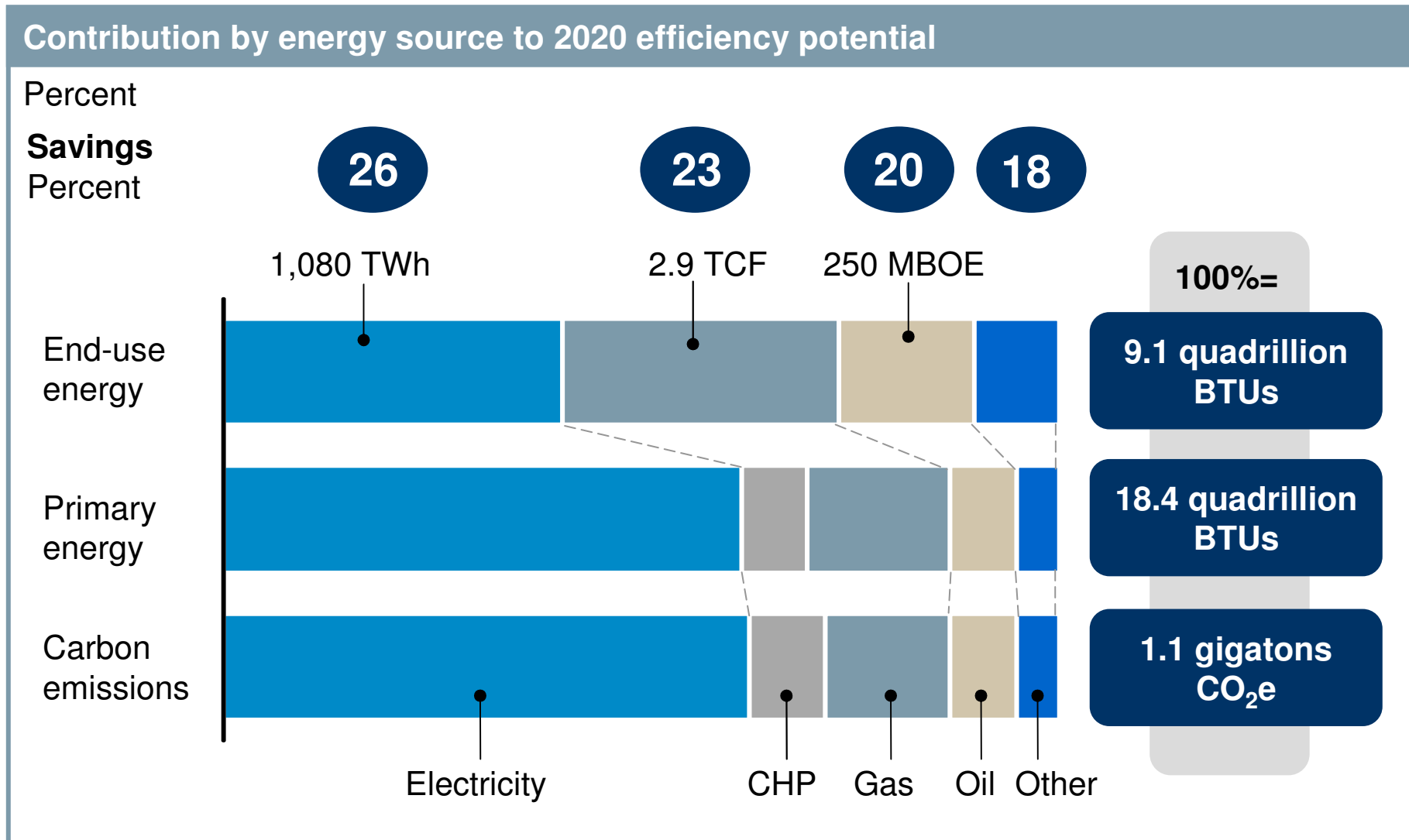




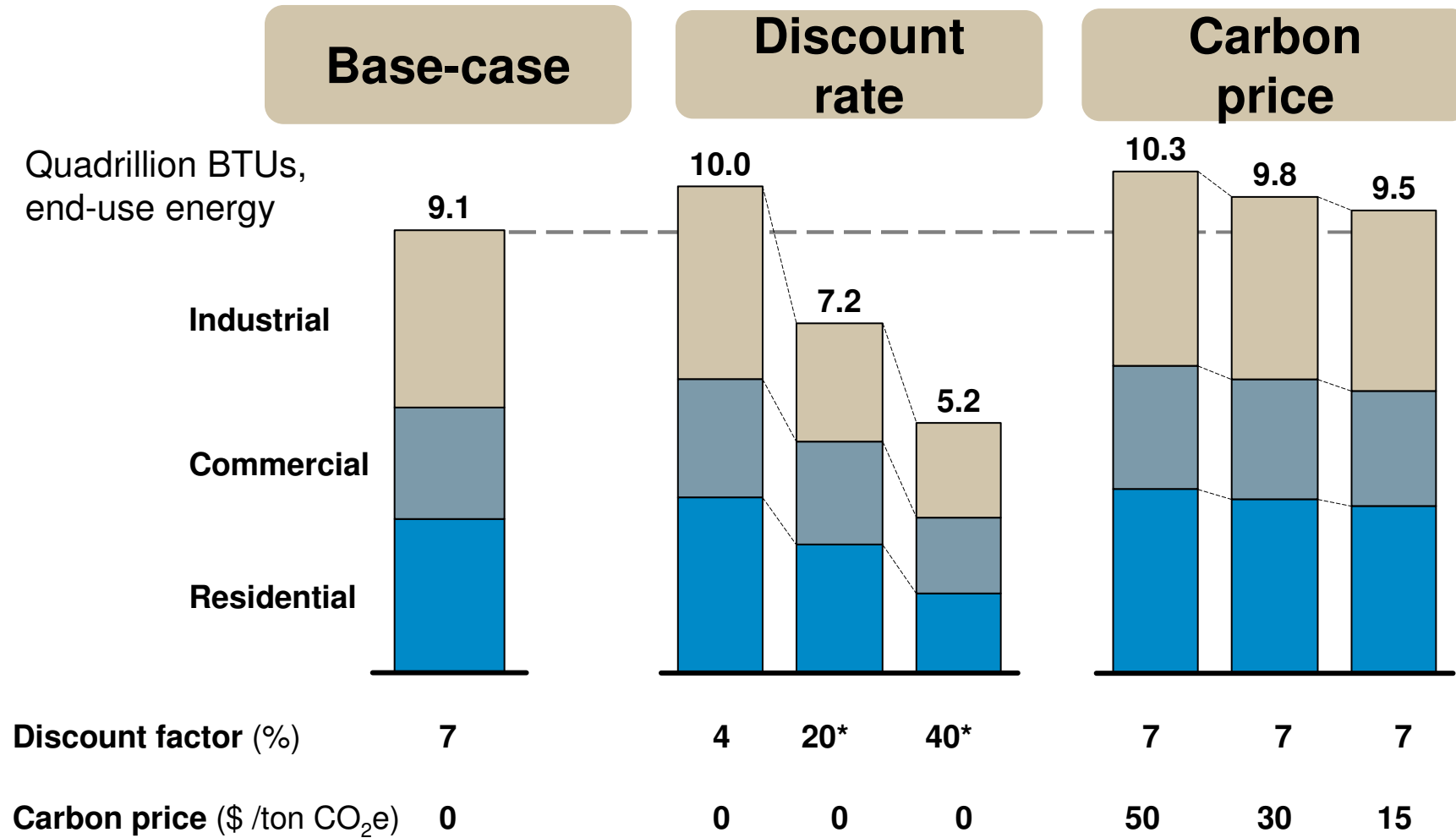
Unlocking Energy Efficiency in the U.S. Economy

NARUC
December 4, 2009

Significant efficiency potential across fuel types



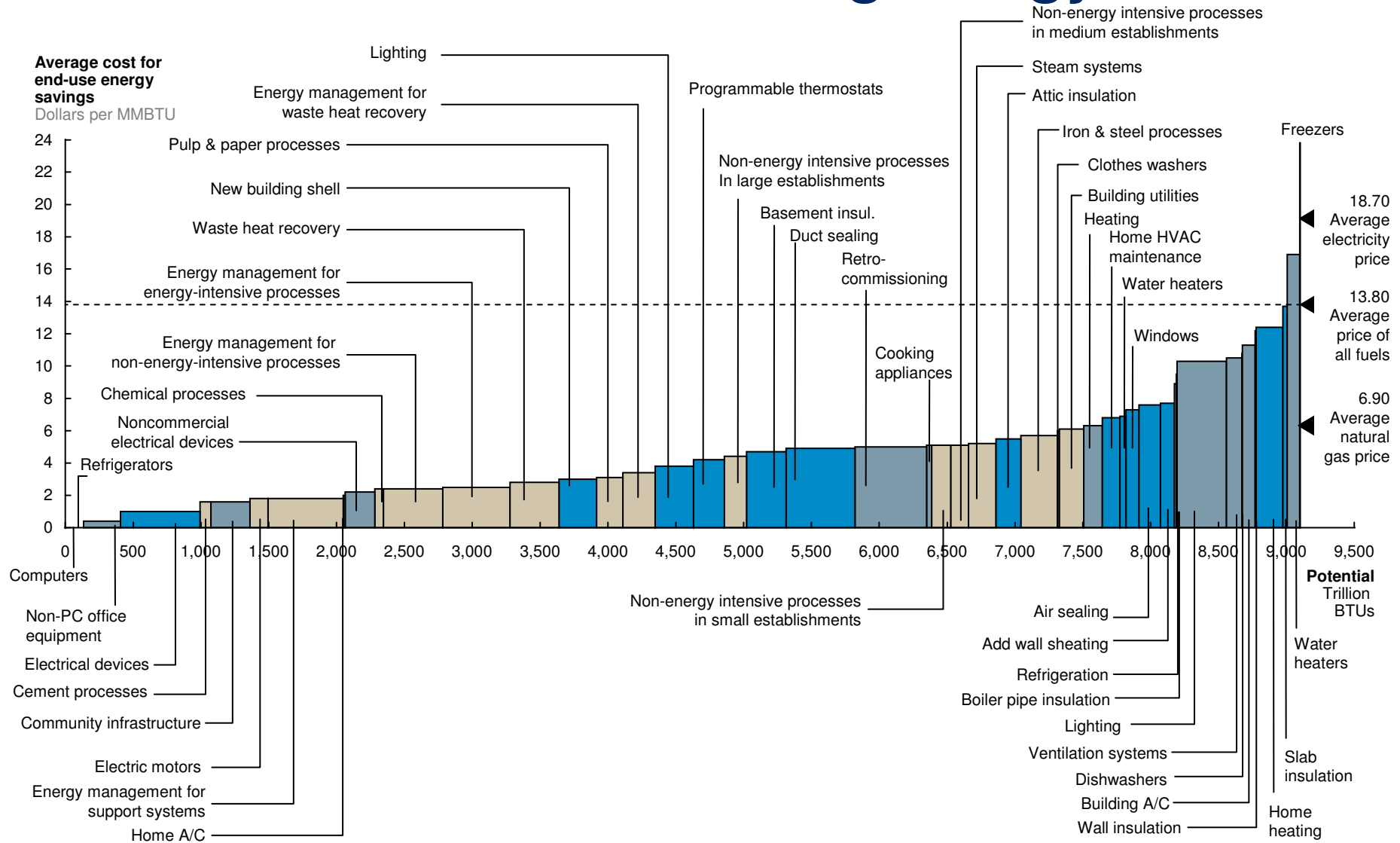
Potential remains attractive even under significant changes in assumptions



* Utilizes retail rates (vs. lower "avoided cost" rate proxy of industrial rates)

Energy efficiency offers the most affordable means of delivering energy

Residential
Commercial
Industrial



Opportunity-specific barriers inhibit capture

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Structural	<p>Agency: Incentives split between parties, impeding capture of potential</p> <p>Ownership transfer issue: Owner expects to leave before payback time</p> <p>Transaction barriers: Unquantifiable incidental costs of deployment</p> <p>Pricing distortions: Regulatory, tax, or other distortions</p>

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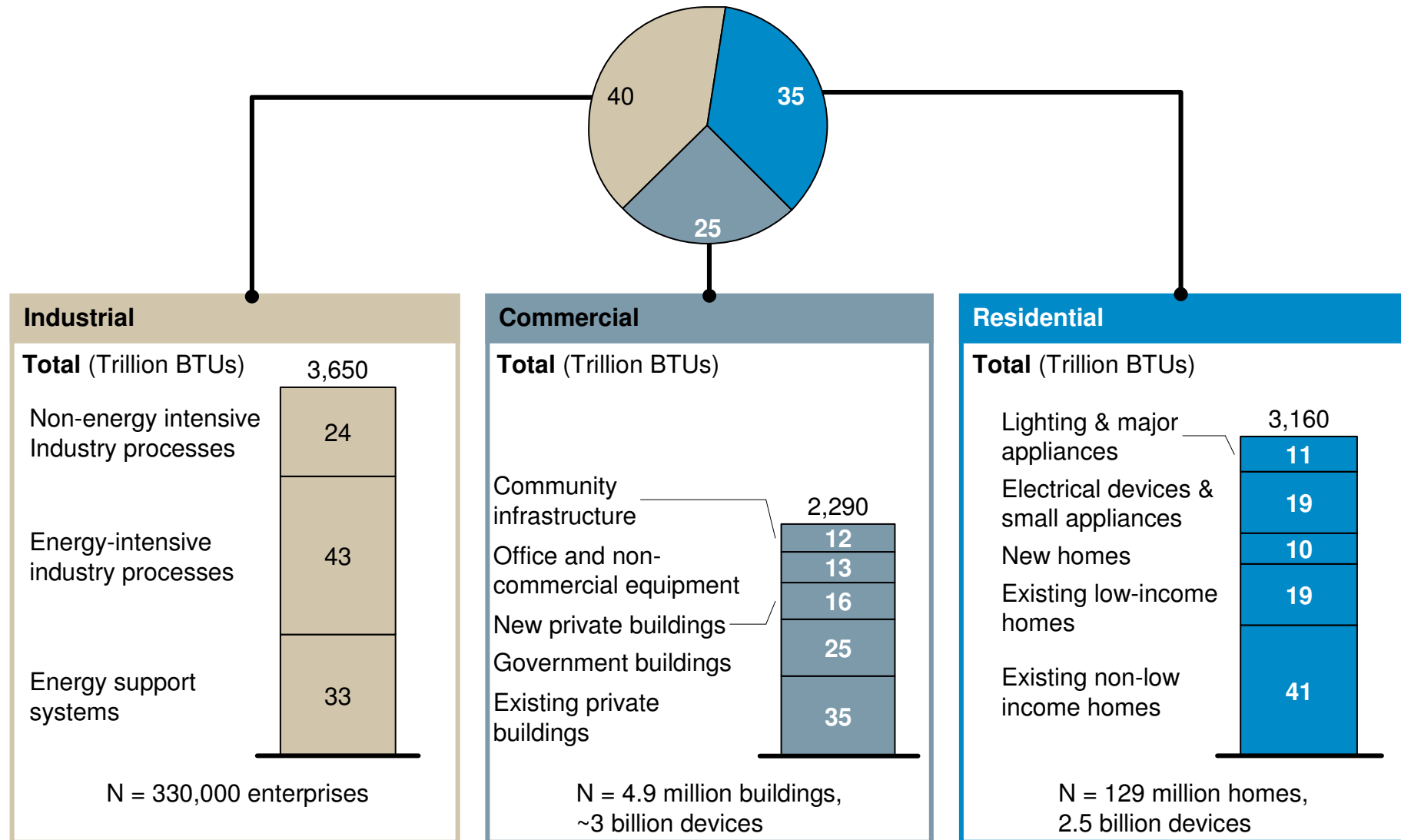
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Behavioral	<p>Risk and uncertainty: Regarding ability to capture benefit of the investment</p> <p>Lack of awareness: About product efficiency and own consumption behavior</p> <p>Custom and habit: Practices that prevent capture of potential</p> <p>Elevated hurdle rate: Similar options treated differently</p>

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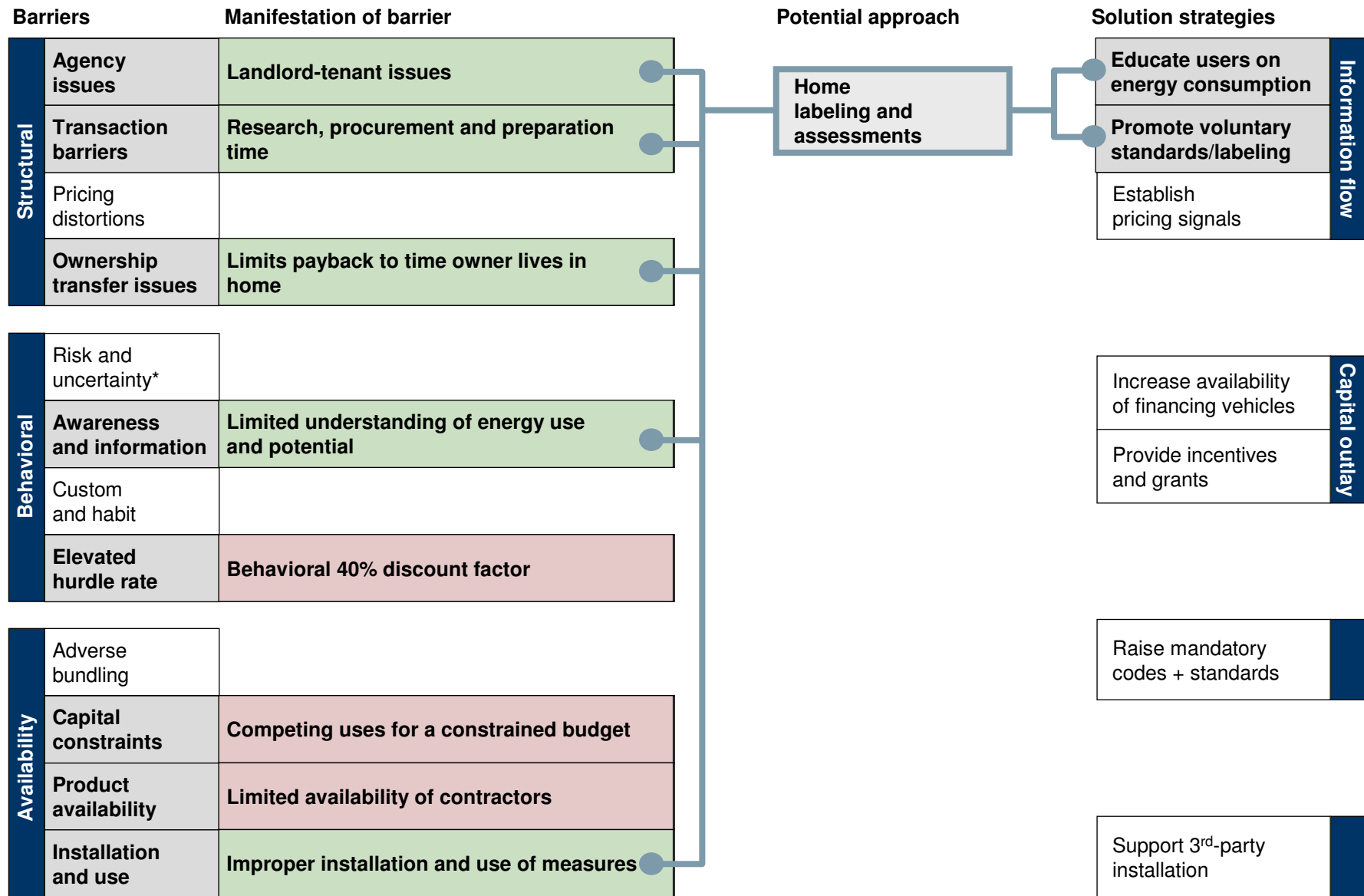
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Availability	<p>Adverse bundling: Combining efficiency savings with costly options</p> <p>Capital constraints: Inability to finance initial outlay</p> <p>Product availability: Insufficient supply or channels to market</p> <p>Installation and use: Similar options treated differently</p>

Clusters of opportunity emerge

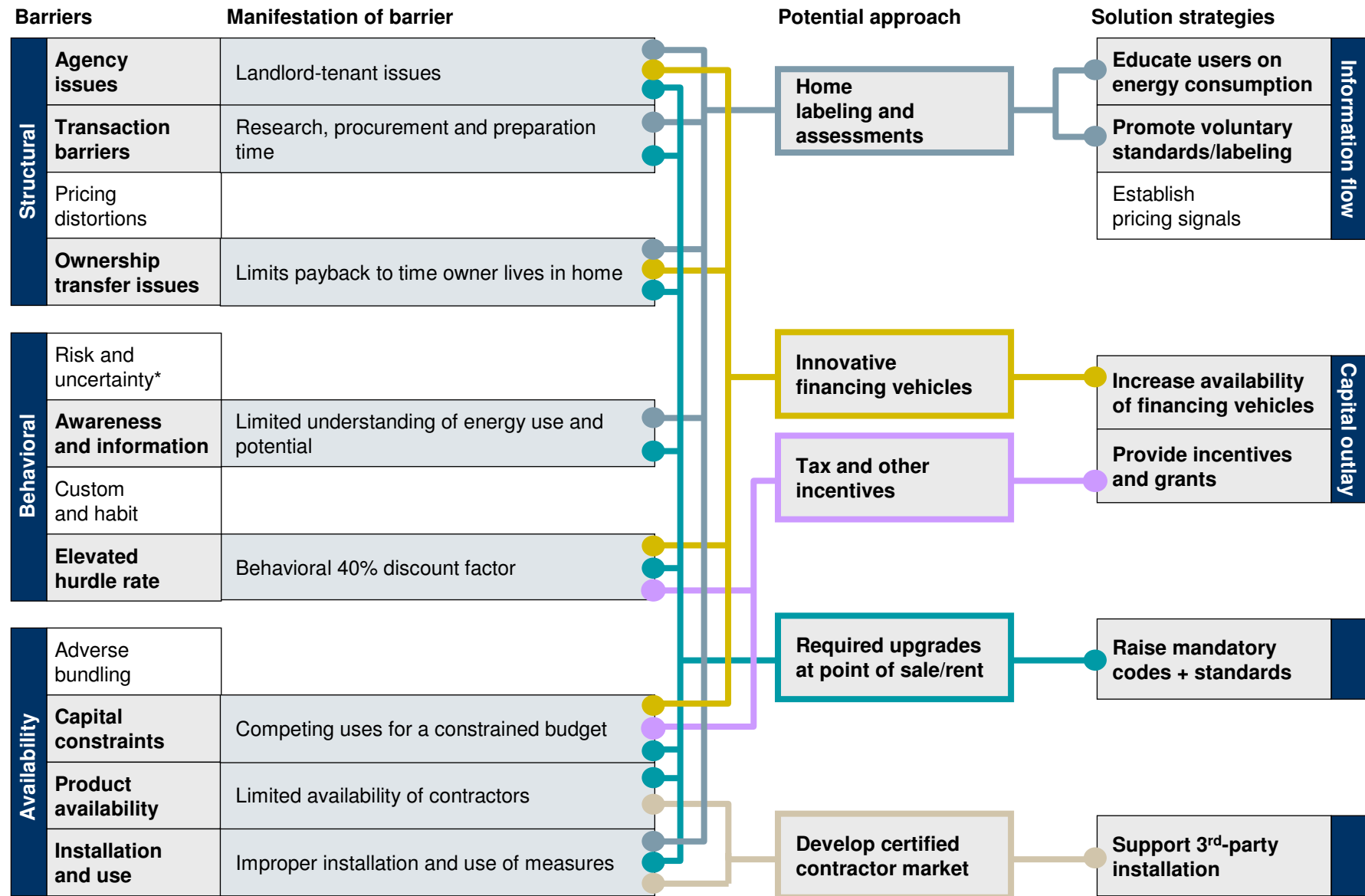
Percent, 100% = 9,100 trillion BTUs of end-use energy efficiency potential



Addressing barriers in non-low income homes



Addressing barriers in non-low income homes



Important observations

- **Recognize energy efficiency as an important energy resource** while the nation concurrently develops new energy sources
- **Launch an integrated portfolio** of proven, piloted, and emerging approaches
- Identify methods to **provide upfront funding**
- **Forge greater alignment** among stakeholders
- **Foster development** of next-generation energy efficient technologies