American Council for an Energy-Efficient Economy

State Energy Efficiency Resource Standards

Steven Nadel
ACEEE
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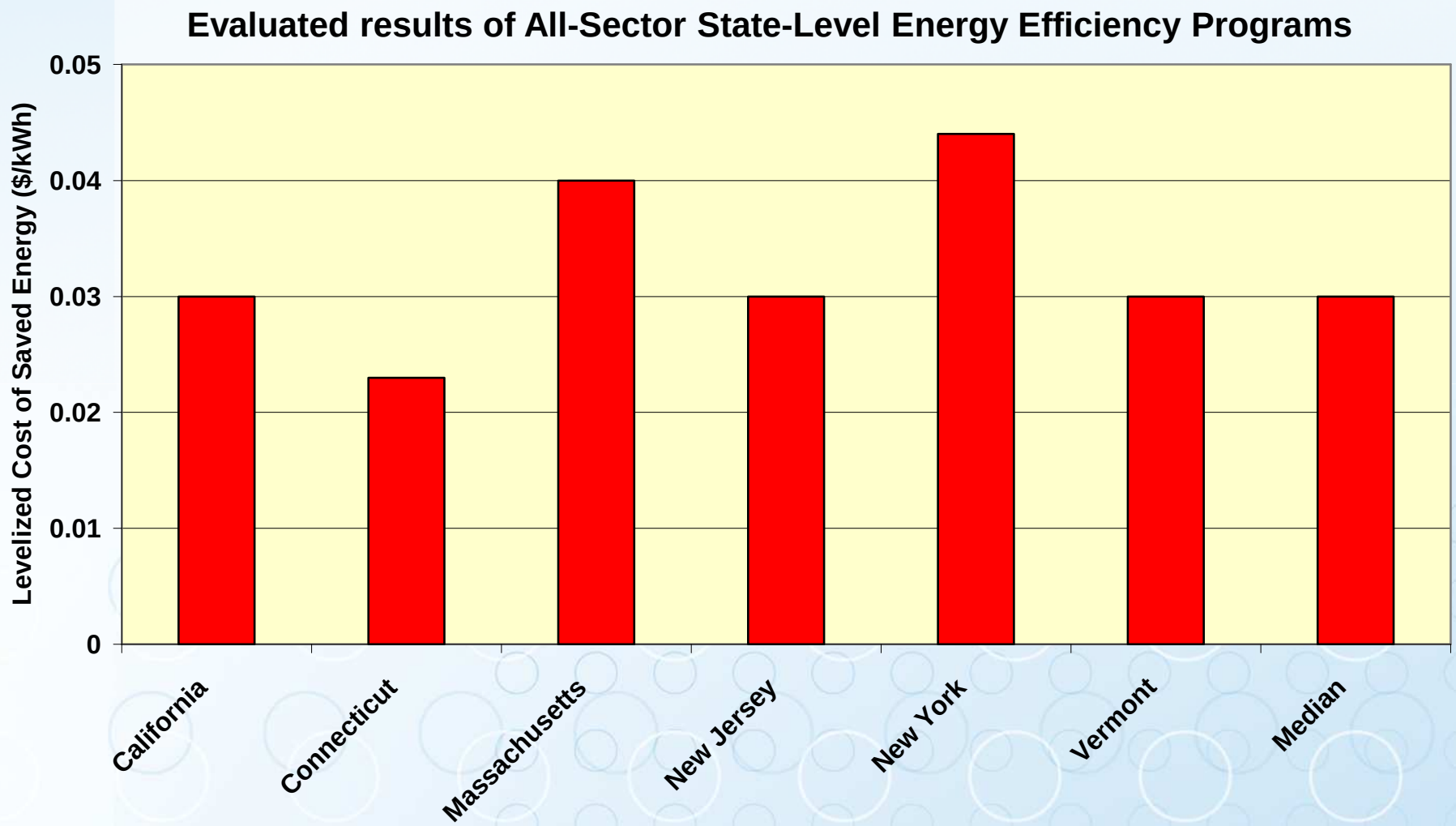
Energy Efficiency Resource Standards

- Electric and/or gas savings targets for utilities
  - Includes end-use efficiency and sometimes CHP and codes/standards
- Savings must be documented in accordance with evaluation rules established by regulators
- Can have a market-based trading system to exchange savings credits
- Analogous to an RPS

Why an EERS?

- Achieve substantial energy and emissions savings
- Performance based – emphasizes savings, not spending
- Can be easier to legislate savings targets than spending amounts
- Can start programs more quickly, without many years of study (but targets should be based on cost-effective opportunities)

Efficiency Resources Cost Effective



Source: ACEEE, "Five Years In," 2005

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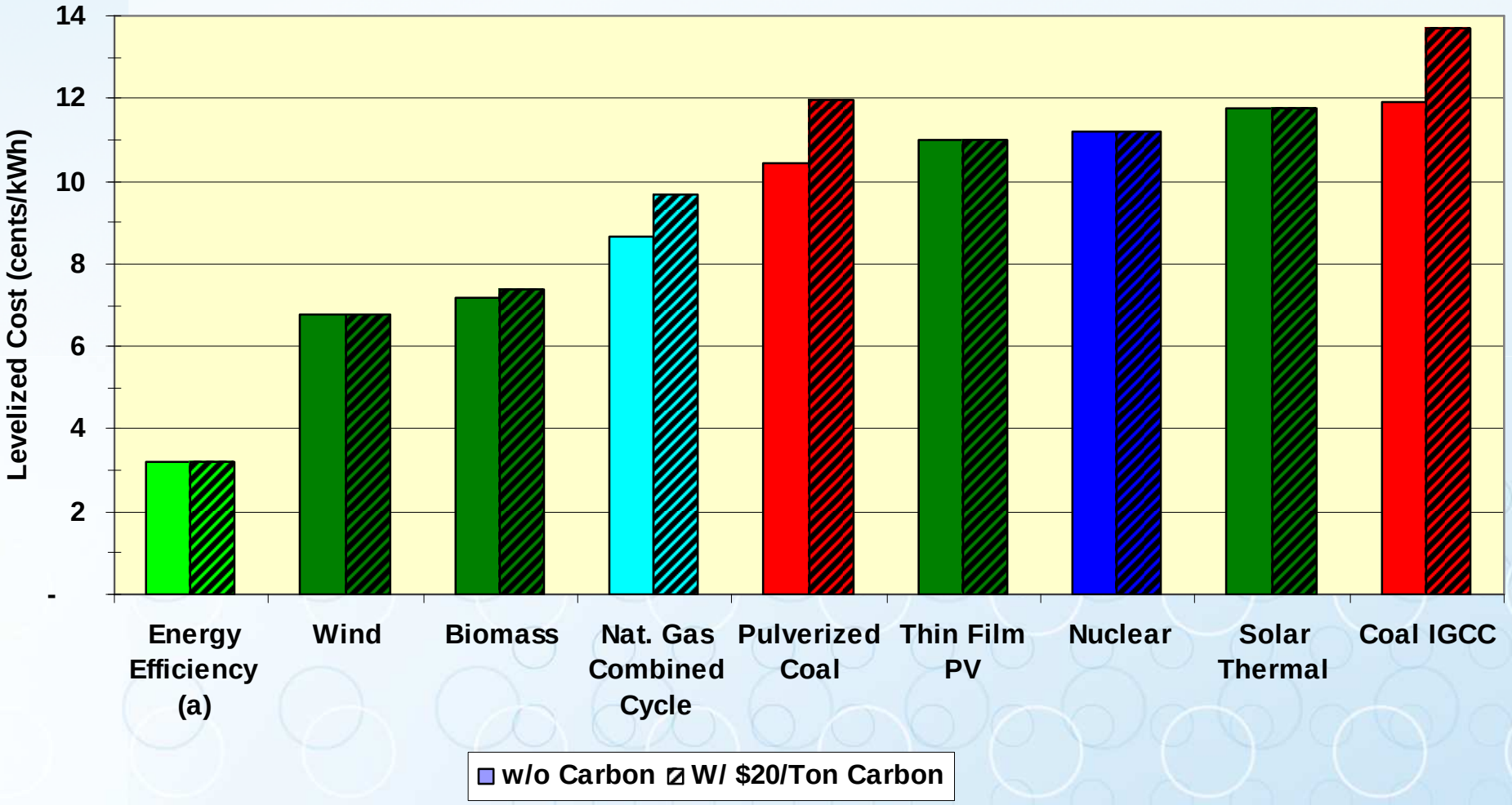
Cost of New Electricity Resources



Source: Lazard 2008 for NARUC (midpoint of range)

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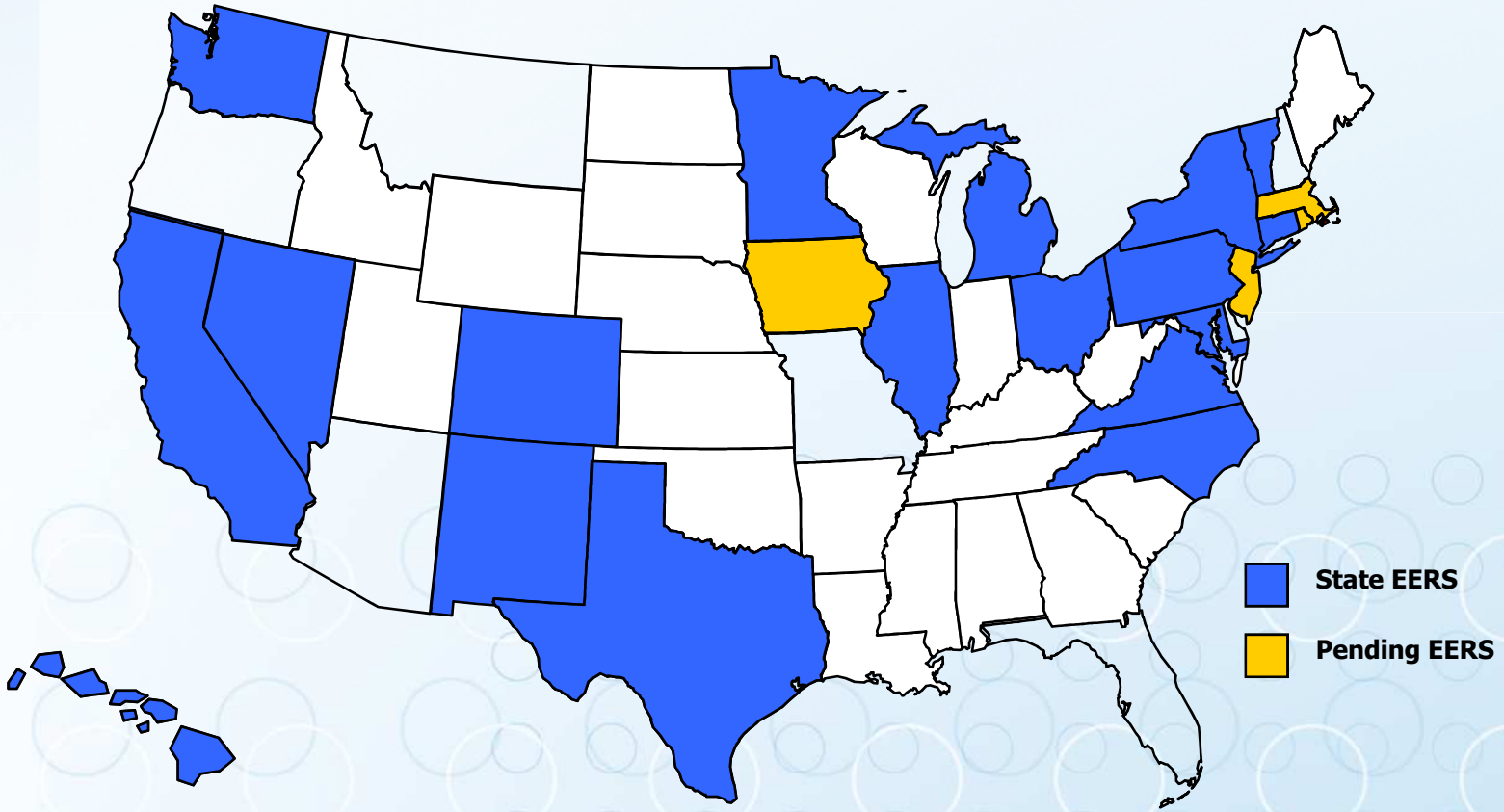
States with Energy Efficiency Resource Standards (EERS)



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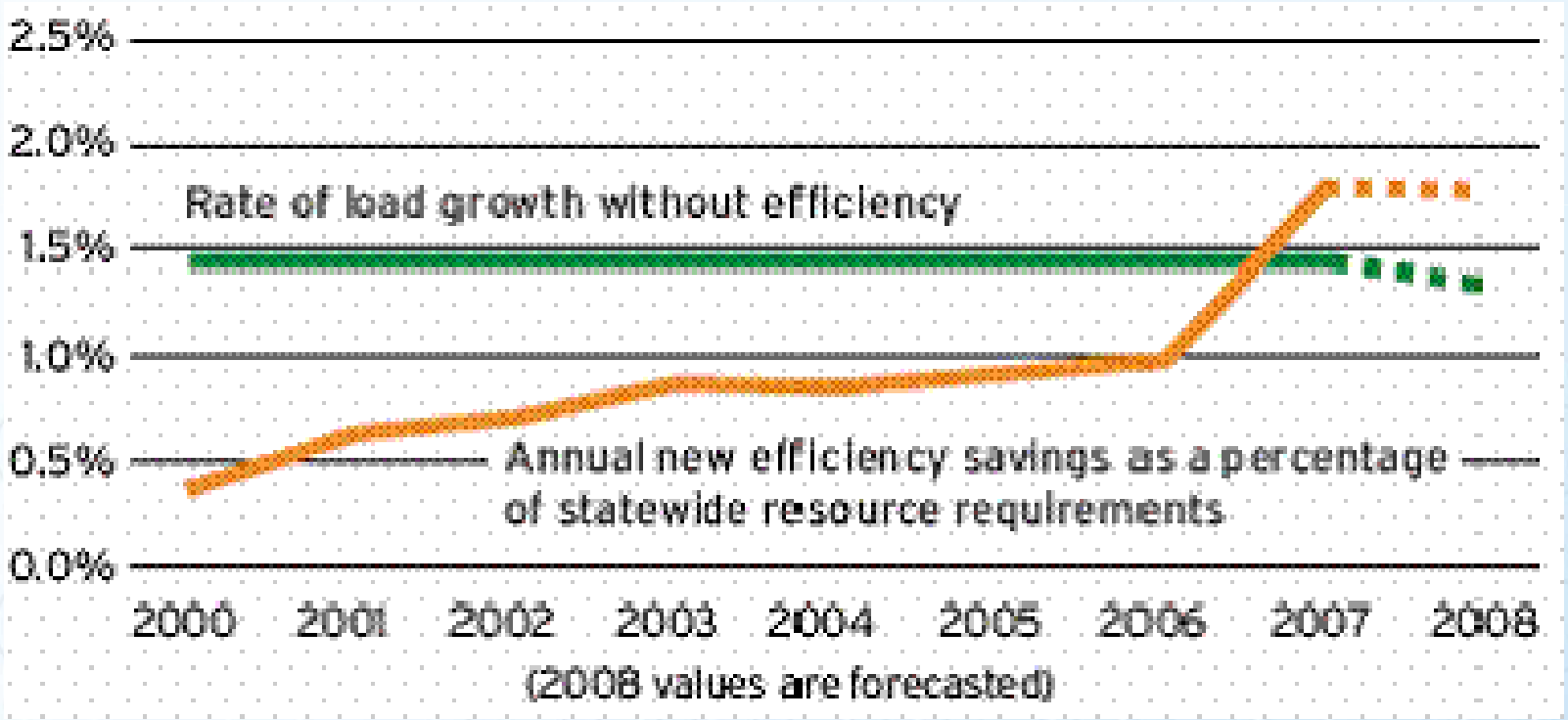
Texas

- First state to establish an EERS
- Initially 10% of load growth but increased by legislature to 20% of load growth
- Utilities have not had difficultly meeting and exceeding targets
- In 2009, bill likely to come up to increase to 30% or even 50% of load growth or the equivalent as % of sales

Vermont

- Targets set in contract with Efficiency Vermont
- Have exceeded each year



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Nevada

Combined EERS and RPS, with EE capped at 25% of total

Utilities seeking to maximize EE since less expensive and easier to develop than renewables

(NC and HI also have combined EERS/RPS)

Annual Savings in Leading States

State	Target	Notes
California	6%	Actual savings in 2001 (2/3 behavioral)
Massachusetts	2%+	Plan to ramp up to 1.5% by 2010, 2-3%/yr over following decade
Illinois	2.0%	After 7 year ramp-up; subject to cost caps
Ohio	2.0%	After a 10 year ramp-up; PUCO can find not feas
California	~2%	Preliminary results for installations in 2007
Maryland	1.88%	15% by 2015; includes standards & codes
New York	1.88%	15% by 2015; includes standards & codes
Vermont	1.75%	Approved plan for 2007-2008, on track in 2007; higher levels being discussed
New Jersey	1.54%	Legislation authorizes target of 20% in 2020
Minnesota	1.5%	2007 legislation; includes standards & codes
Connecticut	~1.5%	Derived from utility plan for 2008-2018
California	1.0%	10 year target
CO, MI	~1%	Targets ramp up to this level after a few years

EERS Implementation

So far implemented in Hawaii, Nevada, Pennsylvania, California, Connecticut and Vermont

- In all cases have met or are on-track for meeting targets

Majority of states still developing regulations and have yet to implement targets

EERS Issues

Which providers covered? (gas? size cap?)

Which measures eligible? (CHP? T&D?)

Appropriate targets? Include codes & standards?

How many years should an EERS extend?

Utility and/or state implementation?

Trading? (in PA and CT)

Cost caps? (in IL and NC)

Industrial self-direct option? (as in OH & MI)

Relationship with RPS?

Monitoring and verification rules?

Relationship to other policies? (PBF, decoupling)

Conclusion

- EERS an increasingly popular policy
- Working well thus far, but most states just starting to implement
- Also possibility of a federal EERS
  - In Obama campaign platform
  - Congressional committee chairs have proposed
  - Will not preempt states