

## FY07-08 Energy Efficiency Work Program

*June 13, 2007*



CEC Presentation on Energy Efficiency  
Funding Mechanisms



LOS ANGELES  
DEPARTMENT OF  
WATER & POWER

## FY 07-08 Energy Efficiency Work Program

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### Mission Statement:

*Implement cost effective energy efficiency and demand side management programs that provide the maximum environmental and financial benefits to our ratepayers and the residents of Los Angeles.*

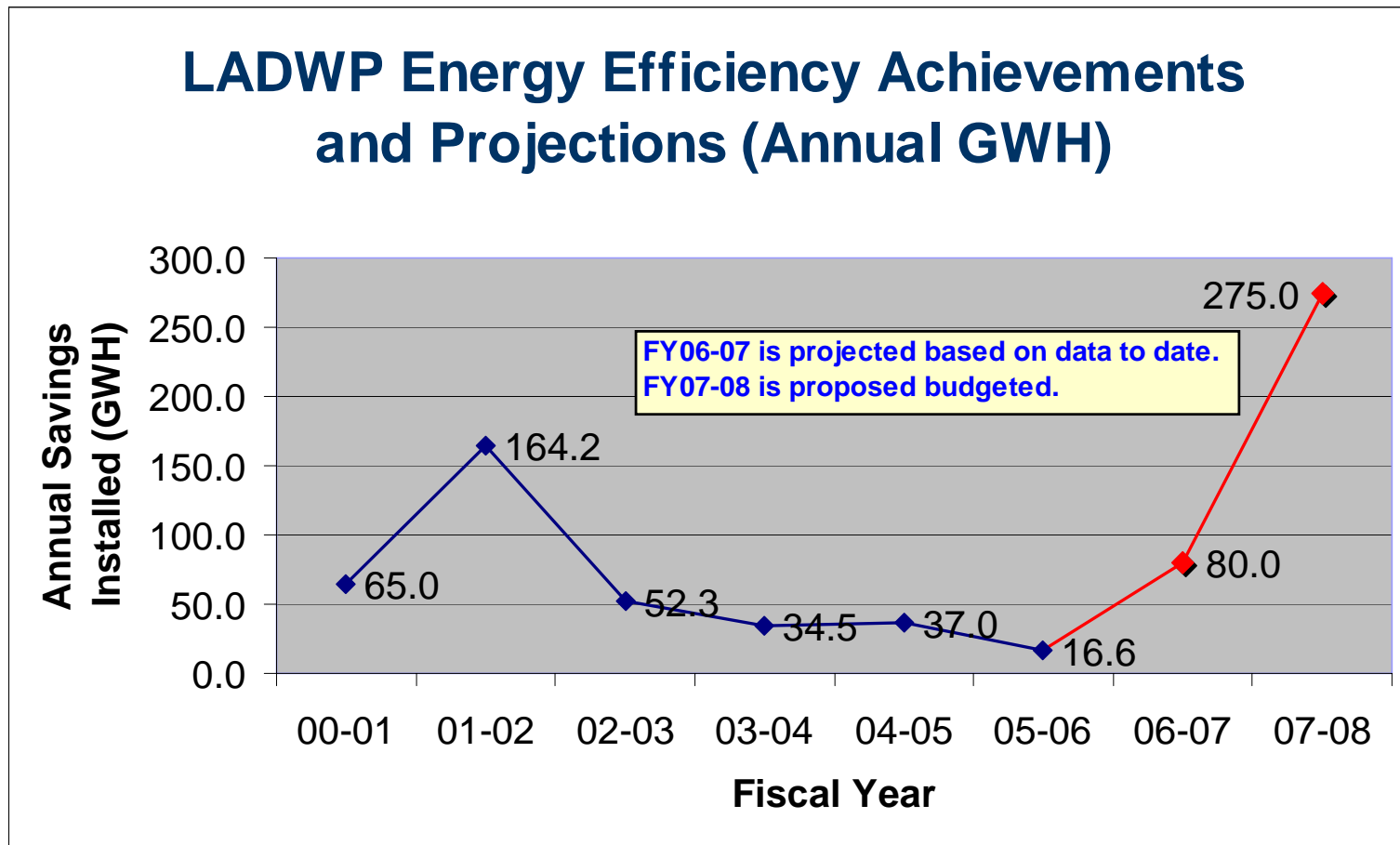
## Overall Strategy:

- Focus on rebate programs in areas that are the most cost effective given the economics of the Power System (fuel costs) and our customers economics.
  - Target rebates to achieve energy savings at a cost of \$0.03/KWh.
  - Rebates will be designed to encourage customers to install the most energy efficient equipment and technology (graduated rebate structure).
  - Initial focus of program is on energy savings.
- Utilize rebate pricing of the EE/DSM programs as the predominant marketing tool to increase the participation in these programs.
- Focus advertising funds on program awareness, primarily aimed at residential customers.
- Provide incentive programs to large customers to mitigate financial impacts from loss of the long-term discount contracts.



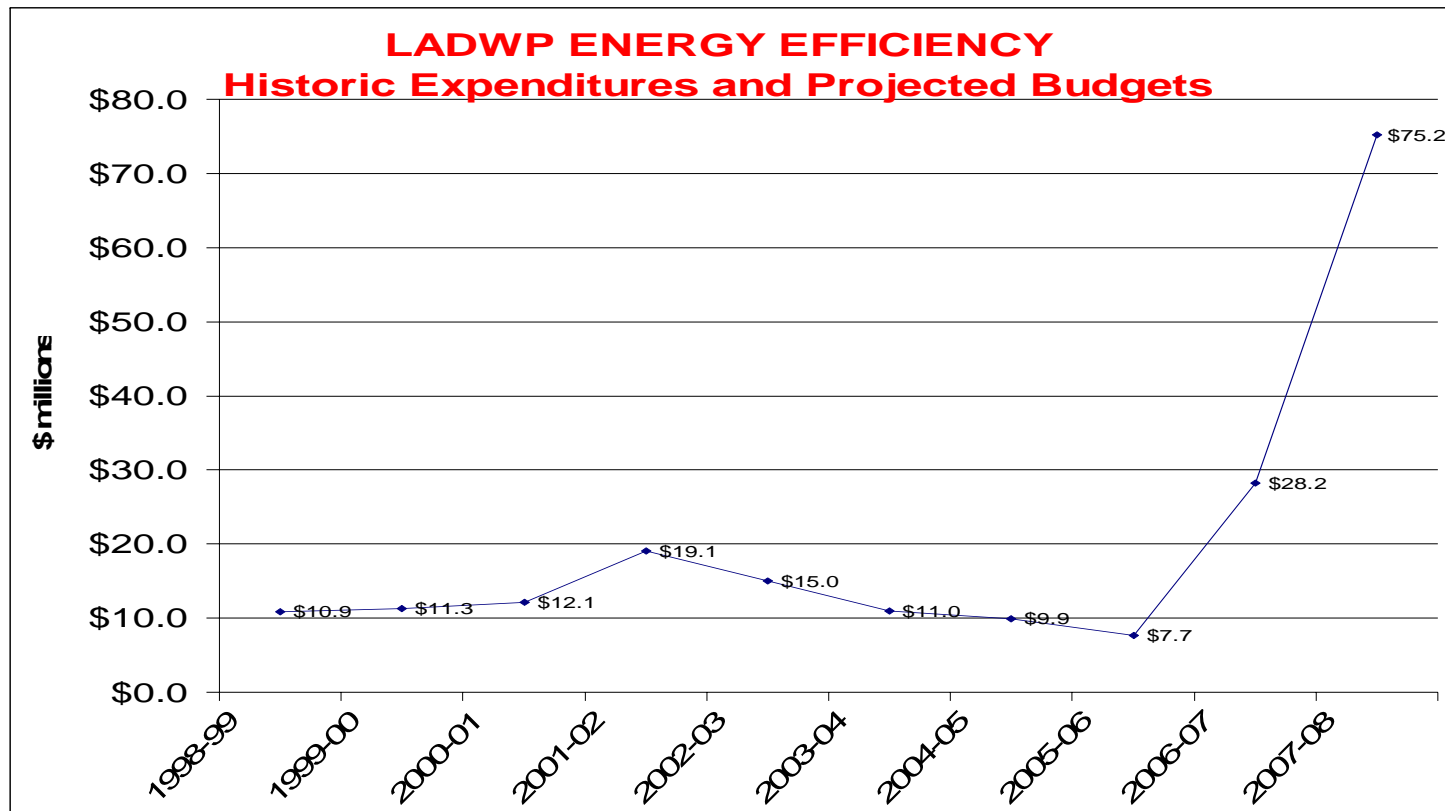
# FY 07-08 Energy Efficiency Work Program

- Historic and Projected Energy Savings



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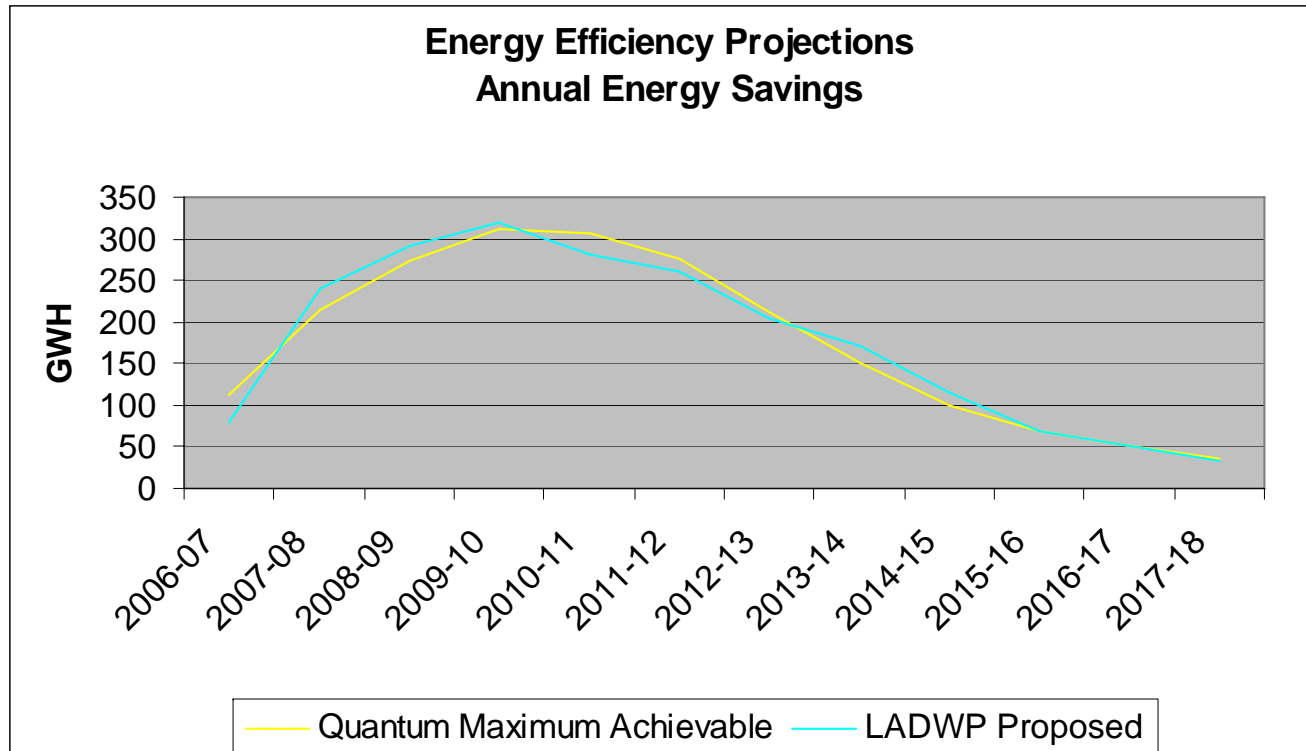
- FY07-08 Budget has 5 main programs for increased investments: Low Income Refrigerators, Small Business Direct Install, Direct Distribution of CFLs, Commercial Lighting, and Chiller Program



Note: FY01-02 does not include State funding during energy crisis.

# FY 07-08 Energy Efficiency Work Program

- Proposed EE Work Program accelerates energy savings identified as Maximum Achievable in Quantum Study.
- New Potential Study to be conducted in FY 08-09.



Rate Structure to Support Funding for These Programs  
Comes from Two Sources:

- Public Benefits Fund: 2.85% of Revenues
- Energy Cost Adjustment Factor (ECAAF): Recently “unfrozen”
  - Program Costs: Recovers the Energy Efficiency Program Costs that are not funded from other sources (Public Benefits Fund)
  - Projected Revenue Loss: Recovers the estimated revenue “margin” lost from savings attributable to the Energy Efficiency Program.

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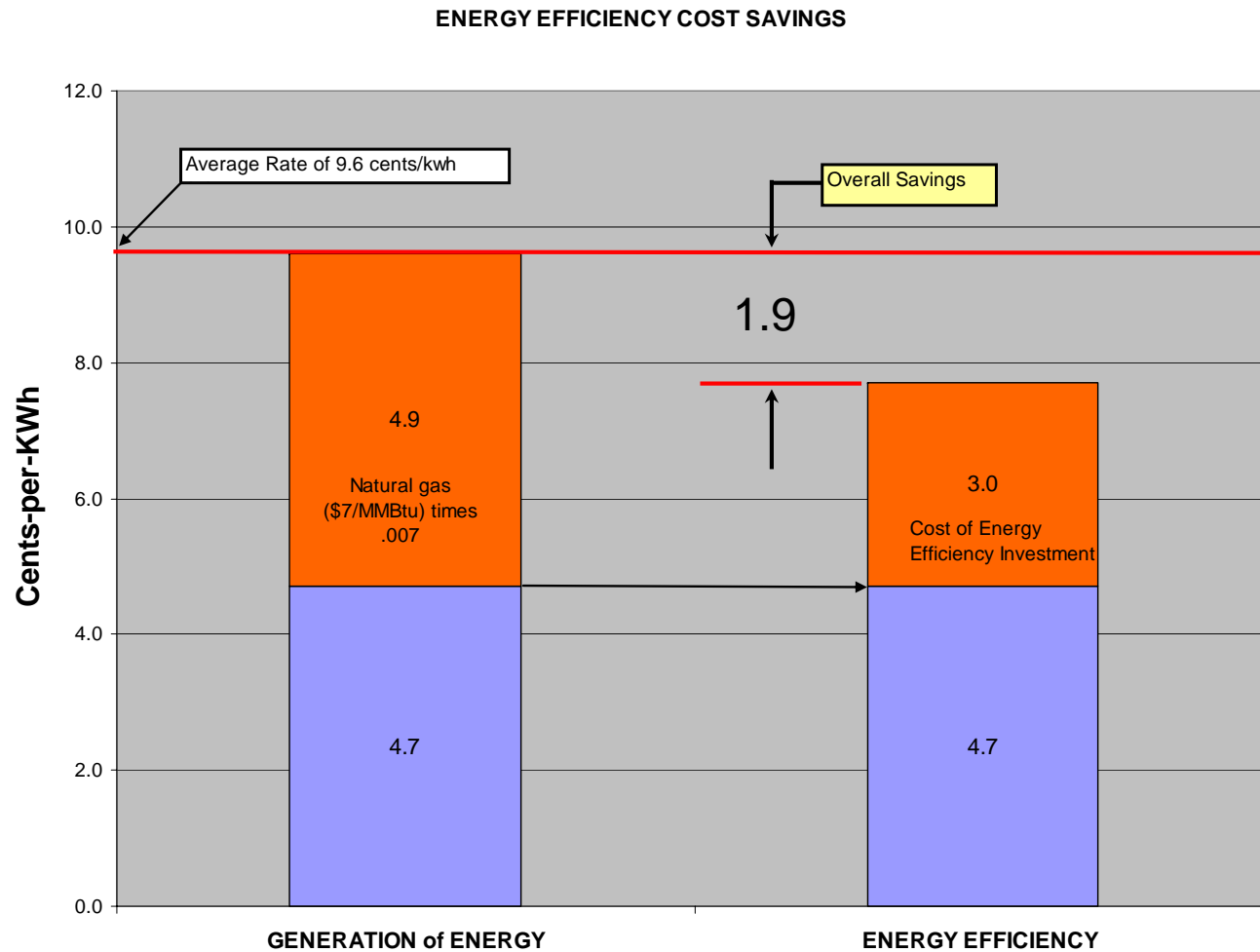
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### Calculation of Projected Revenue “Margin” Loss:

- Assumes an estimated cumulative energy savings based on the energy efficiency investments that have been made.
- Assumes that average system rate would have been collected. (9.6 cents/kwh for 05/06 FY)
- Subtracts:
  - Assumed 7000 heat rate marginal unit would be used
  - Assumed natural gas priced at the Southern California Border is used to generate the power.
- Collects resulting Revenue “Margin” Loss as part of the ECAF
- Overall ECAF uses a balancing account to “true-up” estimated and actual amounts that is adjusted quarterly

# FY 07-08 Energy Efficiency Work Program

## Example of Generation vs. Conservation



### Benefits of Rate Mechanism:

- Sends proper economic signal to customer for installing energy efficiency projects
- Sends proper economic signal to LADWP utility for promoting energy efficiency programs
- Provides operational benefits to LADWP such as making additional Generation, Transmission, and Distribution capacity available
- Reduces overall costs of operating the LADWP System:
  - Roughly a 20% cost reduction for the energy saved
  - Approximate \$2.4 Million in savings for the first year based on the 06-07 FY Energy Efficiency program.
  - Savings continue based on the life of the programs
- Significant environmental benefits!