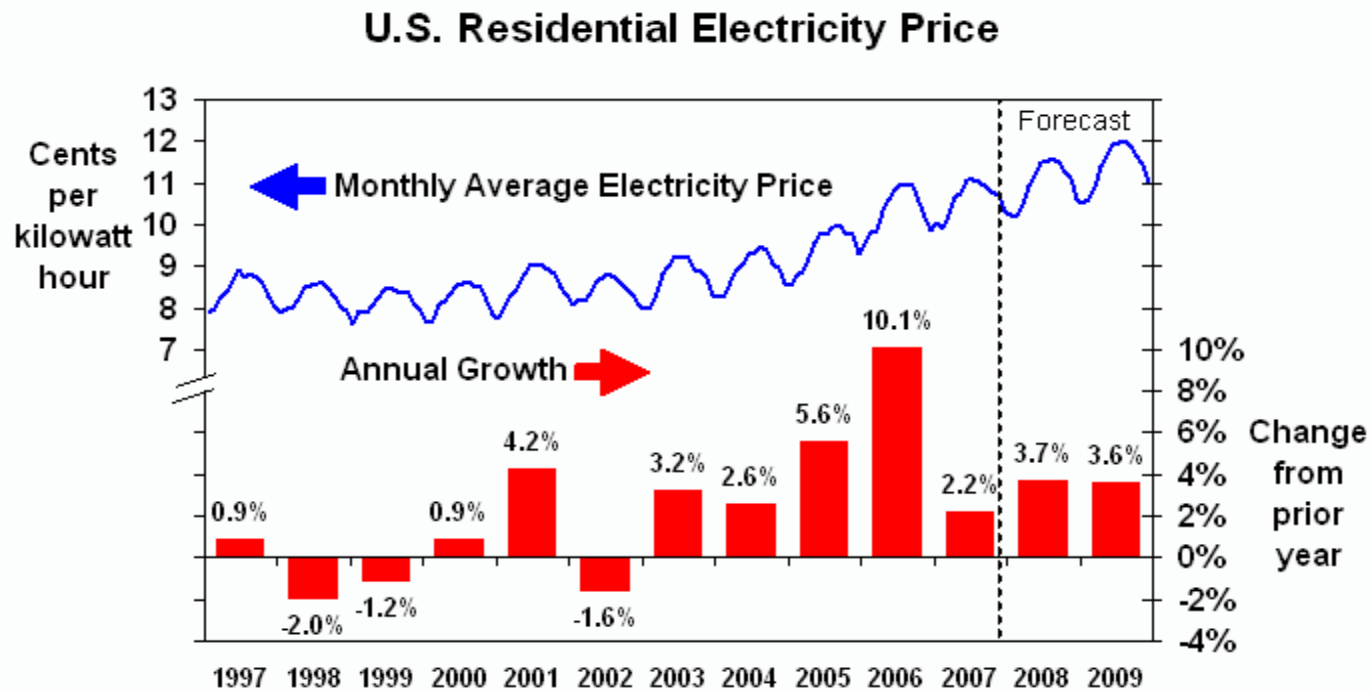


Energy Policy and Its Impact on Consumer Prices

National Energy and Utility Affordability Conference
Janee Briesemeister, Sr. Legislative Representative
AARP

June 17, 2008

High Energy Prices Are a Reality

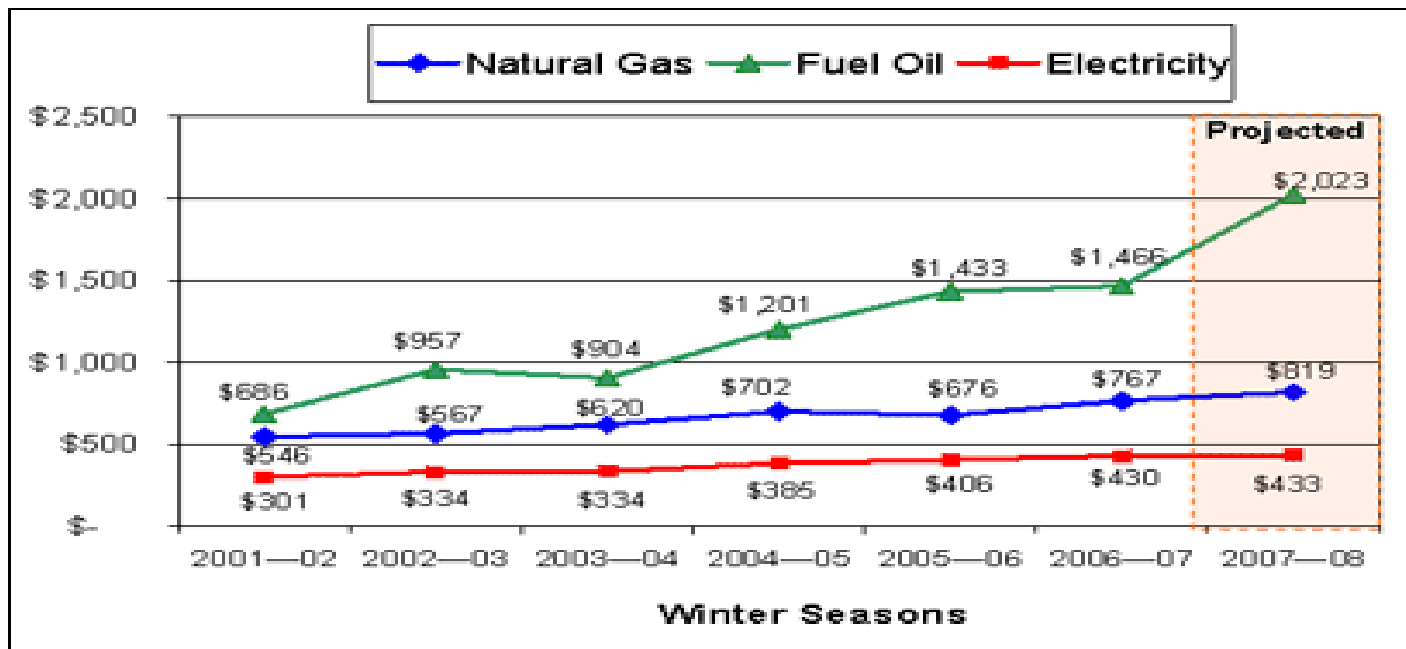


Short-Term Energy Outlook, June 2008

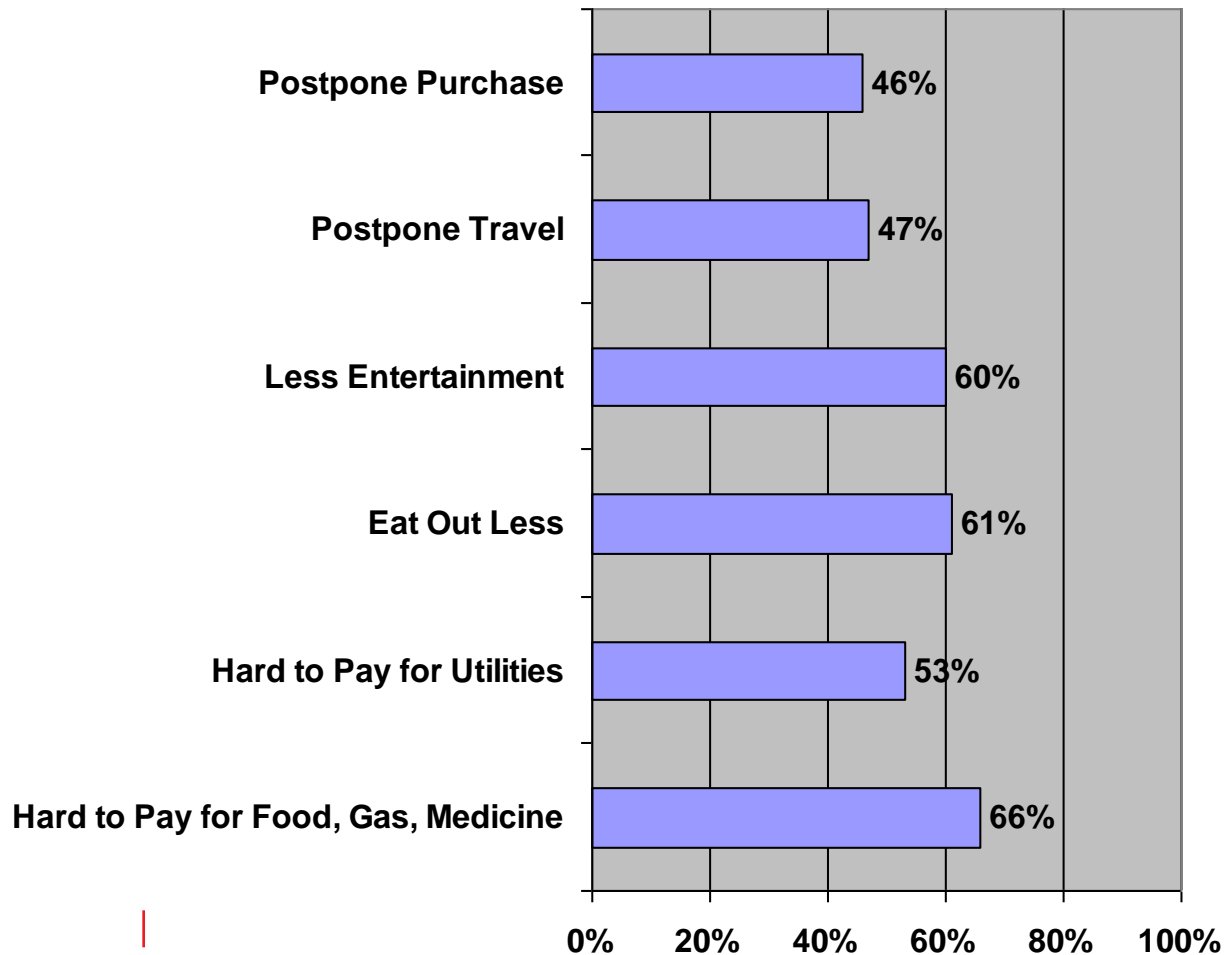


Winter Heating Costs by Fuel Type, Age 65+

(Source: AARP)



AARP Survey: Impact of Economy on Age 45+



We know a lot about how high energy prices impact consumers

- “Heat or Eat”
- April 08 NEADA estimated 1.4 million households in arrears
- Weather related deaths and illness
- Studies link high utility bills to health and nutrition of vulnerable groups

AARP 2005 survey of U.S. Adults

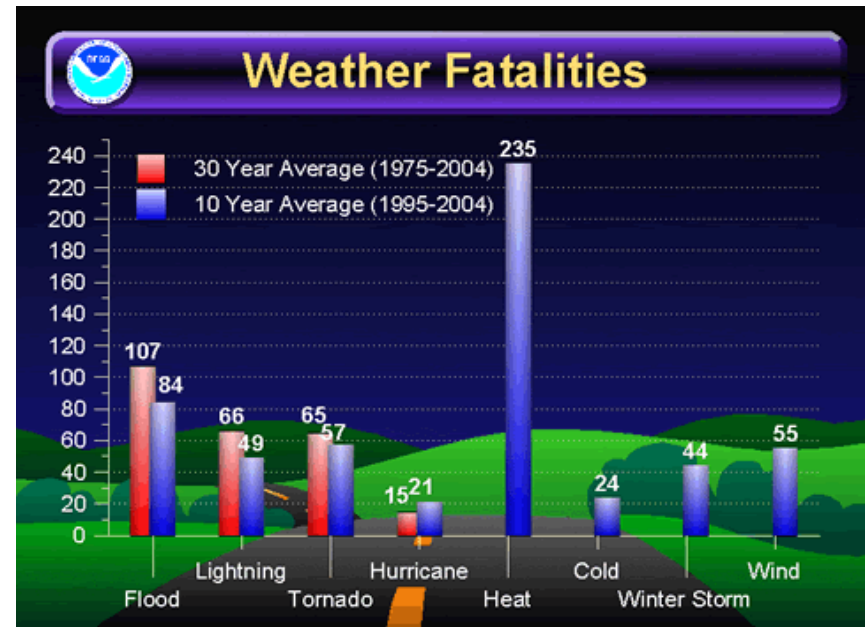
To pay for higher energy bills consumers limit or do without:

- Food—15%
- Medical services—11%
- Prescription drugs—11%

Heat/Cold Kills More than Other Natural Disasters

Risk Factors for weather related fatalities:

- > Age (especially 65+)
- > Income (lower income more at risk)
- > Social isolation/mobility restrictions
- > Medications
- > Drug and alcohol use
- > Underlying medical condition/mental illness
- > Disability
- > Homeless
- > Access to cooling
- > Urban “heat island”
- > Housing type



It All Adds Up!

Deregulation

Advanced Meters

Energy Efficiency:
Decoupling/lost revenues

Pre-payment/Automatic
increases

Climate change legislation



Category	Amount
428.50	428.50
(428.50)	0.00
602.91	602.91
3.85	606.76
	606.76

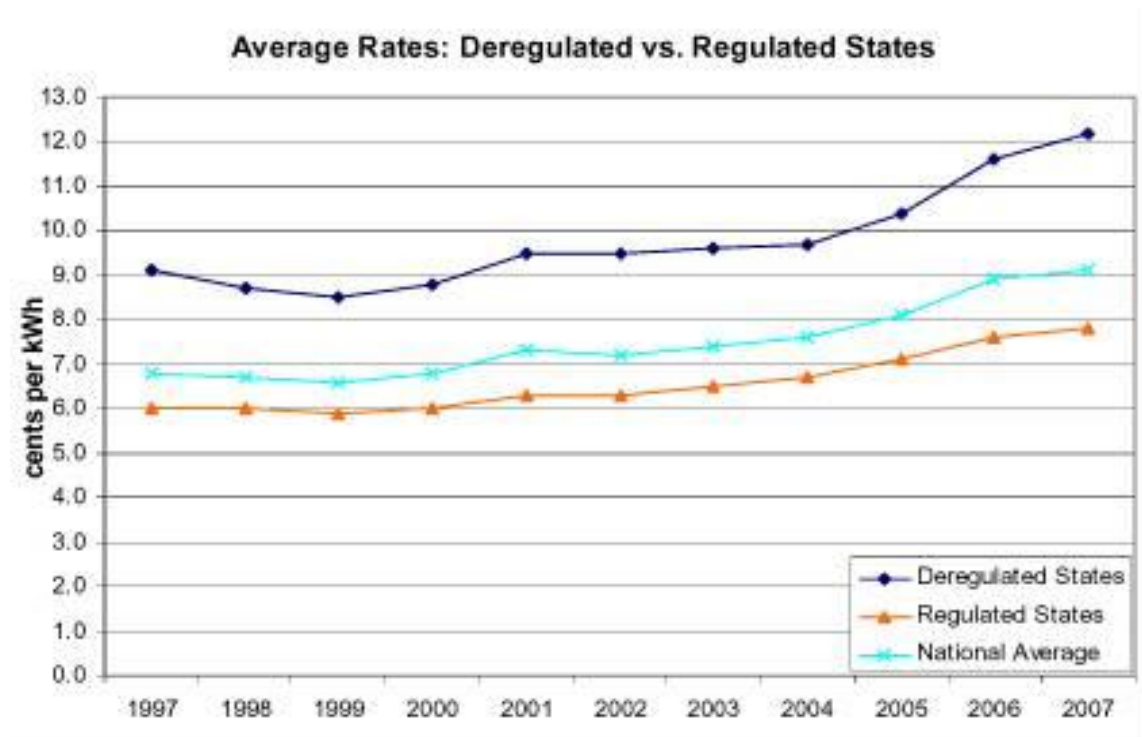
Deregulation: A broken promise

- Promise of lower prices not realized
- No competition
- Reliability concerns
- Reduced consumer protections
- Predatory practices



Deregulation has led to higher prices

(Source: APPA)



A smart move? “Advanced” Meters



- Increased infrastructure costs
 - Calif: \$4-5 billion
- “Price signals” meant to influence usage (TOU, RTP, CPP)
- Not all usage can be shifted off peak
- Not all customers can shift usage off peak
- Assumes wholesale price signals are valid
- Customer protections weakened
- Pre-paid service
- Consumers prefer stability
- May not cut total usage
- Informed and powerless

“Save More, Pay More” Decoupling/Lost Revenues

- Revenue guarantee for utility, often without direct link to verified energy efficiency
- Counterproductive: little incentive to save
- Sends mixed price signal message: “Save More, Pay More”
- Accurate tracking is difficult
- Exogenous factors influence usage—why should utility be rewarded?

Energy Efficiency benefits should not be swamped by costs



Pre-Payment/ Automatic Increases

- Proposed for multi-billion dollar investments
- Side steps rate case
- Does not consider the whole picture
- “One way street” to benefit of utility
- Shifts risk to customers from shareholders

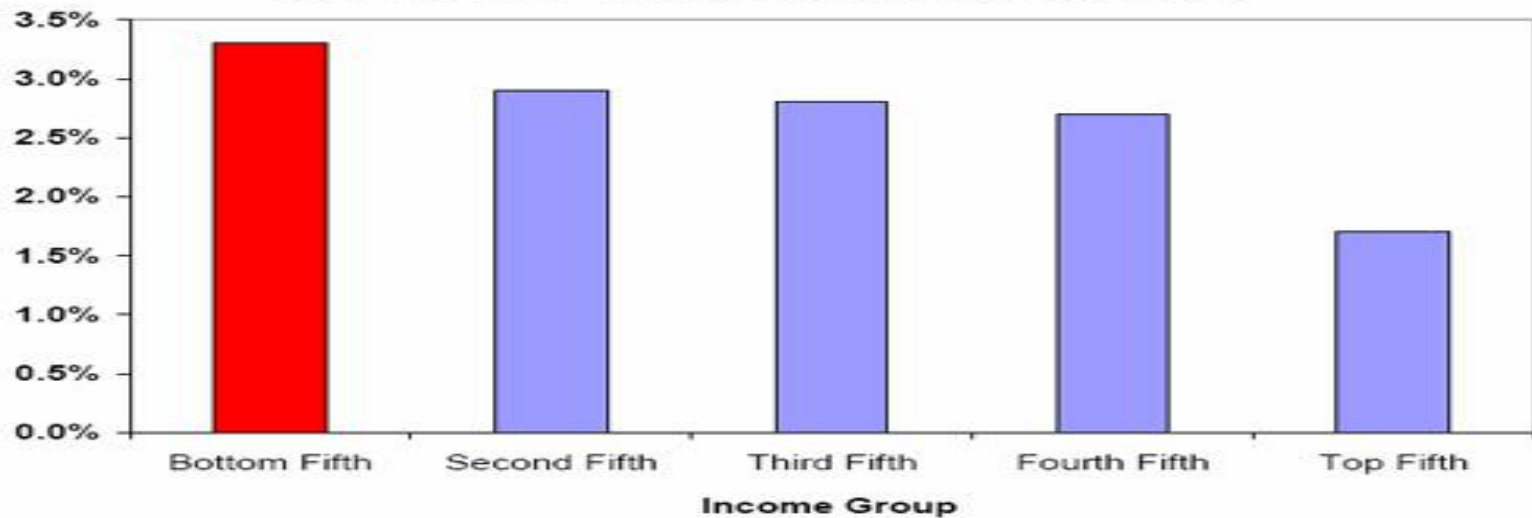


Cost of Climate Change Legislation (CBPP)

FIGURE 1

Poor Families Hit Hardest by Energy Cost Increases

Increase in Household Costs (as a Share of Income) Due to a 15 Percent Cut in CO2 Emissions



Source: Congressional Budget Office.

Save Money and Energy

- Integrated Resource Planning/portfolio planning
- Direct load control of appliances such as A/C, water heating cycling and smart thermostats
- Energy Efficiency and weatherization
- Customer education
- Energy Star appliances
- Inverted block rates with a sufficient first block



Questions:

- ❖ What is the goal and how can it be achieved at the lowest reasonable cost for consumers?
- ❖ How does the policy impact specific groups of consumers, especially low income and elderly?

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