INTRODUCTION TO THE TEXASISHOT COALITION

Coalition Purpose and Goals

The purpose of the TexasIsHot Coalition is to provide Texans with the tips, tools, and information they need to lower their electric consumption, save money and help the environment. Our ultimate mission is to change consumer behavior by changing the way Texans think about electricity and energy use.

The TexasIsHot Coalition is a trusted resource for energy efficiency information in Texas, and has been applauded by policy makers, industry, environmental groups and the media for its continued educational efforts. Smarter energy use translates to savings for millions of Texans, and reducing energy use means protecting the integrity of Texas' own electricity grid. The benefits of energy efficiency are clear, and the Coalition's goal is to communicate those benefits to consumers and provide the education and tools necessary for their widespread adoption.

Coalition Membership

The TexasIsHot Coalition is funded by partners who have helped to promote energy efficiency and change consumer mindsets about energy usage. Our partners include: the Association of Electric Companies of Texas, CenterPoint Energy, the City of Corpus Christi, the City of Houston, Entergy Texas, Oncor, Pedernales Electric, the Pecan Street Project, SaveOnEnergy.com and Time Warner Cable. All of our partners have extensive programs to reach consumers and spread the message of energy efficiency, including online calculators, home energy audits, smart meters and weekly e-mail summaries, as well as visiting hard-to-reach customers in remote rural areas.

Partner's Efforts

- **AECT**: The Association of Electric Companies of Texas (AECT) has provided numerous studies and research on the electric market and pricing for the Legislature and the public. AECT's "Electricity 101" report is reviewed annually to include new statistics and legislation and provide an overview of the electric markets and energy efficiency programs in Texas.

- **CenterPoint**: CenterPoint Energy partners with energy efficiency service providers and local agencies to support residents in saving energy and money. These residential energy efficiency programs are geared to assist residents in making energy efficient upgrades that reduce energy consumption, save money and benefit the environment.

- **The City of Corpus Christi**: The City of Corpus Christi has launched efforts to promote consumer behavior change on the municipal level, including starting energy efficiency programs that will raise awareness and provide the

necessary infrastructure and programs for their residents to reduce energy usage.

- **Entergy**: Entergy's ENsight program has online energy audits and calculators to observe overall energy, appliance and lighting usage, as well as lists of programs for energy efficiency and weatherization. In addition, Entergy also provides guides on reading electro-mechanical meters for customers.

- **The City of Houston:** The City of Houston and CenterPoint began a public/private partnership in 2006 to provide a comprehensive suite of energy efficiency upgrades to low-income homes in Houston. The TexasIsHot Coalition provides the program with leave-behind material to educate households on the importance and benefits of energy efficiency. The intent of this program is to reduce energy consumption and improve quality of life through Houston's various eco-conscious initiatives including Green Houston, REEP, Houston Consumer Choice and Power to People.

- **Oncor:** Oncor's "Take A Load Off, Texas" program tailors energy efficiency information to homes, business, schools, governments and nonprofits. Not only does the program employ social media methods, but it also includes Oncor representatives who meet with hard-to-reach customers about their electricity bills and energy efficiency.

- **Pecan Street Project:** The Pecan Street Project, which won $10.4 million grant from the Department of Energy, is harnessing the power of technology to develop a "smart neighborhood." The Project also promotes increased consumer awareness about energy efficiency that must accompany these pilot technologies.

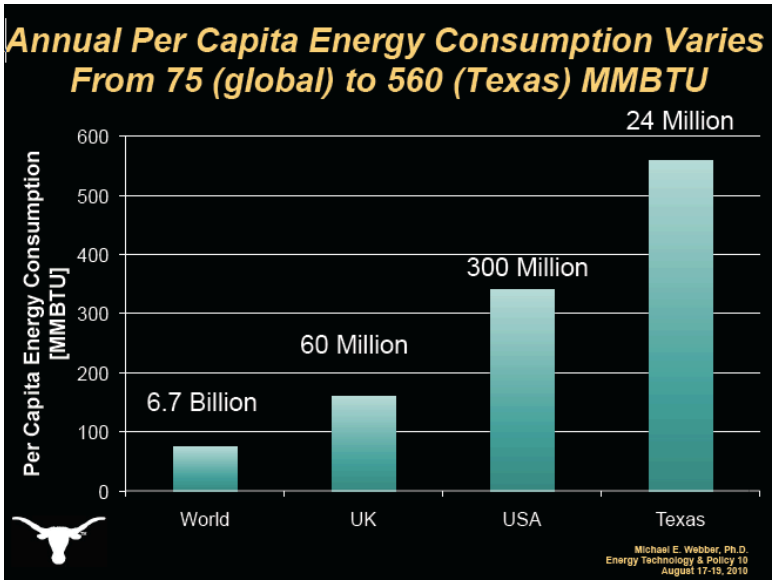
- **Pedernales Electric Cooperative:** Pedernales Electric Cooperative's "Green Works" program has used goal setting, education, and online resources like the PEC Home Energy Center and the MyUse Energy Analyzer to help members not only understand their bills, but also learn about efficiency methods to lower their bills in the future.

- **SaveOnEnergy.com**: SaveOnEnergy.com pre-screens providers for reliability and honest rates so that consumers in free-choice areas can shop for lower electric rates and save money on their electric bills.

ENERGY CONSUMPTION IN TEXAS TODAY AND ITS EFFECTS

Population growth and technological advances have led to an increase in energy demand and use, and will continue to do so. In this new technological era, the state of Texas, with its growing population and abundance of natural resources, produces and consumes more energy than any other state in the nation.

In fact, Texas has the largest annual per capita energy consumption in the world. Global per capita energy consumption is 75 MMBTU (one million British thermal units), while Texas' per capita energy consumption is 560 MMBTU.



In addition to the state's extreme weather, Texas' high-energy consumption is largely due to industrial operations - Texas does most of the country's industrial heavy lifting - which are economic drivers and bring tremendous wealth to the state.

In addition, ERCOT projects that electricity demand will continue to grow:

> *Long-term projections in the annual assessment show three scenarios based on generation retirements at 30 years, 40 years and 50 years. The mid-range scenario of unit retirements at 40 years or older indicates a need for more than 60,000 MW of new generation capacity needed to meet the 2030 projected demand of 96,000 MW (including a 12.5 percent reserve margin).*
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> *-May 12, 2010 ERCOT Press Release*

An increase in demand will require the construction of new generation sources with high amounts of capital costs to finance their construction. In addition, new power plants take years to permit and complete. Energy efficiency, however, will decrease

the amount of new generation required immediately and help to alleviate these long-term costs:

> *Avoided annual electricity consumption is equal to the amount of electricity produced by 17 power plants in 2020 … Aggressive adoption of energy efficiency programs in Texas would lower utility bills by $13.7 billion and create 96,300 new jobs by 2020.*
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> *- Energy Efficiency in the South, Duke University and Georgia Tech 2010*

In addition to the cost savings associated with greater efficiency, the Texas Comptroller's 2008 Energy Report states that:

> *"Efficiency, as an energy resource, has a unique impact on the environment, compared to other energy sources. Efficiency is not just benign in its environmental impact; reducing energy use through efficiency has clear and, in some cases, measurable environmental benefits. Cutting air pollution is perhaps the most obvious benefit of improved efficiency in transportation and electricity use. Others include reduced carbon emissions, less transportation of fuels and reduced need for additional power plants – in sum, every form of environmental impact caused by using energy can be lessened by reducing energy use through greater efficiency."*
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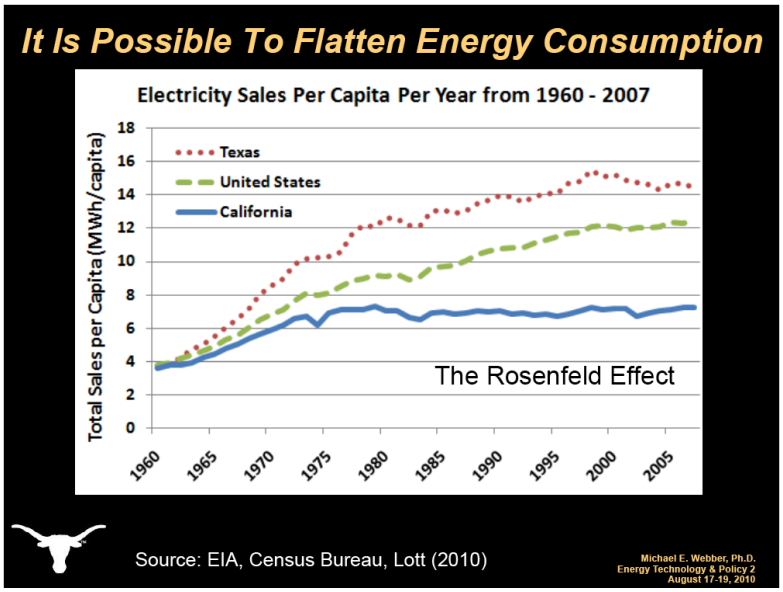
> *- Texas Comptroller's 2008 Energy Report, Chapter 23*

From California's experience, we know that it is possible to flatten energy consumption even with population growth:



California's achievements were due in large part to aggressive energy efficiency outreach and communications efforts. The state was able to flatten energy demand through aggressive efficiency programs and a public awareness campaign, Flex Your Power:

This came at a very large cost ($55 million dollars for the energy efficiency campaign), but, as the "California effect" showed, flattened energy demand and lowered costs of financing and building more generation units.

The TexasIsHot Coalition is eighteen months into a similar effort at a much lower cost.

BARRIERS TO A CULTURE OF ENERGY EFFICIENCY

The National Academy of Science, in their 2010 study, Real Prospects for Energy Efficiency in the United States, noted that:

> *Formidable barriers impede the deployment of energy-efficient technologies, even if their adoption is projected to save money over time. These barriers include potentially high upfront costs; alternative uses for investment capital that are deemed more attractive; volatility of energy prices, leading to uncertainty in the payback time; and the* ***lack of information available to consumers about the relative performance and costs of technology alternatives.***

The biggest market barrier with respect to Texans adopting energy efficiency, whether it is new technologies or behavior change, is undoubtedly a lack of consumer education, and thus engagement.

When consumers do not know the facts about saving money through efficiency, or the benefits of new technologies that can help reduce their consumption, then false reports and negative public relations ensue, discouraging adoption of such methods or technologies (see "Wary of Smart Meters", Chicago Sun-Times, July 29, 2010).

This is important because consumer perception can be inconsistent with the reality and benefits of such technology and methods. Due to lack of knowledge and understanding, consumers may not adopt behaviors that are actually beneficial to them (see "Smart Grid Projects Cut Costs for Consumers, Utilities", *The Texas Tribune*, June 21, 2010).

Texans need to be educated, encouraged and asked to adopt new technology and change their own consumption behavior through a cohesive statewide effort that sends a clear and unified message, breaking these market barriers. The result of such an effort would be increased efficiency adoption.

A study by EcoAlign, a company with more than 100 years of experience in the energy industry, supports the notion that education and awareness can make a tremendous difference in the way consumers perceive and react to new market technologies. Their case study showed that educating consumers results in increased interest and a willingness to adopt new, energy efficient technology:

> *Approximately 70 percent of Americans are not familiar with the phrase "smart grid." But once consumers were given a definition, the EcoPinion survey found strong levels of consumer good will and expectation in anticipation of the smart grid rollout. A majority of Americans (55 percent) believe that the smart grid will be of significant benefit to them. One half of all respondents find the ability to review their own energy consumption to be very appealing.*

In order to meet efficiency goals and ensure consumer response and engagement, efficiency efforts should be combined with comprehensive education campaigns.

Importance of Changing Behavior

Encouraging behavior change toward adoption of energy-efficient behaviors and technologies is imperative to decrease electricity demand, spur economic development and help reduce peak electric demand, assisting in grid stabilization.

Education is critical to ensuring consumer behavior change.

Learning from previous Public Awareness Campaigns

The easiest way to encourage behavior change is to effectively communicate with consumers and reach them on a personal, tangible level.

In 1982, Bob Lanier was chair of the Texas Highway Commission. At the time, the Texas was spending $17 million a year for highway clean up. During a hearing in which there was a request for additional funding to address increased highway litter (which was occurring each year), Bob Lanier posed the question, "Has anybody ever thought about the notion of persuading Texans not to litter so that littering goes down each year, and therefore so does our budget?"

This simple question gave birth to the "Don't Mess With Texas" campaign, which effectively reduced highway litter by 70% in five years.

Communication is more effective in changing people's minds than are mandates or laws. The TexasIsHot Coalition aims to communicate with Texas consumers every day on ways they can reduce their energy consumption, and, in the process, save money on their electric bills. Through membership funding, the Coalition is working towards this goal at a much lower cost than the budget allocated to the "Don't Mess With Texas" campaign.

California's success in reducing growing electric demand was a direct result of the media campaign associated with "Flex Your Power"; however, this campaign came at a cost of $55 million dollars to the state.

Education Efforts and Results of TexasIsHot

The TexasIsHot coalition wants to improve energy efficiency across Texas by educating and communicating with consumers to encourage behavior change. To communicate with Texans about energy efficiency news and resources, TexasIsHot utilizes multiple communication channels to reach as many consumers as possible.

The website, TexasIsHot.org, is an extensive online resource, which includes Online Home Energy Assessment Calculators, daily blog posts updating consumers on energy efficiency news and new tips, and short interviews with members of the energy efficiency community.

In addition, TexasIsHot has over 3,000 Twitter followers, and sends out important messages from electric companies, legislators, media outlets and environmental groups to our followers. These messages are often forwarded on, which leads to an even wider dissemination of the message. The Tweets are coordinated with our Facebook page, in order to reach an additional 1,000+ fans.

PRICING IN COMPETITIVE AREAS

Though there are media reports that question electric prices under the competitive market (see "Texas electricity deregulation opinions all over the grid in industry panel," *Dallas Morning News*, February 28, 2010), it is important to note a recent study by JD Power and Associates that states:

> *In 2010, a shift toward switching providers has emerged, with only 41 percent of customers indicating they have been with their current provider for three years or longer, compared with 49 percent of customers in 2009 who said the same. The study finds the primary reason that retail customers switch providers is to take advantage of a better deal offered by a competing retailer. Slightly more than one-fourth of retail customers indicate they "definitely will" stay with their retail provider, while 15 percent of customers indicate they "probably will not" or "definitely will not" stay with their current provider.*

This study shows that Texans are taking advantage of competitive pricing, which leads to an increase in competition among retail electric providers to provide lower rates and better service to their customers. With this in mind, The TexasIsHot Coalition has partnered with SaveOnEnergy to offer consumers a free, reliable online platform for Texans to shop for, or switch, electric providers.

Recommendations

The TexasIsHot Coalition encourages the Committee to continue and increase efforts toward energy efficiency policies that improve consumer awareness and encourage consumer engagement.

The best way to engage consumers is through a statewide education campaign that leverages the resources of private industry with public sector efforts to reach the majority of Texans.

Campaigns like "Click It or Ticket" and "Don't Mess With Texas" illustrate the effectiveness of statewide issue campaigns that use cohesive messaging and branding to reach a broad audience.

The TexasIsHot Campaign can have the same results, dispelling the myths and inconsistencies in the fragmented energy efficiency market and encouraging behavior change. Millions of dollars are being spent on energy efficiency programs. Diverting a small portion of these monies toward a statewide media campaign would improve consumer awareness and expedite the adoption of energy efficient measures and behaviors.