Investigation by the Department of Public Utilities on Motion into Rate Structures that will Promote Efficient Deployment of Demand Resources

To whom it may concern:

As members of Environmental Entrepreneurs (E2) (www.e2.org), we are writing to strongly support decoupling of the revenue incentives for gas and electric companies from increased consumption and thus reduce disincentives to the efficient deployment of demand resources in Massachusetts.

E2 is a national community of business professionals who believe in the economic merits of good environmental policy. As business leaders, we believe it is critically important for Massachusetts to enact decoupling because it will improve our State's competitive position; increase economic growth and new job creation; and reduce the high cost of energy.

Massachusetts has among the highest electricity costs in the nation^[1] which has a negative impact on doing business in the Commonwealth. Ratepayers spend more than \$6 billion per year on electric supply at a cost of roughly 10 cents per kWh. By contrast, the Commonwealth invests only \$125 million on efficiency programs even though their cost averages only 3 cents per kWh. Clearly, as the demand for energy increases, the lowest cost resource for meeting this demand is energy efficiency.^[2] Energy efficiency reduces overall energy rates by lowering demand; reduces the need for new and expensive power plants; and pays dividends to customers in the form of lower bills. Unfortunately utilities currently have strong *disincentives* to implementing more robust energy efficiency programs as long as their revenue is tied to consumption.

At least seven other states now have approved decoupling mechanisms for at least one regulated natural gas or electric utility (California, Oregon, Maryland, North Carolina, Ohio, Utah and New Jersey).^[3] Massachusetts competes for high tech jobs and corporate locations with these and other states, many of which have much better regulatory support for energy efficiency.

The local businesses that are involved in providing energy efficiency and demand-side services generate economic growth for the state and jobs for our citizens. The recent Clean Energy Census showed that the Massachusetts' clean energy cluster supports 14,400 jobs and is poised to be 10th largest industry in the state. Energy efficiency and demand response firms supply almost 6,300 of these jobs, or 44% of the total with growth over the next year expected to be 25%.^[4]

Moreover, increased investments in efficiency and demand-side programs keep more of our energy dollars at home rather than sending this revenue to other states or countries.

We strongly recommend that Massachusetts implement decoupling in such a way as to fully remove

disincentives from utilities for implementing energy efficiency measures and clear the way for strong incentives to implement these measures. However, breaking the link between utilities' commodity sales and revenues is necessary but not sufficient. Additional mechanisms such as performance-based incentives to deliver cost-effective savings, and distribution enhancements, will be needed to align shareholder and customer interests. In our experience as entrepreneurs and businesspeople we understand how critical a profit incentive is in motivating business behavior.

Thank you for the opportunity to comment on an issue vital to the future of the business environment in the Commonwealth. We look forward to further participation in this process.

Sincerely,

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^[1] *Electric Power Monthly*, Energy Information Administration, (August 15, 2007) at Table 5.6.A. (www.eia.doe.gov/cneaf/electricity/epm/table5_6_a.html)

^[2] *Massachusetts Energy Efficiency Program Benefits*, Environment Northeast (Summer 2007).

^[3] *Aligning Utility Interests with Energy Efficiency Objectives*, ACEEE, October 2006, Report Number U061

^[4] *Massachusetts Clean Energy Industry Census*, August 2007, Massachusetts Renewable Energy Trust