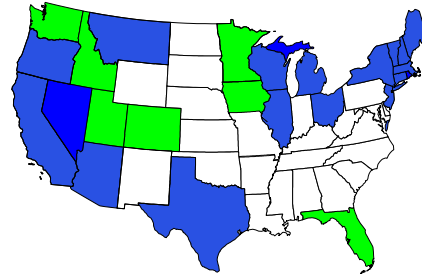


Energy Efficiency Programs in the Midwest: A Patchwork of Policies and Approaches

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States with utility sector energy efficiency programs—public benefits or DSM



Blue states have public benefit funds that support EE

Green states have utility DSM under regulated structure

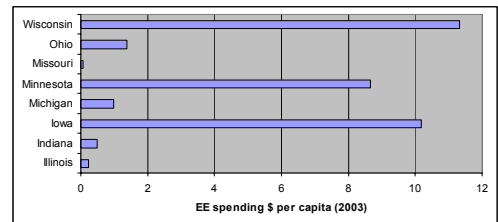


Pieces of the Quilt: a Rough Sorting

- **Minnesota and Iowa:** What's all the fuss? Tried and true, robust and well-funded DSM under traditional regulated structure.
- **Michigan, Ohio:** Restructured markets—modest energy efficiency programs.
- **Indiana, Kentucky, Missouri:** No restructuring, very limited DSM or EE programs—not really in the game.



Large disparities among states in their funding commitment to energy efficiency programs



Pieces of the Quilt: a Rough Sorting

- **Wisconsin:** No restructuring, but large statewide public benefits programs, anyway.
- **Illinois:** Special Case—a work in progress. Restructured markets—energy efficiency trust created out of “deal” in selling off utility assets; Governor created—and ICC accepted—“Sustainable Energy Plan”—which includes an “Energy Efficiency Portfolio Standard.” Lots of politics to overcome.



Funding instability has been a problem for some states

State government budget crises of early 2000s resulted in numerous raids of public benefits funds—varied widely in tactics and amounts.

Some states still affected...here's a damage report.....



Public benefits in Wisconsin— case study and lessons learned

- Putting funding decisions in the hands of the legislature makes this very political—difficult to sustain funding and subject to political winds.
- State administrative processes not necessarily aligned with business and customer needs—can be too slow and “bureaucratic”
- Recommendations of bipartisan task force is to move public benefits to PSC oversight.



Creating a quilt out of the pieces— regional efforts to note

- The **Midwest Energy Efficiency Alliance** was created to serve as facilitator, coordinator and—in some cases—administrator of regional programs.
- The **Midwest Natural Gas Initiative**—led by regulators and governors’ offices—seeks state commitments to reduce energy use



Midwest Natural Gas Initiative

- States are to commit to reduce natural gas use through greater energy efficiency by 1% per year for five years
- Spearheaded by regulators in the region—a direct response to the looming natural gas crisis.
- Each state to develop action plan and state advisory committee—implementation flexible.
- MEEA, ACEEE and RAP to play supporting roles
- The Governors of Wisconsin and Iowa have both signed onto the MOU (Minnesota expected soon)
- A work in progress, but momentum building rapidly



This Initiative is a response to Midwest Natural Gas Study completed by ACEEE

- 8 states (IA, IL, IN, MI, MN, MO, OH, WI)
- Modeling the effects of aggressive but achievable energy efficiency programs in the Midwest (save about 1% of sales per year in electricity and natural gas)
- Same approach as earlier national analysis; relied on top economic/energy market modeling firm
- Looking at effects on wholesale gas prices (Chicago Hub) and on total customer savings (efficiency savings plus price effects)



Midwest Results (2010)

(5 year program beginning in 2005)

Price effects: reduces wholesale market prices (Chicago Hub) by **2% in 2006, 6% in 2010 and 13% by 2014**

Efficiency effects:

Annual savings by 2010: **173 million Mcf**
30 billion KWh

Cumulative by 2010: **650 million Mcf**
109 billion KWh



Total Midwest Customer Dollar Savings

	<u>2010 Annual</u>	<u>2010 Cumulative</u>
Gas price effects:	\$ 1.4 billion	\$ 5.2 billion
Gas Efficiency:	\$ 1.1 billion	\$ 4.2 billion
Elec. Efficiency:	\$ <u>1.86 billion</u>	\$ <u>6.75 billion</u>
Total Savings:	\$ 4.34 billion	\$ 16.15 billion
Estimated annual program costs:	\$300 million gas	\$800 million elec.



Other Economic Benefits to the Midwest

- 30,000 net new jobs by 2010
- \$750 million increase in net annual employee compensation by 2010

Plus: significant avoided job losses in Midwest due to avoided “demand destruction”



Energy efficiency programs in the Midwest: Summary

- Have some states and programs with long records of success and leadership with DSM approach (IA and MN)
- Other states still doing very little (MO, KY, IN)
- A few states have modest programs (MI, OH)
- One state (WI) has completely changed the structure and delivery of programs—still working toward “ultimate” solution.
- Another state (IL) looking at taking an entirely new approach with an “energy efficiency portfolio standard”



Future directions for the Midwest?

- Expect continued success and modest expansion of already strong programs in MN, IA and WI.
- These leading states—along with MW Natural Gas Initiative and other regional efforts (MEEA)—might be able to “pull up the bottom” and help lead to stronger efforts in the lagging states.

