

Why We Need Integrated Resource Planning in West Virginia

What is integrated resource planning? It is a rigorous process of long-term planning that takes a critical look at the *full range of alternatives* available to utilities for procuring a reasonably priced and reliable electricity supply. Most states — 39 out of 50 — have a rule or requirement for long-term planning or procurement. A key element of integrated resource planning is the requirement that demand- and supply-side resources be treated on a consistent and integrated basis. In other words, when a utility evaluates its options for meeting its future system needs, the utility must consider energy efficiency and conservation measures (demand-side resources) on the same footing as the addition of generating capacity (supply-side resources).

Why do we need integrated resource planning in West Virginia?

- **We are missing out on the natural gas revolution.** Pennsylvania, which produces 23% of its electricity from natural gas, has been able to reduce its electric rates in recent years. Four utilities in the Pittsburgh region, for example, have decreased their rates by 30% to 41% in the past three years, primarily due to their ability to take advantage of lower natural gas prices. Wholesale electricity prices in the region are also at all-time lows, thanks to low-priced natural gas. In 2012, wholesale electricity prices in the PJM wholesale electricity market, which serves West Virginia and 12 other mid-Atlantic states, dropped 29.2% from 2011, concurrent with an increase in gas generation of 42.2%, while coal generation fell by 19.1%.
- **We are missing out on the energy efficiency revolution.** While energy efficiency is the least expensive method for meeting additional electricity demand, utilities in West Virginia do very little to help their customers control their energy bills through energy efficiency programs. FirstEnergy and AEP offer a small slice of the full range of energy efficiency programs that they offer their customers in the surrounding states. West Virginia is rated 49th in the nation in energy efficiency by a respected national organization (ACEEE). As a result, we use more energy than surrounding states: While we have the 11th lowest electricity *rates*, we are in the bottom half when it comes to the size of electric *bills*.
- **Without integrated resource planning, our utilities will keep making the same mistakes and will continue to over-invest in coal.** West Virginia is 96% reliant upon coal for its electricity production, and produces 0% of its electricity from natural gas. FirstEnergy and AEP are proposing to maintain that near exclusive reliance on coal for decades to come, by purchasing additional coal generation assets for their West Virginia customers; the costs of these 40+ year-old plants, previously recovered from these utilities' Ohio customers, are not cost-competitive under Ohio's newly restructured electricity markets, so the costs are proposed to be shifted to our electricity customers. The effect is to lock us out of the benefits of lower-priced natural gas, low wholesale power prices, and energy efficiency for the foreseeable future.
- **Our electric rates keep going up, while rates in surrounding states are going down.** While states like Pennsylvania reap the benefits of increased gas production, and the other 12 states in the PJM region take advantage of double-digit declines in wholesale electricity prices, West Virginia's future will feature rate increases that likely mirror the steadily increasing cost of coal, which has risen during each of the past ten years (by over 31% in the last five years alone) and is expected to continue to rise in the future.

Interested in learning about legal issues in the energy business? The West Virginia University College of Law currently offers a broad curriculum of energy-focused courses. For more information, please contact
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