



# National Action Plan for Energy Efficiency

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## Implementing the National Action Plan for Energy Efficiency

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NARUC Winter Committee Meetings

Joint Meeting of ERE and Consumer Affairs Committees

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# National Action Plan for Energy Efficiency

## Goal

To create a sustainable, aggressive national commitment to energy efficiency through gas and electric utilities, utility regulators, and partner organizations



# National Action Plan Leadership Group

- Sets tone and overall direction of the Action Plan
- Released Action Plan Report and Recommendations
- Co-Chaired by:
  - Commissioner Marsha Smith, NARUC First Vice President and Member of Idaho Public Utility Commission
  - Jim Rogers, President and CEO of Duke Energy
- Includes 50 leading electric and gas utilities, state utility commissioners, state air and energy agencies, energy services providers, energy consumers, and energy efficiency and consumer advocates
  - US DOE and US EPA facilitated





# Action Plan Potential is Great

- Potential benefits over next 15 years from extending leading energy efficiency programs to the entire country:
  - Control load growth by half—electricity and gas
  - Save nearly \$20 billion annually on energy bills
  - See more than \$250 billion in net societal benefits
  - Avoid 30,000 MW -- 60 new 500 MW power plants
  - Avoid more than 400 million tons of CO<sub>2</sub> annually
- Regulators and utilities have critical roles in creating and delivering energy efficiency



# Year One Accomplishments

- Reviewed key barriers to energy efficiency and surveyed policies and programs that have overcome these barriers
- Advanced the five (5) Action Plan Recommendations
- Announced over 90 public statements and commitments to advance energy efficiency through the Action Plan Recommendations
- Produced new resources to support commitments
  - National Action Plan for Energy Efficiency Report
  - Energy Efficiency Benefits Calculator
  - Consumer Energy Efficiency Fact Sheet



# Action Plan Recommendations

1. Recognize energy efficiency as a high-priority energy resource.
2. Make a strong, long-term commitment to implement cost-effective energy efficiency as a resource.
3. Broadly communicate the benefits of and opportunities for energy efficiency.
4. Provide sufficient, timely and stable program funding to deliver energy efficiency where cost-effective.
5. Modify policies to align utility incentives with the delivery of cost-effective energy efficiency and modify ratemaking practices to promote energy efficiency investments



# Commitments to Energy Efficiency

- Made by stakeholders across 47 states
  - State Commissions – AR, CA, CT, FL, HI, IA, KS, MN, NJ, NY, OR, VT, WA
  - Utilities – BPA, Duke Energy, Entergy, Exelon, New Jersey Natural Gas, PNM, Southern Company, Xcel Energy, etc
  - Other state agencies – CA agencies; CT DEP; HI, MN, and OR energy departments; OH and CT Consumers' Counsel; Governors in CA, IA, OR, and UT
  - ISO-NE and MISO
  - End-users – Dow, Eastman Kodak, Food Lion, Wal-Mart, etc
  - Additional partner organizations



# Commitments to Energy Efficiency (2)

- Include:
  - Establishing state-level collaborative processes to explore how best to increase investment in energy efficiency
  - Investigating increased funding for cost-effective efficiency
  - Conducting formal investigation on ways utilities can remove the link between revenues and sales volume
  - Including energy efficiency on a consistent and comparable basis with supply-side resources in future resource planning activities
  - Meeting energy savings goals within the range of 10-35%
  - Proactively educating consumers on the benefits
- Progress is already being made



# **Year Two Work Plan**

- **Assist leading organizations in achieving their commitments—meaningful progress by summer 2007**
- **Engage more organizations in making commitments**
- **Develop new resources to support implementation of the Action Plan recommendations**
- **Explore approaches to address demand response**
- **Outreach on the Action Plan and its progress**
- **Recognize leadership**



# Upcoming Resources for States, Utilities and Stakeholders

- Examination of Utility Rate Revenue Stability Mechanisms and Incentives (*Summer 07*)
- Guidebook on Energy Resource Planning and Procurement Processes (integrating energy efficiency) (*Spring 07*)
- Guidebook for Conducting Potential Studies for Cost-Effective Energy Efficiency (*Spring 07*)
- Guidebook on Energy Efficiency Measurement and Verification Protocols (*Summer 07*)
- Building Codes and Energy Efficiency Fact Sheet (*Spring 07*)
- Educational Briefings, sample docket material, and resource lists (*Spring 07*)



# New Activities for States, Utilities and Stakeholders

## Regional Implementation Meetings

- The Action Plan recommendations can be pursued through a variety of options, many of which will vary by region.
- 5 regional meetings to be held in 2007 to:
  - Bring together key stakeholders in each region
  - Explore the specifics (i.e. “nuts and bolts”) of the recommendations and options.
  - Provide expert presentations on the recommendations, with focus on those that regional stakeholders have prioritized as key.
  - Provide peer-to-peer exchange on the implementation of the recommendations.
  - Identify actions for moving the region forward on implementation

## New Commitments

- Recognition opportunities



# New Activities & Resources for States, Utilities and Stakeholders (2)

## Sector Collaborative on Energy Efficiency

- A dialogue with electric and gas utilities, end-users from key sectors of the economy, regulators, and partner organizations to advance energy efficiency exponentially by:
  - Developing a greater understanding of energy efficiency capabilities for end users and utilities
  - Identifying the tools needed for education, implementation, and evaluation of cost-effective energy efficiency opportunities
  - Documenting why energy efficiency merits greater investment
  - Providing peer exchange opportunities for leaders to build on their expertise and transfer knowledge
  - Identifying and pursuing new commitments and partnerships to increase investment in cost-effective energy efficiency
- End-use sectors include commercial real estate, retail, grocers, hospitality, cities



# Assistance is available to help advance Action Plan commitments

- Leadership Group and other organizations will:
  - Conduct peer-to-peer information sharing and support
  - Provide education and outreach per their commitments
- DOE/EPA will:
  - Continue to facilitate the Action Plan process, including support for new resources and activities
  - Provide technical assistance to state policy makers (expanding existing efforts)
  - Share free resources from the ENERGY STAR, buildings, and clean energy programs to utilities and states



# For More Information

**[www.epa.gov/eeactionplan](http://www.epa.gov/eeactionplan)**

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## Appendix

Recommendations and  
Options to Consider



# Options to Consider to Implement National Action Plan Recommendations

## Recognize EE as a High Priority Resource

- Establish policies to establish energy efficiency as a priority resource.
- Integrate energy efficiency into utility, state, and regional resource planning activities.
- Quantify and establish the value of energy efficiency, considering energy savings, capacity savings, and environmental benefits, as appropriate.

### Example:

- California – Energy Action Plan II, published by the Energy Commission and Public Utilities Commission, requires that all cost-effective EE is integrated into utilities' resource plans as the first option in the resource loading order on an equal basis with supply-side resources.
- Texas – Requires distribution utilities to meet 10% of forecast load growth with EE resources. Due to the success of the program, the state is considering strengthening the resource standard in 2007.



# Options to Consider to Implement National Action Plan Recommendations (2)

## Make a Strong, Long-Term Commitment to Cost-effective EE as a Resource

- Establish appropriate cost-effectiveness tests for a portfolio of programs to reflect the long-term benefits of energy efficiency.
- Establish the potential for long-term, cost effective energy efficiency savings by customer class through proven programs, innovative initiatives, and cutting-edge technologies.
- Establish funding requirements for delivering long-term, cost-effective energy efficiency.
- Develop long-term energy saving goals as part of energy planning processes.
- Develop robust measurement and verification (M&V) procedures.
- Designate which organization(s) is responsible for administering the energy efficiency programs.
- Provide for frequent updates to energy resource plans to accommodate new information and technology.

### Examples:

- Total Resource Cost tests used by NYSERDA, NSTAR (Massachusetts), California IOU's and Bonneville Power Administration.
- Pacificorp incorporates EE as an element in the resource planning process and supply portfolio. EE included in supply planning tools as a shaped reduction in the forecasted load. 2004 10-year plan includes 250 aMW of EE with an additional 200 aMW if cost-effective.



# Options to Consider to Implement National Action Plan Recommendations (3)

## Broadly Communicate Benefits and Opportunities for EE

- Establishing and educating stakeholders on the business case for energy efficiency at the state, utility, and other appropriate levels addressing relevant customer, utility, and societal perspectives.
- Communicating the role of energy efficiency in lowering customer energy bills and system costs and risks over time.
- Communicating the role of building codes, appliance standards, and tax and other incentives.

## Example:

- Utah Governor Huntsman announced in April 2006 a plan to increase EE in Utah and achieve a goal of 20% EE improvement statewide by 2015. State government will:
  - Promote energy-efficient products
  - Collaborate with utilities, regulators, legislators, and other stakeholders to advance EE in all sectors of Utah's economy
  - Work with stakeholders to identify and address regulatory barriers to increased deployment of EE measures
  - Work to identify and address legislative barriers and disincentives
  - Educate the public and private sectors about the benefits and means to implement EE.



# Options to Consider to Implement National Action Plan Recommendations (4)

## Provide Sufficient, Timely and Stable Program Funding to Deliver EE where Cost-effective

- Decide on and commit to a consistent way for program administrators to recover energy efficiency costs in a timely manner.
- Establish funding mechanisms for energy efficiency from among the available options such as revenue requirement or resource procurement funding, system benefits charges, rate-basing, shared-savings, incentive mechanisms, etc.
- Establish funding for multi-year periods.

### Examples:

- NYSERDA has 5-year funding cycles through a system benefits charge.
- California IOU's are the program administrators of funding through a system benefits charge with 3-year funding cycles.
- A January 2007 Arkansas PSC order established rules for EE programs. Utilities may recover costs associated with EE programs through either a surcharge or a rate rider. Cost recovery through that mechanism is limited to the incremental costs of providing the program that are not already included in the current rates of the utility.



# Options to Consider to Implement National Action Plan Recommendations (5)

## Modify Policies to Align Utility Incentives with the Delivery of Cost-effective EE and Modify Ratemaking Practices to Promote EE Investments

- Address typical utility throughput incentive and remove other regulatory and management disincentives to energy efficiency.
- Provide utility incentives for successful management of energy efficiency programs.
- Include impact on adoption of energy efficiency as one of the goals of retail rate design, recognizing that it must be balanced with other objectives.
- Eliminate rate designs that discourage energy efficiency by not increasing costs as customers consume more electricity or natural gas.
- Adopt rate designs that encourage energy efficiency by considering the unique characteristics of each customer class and including partnering tariffs with other mechanisms that encourage energy efficiency, such as benefit sharing programs and on-bill financing.

### Examples:

- In Maryland, Baltimore Gas and Electric (seven years under decoupling mechanism). Also, Washington Gas and Northwest Natural Gas (in Oregon)
- California IOU's have decoupling for electric and gas. Balancing account used to collect forecasted revenue with an annual true-up. Revenue requirements adjusted each year for inflation.