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### **THE BRATTLE GROUP PROJECTS \$1.5 TO \$2.0 TRILLION INVESTMENT NEEDED IN THE U.S. ELECTRIC UTILITY INDUSTRY BY 2030**

**Phoenix, AZ, November 10, 2008.** The U.S. utility industry will have to invest between \$1.5 and \$2.0 trillion between 2010 and 2030 to maintain current levels of reliable energy service for customers throughout the country, according to a new report issued today by *The Brattle Group*. The findings are detailed in “Transforming America’s Power Industry: The Investment Challenge 2010-2030,” presented today by Peter Fox-Penner, a principal of *The Brattle Group*, at the Edison Electric Institute’s 43rd Financial Conference. The report was sponsored by the Edison Foundation.

“This study highlights the investment challenges confronting the power industry in the coming decades,” said Dr. Fox-Penner. “The industry is facing enormous investment needs during a period of modest growth, high costs, and very substantial policy shifts,” he explained.

All types of new generation capacity will be needed, including natural gas, coal, nuclear, and renewables. Nearly 40 gigawatts of new renewable capacity will be needed just to meet state requirements. Significantly, capital spending to upgrade distribution and transmission facilities nationwide may surpass investment in new generation, the study found. Spending on “smart grid” technologies to ramp up efficiency—along with new power lines to integrate renewable electricity sources—will account for much of that spending.

“The good news is that as a result of this very significant investment, our economy and utility customers will get more efficiency and control over their electricity use, lower-carbon generation, and a higher-technology, more resilient and reliable electric grid,” Dr. Fox-Penner said.

The report, which follows highly publicized preliminary results introduced in April 2008 at an Edison Foundation conference, analyzes four possible scenarios that measure the impact of energy efficiency and demand response program implementation on investment needs and new plant construction. In the base case scenario, which does not account for new climate policies, the total investment needs are projected to reach \$1.5 trillion. Implementation of a federal carbon policy would significantly increase the capital cost and change the mix of new generation capacity; for instance, a simplified model of one scenario with carbon controls would require an increase in total capital spending to \$2 trillion.

Another key finding in the study is a large potential reduction in the need for new generation capacity, due to the faster than previously estimated implementation of energy efficiency and demand response programs. In the preliminary results, energy efficiency was estimated to

potentially reduce new capacity by 17%. In the final results, the potential reduction in new capacity is projected to be approximately 38%. However, reductions in new required capacity will not correlate to an equal reduction in total investment due to the offsetting costs of implementing the efficiency programs.

“It is important to emphasize that while energy efficiency and demand response programs can significantly reduce the need for new generation capacity, they cannot eliminate the need for new power plants,” Dr. Fox-Penner observed.

Marc Chupka and Robert Earle, principals of *The Brattle Group*, directed the study which is available at [www.brattle.com](http://www.brattle.com) and [www.edisonfoundation.net](http://www.edisonfoundation.net).

*The Brattle Group* provides consulting services and expert testimony in economics and finance to corporations, law firms, and public agencies worldwide. Areas of expertise include antitrust and competition; electric power, natural gas, and petroleum; valuation and damages; and regulation and planning in network industries. For more information, visit [www.brattle.com](http://www.brattle.com).

The Washington-based Edison Foundation is dedicated to bringing the benefits of electricity to families, businesses, and industries worldwide.

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