

# Natural Gas Prices: A New Rally-Cry for Energy Efficiency

*Rebecca Wigg and Alecia Ward, Midwest Energy Efficiency Alliance*

## ABSTRACT

The Midwest Natural Gas Initiative's goal is to coordinate a cooperative effort by policy makers in eight Midwest states to develop a regional energy efficiency strategy to decrease natural gas consumption by 1% per year for five years. This unique multi-state effort brings together representatives from the governors' offices, public service commissions, state energy offices, consumer counsels and the advocacy community to design a flexible, regional approach to energy efficiency.

The members of the Initiative believe that natural gas and electricity consumption are intimately linked – on both the supply and demand side. They believe that as natural gas prices continue to increase, energy efficiency gains in the electric and natural gas sectors can play a role in the short-term to help manage consumer bills and put downward pressure on prices. The natural gas crisis is galvanizing Midwest policy makers to respond with increases in energy efficiency that will provide both short and long-term benefits.

The paper will discuss the origination and leadership of the Initiative, highlight recent policy developments and explore the potential benefits of regional coordination. The paper will also analyze the political realities that will affect the ultimate outcomes of the Midwest Natural Gas Initiative.

## Introduction

States in the Midwest (Illinois, Indiana, Iowa, Michigan, Minnesota, Missouri, Ohio and Wisconsin) have varying degrees of experience implementing successful energy efficiency policy. Programs have historically been designed to capture public benefits or utilize efficiency gains as a resource. In a new era of high and volatile natural gas prices, energy efficiency's ability to help manage energy bills and place downward pressure on natural gas prices is the overriding reason for new and upgraded state policies to encourage energy efficiency.

The Midwest Natural Gas Initiative strives to create a cooperative initiative by Midwest states to develop a regional plan for energy efficiency. Individual activity at the state level is laying the groundwork for a regional initiative that will capture these benefits. While the success of the Initiative is far from certain, the level of political interest in the Initiative and the potential results are promising. For the first time, a critical mass of policymakers in the Midwest is recognizing the value of energy efficiency policies on an individual state basis as well as at the regional level.

## The Impact of Energy Efficiency

A myriad of studies document that increases in energy efficiency and the use of renewable energy can put downward pressure on natural gas prices. An evaluation of 13 of these national studies, found that every 1% reduction in national demand for natural gas will lead to a long-term reduction in wellhead prices of 0.8% to 2% (Wiser, Bolinger & St. Clair 2005). The

Midwest is heavily dependent on natural gas for space heating and industrial uses and represents a large portion of national demand. A report by the American Council for an Energy-Efficient Economy (ACEEE) in January 2005, documented that a concerted effort by the Midwest to reduce natural gas and electric consumption by 1% per year for at least five years could reduce wholesale natural gas prices by up to 13% (Kushler, York & Witte 2005).

The market pressure required to achieve a region-wide consumption reduction of 1% per year can not be achieved by a single state. It requires a concerted effort by each state in the region to enact and implement policies that will achieve significant energy efficiency gains. This requires the states in the region to work together to develop an energy efficiency plan that protects the unique interests of the Midwest. Minnesota, Iowa and Wisconsin are already leading the region. However, they need the support of other states in the Midwest to leverage their investments across the region and to create the pressure needed to affect natural gas prices.

In addition to putting downward pressure on natural gas prices, energy efficiency will also produce positive impacts for the Midwest economy. More than \$115 billion hemorrhages from the Midwest each year to pay for imported energy, and 35% of that drain is due to natural gas expenditures. Increased energy efficiency can help reduce this loss. ACEEE found that in five years, the energy efficiency gains described above could save Midwest consumers \$4.4 billion on their natural gas bills and \$6.7 billion on their electricity bills simply because they would be using less energy. An additional \$4.1 billion would be saved due to the decreased price of natural gas. This same program would create more than 30,000 net new jobs and an additional \$750 million in employee compensation.

The benefits of energy efficiency far outweigh the costs – ACEEE estimated that the Midwest needs to invest \$5.5 billion in energy efficiency programs over the five year period to achieve the benefits described above. When compared to direct bill savings, the benefits are twice the cost of the programs. These findings were among the presentations that inspired several Midwest public service commissioners to find a way to capture the economic benefits and put downward pressure on natural gas prices.

## **Midwest Natural Gas Initiative**

In January 2005, with support from the Energy Foundation, the National Association of Regulatory Utility Commissioners (NARUC) held a workshop entitled “The Natural Gas Crisis: Finding Clean Solutions.” The goal of the one-day workshop was to examine and explore opportunities for increased energy efficiency, renewable resources and clean distributed energy in response to high and volatile natural gas prices. As a result of presentations made at the conference and informal discussion among participants, a group of public service commissioners from the Midwest joined forces to create a regional energy efficiency approach to the natural gas crisis. The Midwest Natural Gas Initiative is a direct result of their efforts.

A steering committee guides the activities of the Initiative. Members include Commissioners Diane Munns (Iowa), Phyllis Reha (Minnesota), David Hadley (Indiana) and Daniel Ebert (Wisconsin), Consumer Advocate John Perkins (Iowa), and representatives from the U.S. Environmental Protection Agency, ACEEE, the Regulatory Assistance Project (RAP) and the Midwest Energy Efficiency Alliance (MEEA). The committee meets regularly to evaluate progress and determine next steps for the Initiative. Based on the results of the 2005 ACEEE study described previously, the Initiative is pursuing a 1% per year reduction in natural gas consumption for at least five years.

A Memorandum of Understanding (MOU) describes the natural gas crisis facing the region and explores solutions including supply and demand-side options. Signatories of the MOU include the Governors of Iowa and Wisconsin, public service commissioners and consumer advocates. Each commits to pursuing the 1% per year goal in their states by enacting policies to increase efficiency within their state; working collaboratively with the other states involved in the Initiative to develop a regional approach to energy efficiency; and reporting the annual energy savings within their state to demonstrate achievements and share best-practices among states.

States that commit to the Initiative must develop a plan for meeting the 1% per year reduction. In addition, policymakers and regulators seek to identify and reduce the barriers to utility investment in energy efficiency. Specific recommendations will vary by state, but may include establishing or increasing funding for a statewide energy efficiency program, adopting or upgrading building energy codes, establishing appliance standards and exploring alternative regulatory policies and rate designs. Once these plans are developed, Initiative participants will work within their states to ensure appropriate regulatory and/or legislative actions are taken.

Commitment to the MOU was initially targeted towards the Governor of each state in the region because they could bring their entire state into the Initiative; whereas, an individual or state agency commitment wouldn't necessarily bear the same political weight. For a variety of reasons, the remaining Governors have not yet officially committed to the Initiative. These issues include gubernatorial staff concerns about a state's ability to meet the 1% reduction commitment, thus potentially putting their Governor at risk; the misperception that the Initiative is a Democratic project because it was listed briefly on the Democratic Governors Association website; and competition with more pressing energy issues. In light of these reactions, the Initiative is pursuing other avenues, in addition to the signatures and support of Governors, to realize its goals.

### **Grassroots and Grass Tops Strategy**

The Initiative is following a combined grass tops and grassroots campaign to raise awareness and understanding of energy efficiency policies among stakeholders the region. Tactics include individual state workshops coordinated and staffed by RAP, monthly webinars for interested stakeholders to learn about specific energy efficiency policies or issues and regional workshops for stakeholders in the Midwest.

The grassroots strategy aims to educate the local advocates in each state about the economic development benefits of energy efficiency and the appropriate policies to realize those benefits. It also aims to connect them with the national resources and experts available to support their advocacy efforts. One of the Initiative's first outreach efforts was a regional Energy Efficiency Advocacy Workshop in January 2006. The workshop included more than 30 advocate organizations from across the Midwest and featured information about the energy efficiency potential in the region and the policies available to achieve those potentials. The workshop ended with a discussion of how to organize more effectively on a regional basis. MEEA anticipates hosting a similar workshop at the end of each calendar year to help organizations prepare for the following year's legislative sessions.

The grass tops campaign strives to garner political support for the Initiative and to develop a forum for sharing Midwest success stories. The individual state workshops developed by RAP were hosted by the public services commissions in each state, and often involved a wide

range of stakeholders, including utilities, advocates, state agency staff and public service commissioners. The workshops provided an opportunity for these stakeholders to learn about the Midwest Natural Gas Initiative as well as the impacts of efficiency and the best practices in regulatory policy. Participants also had an opportunity to discuss the realities of trying to implement new or upgrade policies within the state. Because the workshops were presented by a well-respected, national organization comprised of former public service commissioners, the information was generally well-received.

A large group of stakeholders that have not committed to the MOU are interested in the Initiative, including other public service commissioners, consumer advocates, state energy officials, governors and their staff, utilities and members of the environmental and energy advocacy community. These stakeholders initially met regularly to share progress updates in their states and discuss Governors' interest in and commitment to the Initiative. While these conference calls were useful for gathering information from the state level, the Initiative wasn't gaining traction as quickly as anticipated and the steering committee devised a new strategy to garner interest.

The new strategy involves hosting a series of web conferences on specific energy efficiency issues and solutions facing the Midwest region. These web conferences cover a variety of topics including low-income programs, ratemaking and regulatory basics, regulatory incentives and disincentives, energy codes and standards, basic energy efficiency program portfolios and other topics of interest identified by the steering committee. Participation in the web conferences is high and is a way to reach stakeholders, especially state agency and public service commission staff, whose ability to travel to conferences and workshops is often limited. The steering committee expects the web conferences to culminate in the in-person conference in Fall 2006.

## Challenges

The Initiative faces a number of challenges including infrastructure, capacity, political will and the perception of powerlessness. In addition, the tension between the states that have a history of energy efficiency and those that don't also presents a challenge. In Minnesota, Iowa and Wisconsin, states with well-established energy efficiency policies, utilities and policymakers are interested in improving their policies and programs to gain additional benefits. However, stakeholders are also concerned that their states will continue to make progress without complementary policy improvements in the other states in the region. The Initiative is working to overcome this challenge by documenting the benefits those states will receive regardless of whether other states join the Initiative. As the Initiative matures, and other states commit to it, this challenge should be easier to overcome.

**Infrastructure.** Lack of infrastructure for regional coordination is the most tangible challenge. State energy offices, consumer advocates and regulatory commissioners have a long-standing history of coordinating activities and sharing information through their national associations. However, regional efforts to coordinate these stakeholders are more nascent. The commissioners in the region formed the Organization of MISO states in an effort to develop policy positions and an infrastructure for coordination on regulatory issues, but their efforts have not focused on energy efficiency or demand side solutions. The Council of State Governments (CSG) manages the Midwestern Governors Association, however their efforts to coordinate the region rely on a

Governor to establish a leadership role and aggressively pursue a goal through the organization. Historically, energy and energy efficiency issues have not been addressed through the Association. The Council of Great Lakes Governors focuses primarily on other issues related to the Great Lakes and doesn't include the Plains states in its membership.

MEEA is working with all parties to resolve this infrastructure issue by helping advocates who don't traditionally work in the energy field understand the vital link between their primary issues and energy. Participants in the Initiative believe that it will take time to develop the infrastructure necessary to successfully coordinate on a regional basis in order to remedy the energy challenges facing the Midwest.

**Capacity.** Capacity is also a challenge because the number and types of organizations and people working on energy efficiency in the region is limited and is often only one component of a variety of other environmental topics including air and water quality and climate change. For example, in Indiana only two organizations (Citizens Action Coalition and Hoosier Environmental Council) are working at the state level to advance energy efficiency policy, and both have a variety of other priorities competing for time and resources. The Iowa Environmental Council only recently delved into energy efficiency after focusing their energy policy efforts on renewable energy for a number of years. Their expansion into energy efficiency was spawned by a series of events including increased funding earmarked for the issue and assistance from MEEA with the technical aspects of energy policy. A number of participants at the regional advocate's workshop in January also expressed a lack of knowledge and understanding of the issues and policy solutions, which has limited their organizations' activities in support of energy efficiency.

The grassroots effort of the Midwest Natural Gas Initiative aims to overcome the issue of a lack of understanding and awareness of energy efficiency solutions. The monthly web conferences allow organizations from across the region to gain valuable information and tools otherwise available almost exclusively at conferences, which many do not have the resources to attend. In addition, the Renewable Energy Alignment Mapping Project (RE-AMP) is working to align the grant-making efforts of foundations that support climate change and clean energy activities. They are working to streamline grant-making and establish a common plan for achieving their goals. RE-AMP's work should make more funds available for local organizations advocating for energy efficiency policies and establish more cohesion among their efforts. MEEA is also serving as a resource to local advocate organizations and encouraging them to participate in states where immediate opportunities for policy upgrades are present.

**Political will.** 2006 is an election year and all of the Midwest Governors are up for reelection except Governor Daniels of Indiana and Governor Blunt of Missouri. This creates both a challenge and an opportunity for the Initiative. While it can be an uphill battle to gain traction for significant energy efficiency policies in an election year, it is also an opportunity to capitalize on the attention reelection campaigns receive. Working with local advocates to raise energy policy as a campaign issue around high and volatile prices can bring attention to the need for sound energy efficiency policy and help raise the profile of the Midwest Natural Gas Initiative. Advocates can point to energy efficiency as a tool to both mitigate price impacts and generate economic development. If successful, significant new policies could be in effect in 2007.

State agencies often believe that energy efficiency is a priority issue, but feel that they don't have the political support from their state leaders to make substantive policy changes.

Other times, staff members are a barrier due to a culture of risk-avoidance. This challenge is difficult to overcome and in some instances requires significant education of commission staff or finding the right person to champion a specific policy. It is something the Initiative must address on a state-specific basis. The education efforts of the Initiative are laying the foundation for overcoming this challenge, but success will be built over time as attitudes shift and the Initiative gains additional footing.

## **Common Goals, Different Reasons for Action**

In 2003, prior to the establishment of the Midwest Natural Gas Initiative, the Garfield Foundation engaged stakeholders from across the Midwest in an effort to help the Upper Midwest create a clean, efficient and secure electricity system for the 21<sup>st</sup> Century. The resulting initiative, RE-AMP, aims to establish the Midwest as a leader on climate change issues by reducing greenhouse gas emissions from electricity generation by 80% by 2030. RE-AMP proposes to reach this goal by increasing energy efficiency gains in the region, increasing the demand for clean energy and cleaning up existing and new coal generating facilities. A team of stakeholders is actively pursuing each of these goals and establishing an action plan to meet them. A separate team is working to engage additional foundations and secure support for the plan.

The energy efficiency team aims to achieve energy efficiency savings equal to 2% to 2.5% of annual electricity use per year, more than double the goal of the Midwest Natural Gas Initiative. Although RE-AMP encompasses Illinois, Iowa, Minnesota and Wisconsin, the team identifies Indiana, Michigan and Ohio as states where significant opportunities also exist. The energy efficiency team estimates that 75% of the efficiency savings will be achieved through ratepayer-funded energy efficiency programs, while the remaining savings will be achieved through adopting new or upgraded building energy codes, appliance standards and increased use of combined heat and power projects.

Due to the overlapping policy objectives and similar geographical targets, the energy efficiency team of RE-AMP adopted the framework of the Midwest Natural Gas Initiative to advance their goals. The group is similarly pursuing a grass tops and grass roots approach to increasing energy efficiency policies in the region. This parallel effort strengthens the activities of Midwest Natural Gas Initiative and provides an additional layer of support for local advocates.

## **Midwest States Respond to Natural Gas Prices**

States across the Midwest are responding to the high and volatile natural gas prices experienced over the past several years with a variety of strategies aimed at the same goal: helping consumers manage their rising energy bills. Highlights of the recent state-level developments are described below.

### **Wisconsin**

The state's current public benefit fund, Focus on Energy, was established in 1999 and authorized to invest \$66 million per year for energy efficiency programs (DOA 2005). However, due to state budget limitations, Focus on Energy has operated at approximately 40% of this budget for the past three years. In 2005, the program saved 221 million kWh of electricity and

10.1 million Mcf of natural gas. The benefit-cost ratio for the program is conservatively estimated at 3.0, and when environmental impacts are included the ratio increases to 5.7.

Governor Jim Doyle committed Wisconsin to the Midwest Natural Gas Initiative on September 29<sup>th</sup>, 2005. The announcement was part of his Energy Help Initiative which is a comprehensive plan to help Wisconsin's consumers and businesses deal with high energy costs. The state's first step towards realizing the savings goal was to implement the 2004 recommendations from the Governor's Task Force on Energy Efficiency and Renewables. These new policies will increase funding for the state's Focus on Energy Program to 1.2% of utility annual operating revenue (approximately \$85 million per year), protect the funding from future diversions and streamline the administration of programs. In addition, the state established energy efficiency standards for its largest energy consuming agencies, established a renewable portfolio standard and increased the frequency with which the state's building energy code is reviewed and upgraded. Until these changes go into effect in 2007, the state is working within the current Focus on Energy budget to make additional gains in natural gas efficiency and is considering additional programs aimed at industrial consumers.

## **Iowa**

Both natural gas and electric utilities are required to submit Energy Efficiency Plans to the Iowa Utilities Board. These plans must include programs for all customer classes, be cost-effective, analyze the potential for energy efficiency and establish performance standards for energy and capacity savings. Since 1990, Iowa's investor-owned utilities have saved an average of 1.4 million MWh of electricity and 6 million Mcf of gas annually. Investment in these programs is \$66 million for electric efficiency programs and \$22 million for natural gas programs each year (IUB 2006).

Governor Tom Vilsack, citing high and volatile natural gas prices, committed the state to meeting the goals of the Midwest Natural Gas Initiative by signing the MOU on October 5, 2005. Despite Iowa's well-established energy efficiency programming, the state immediately increased weatherization efforts for low-income families through a collaborative process involving a variety of stakeholders. These include the Iowa Bankers Association, the Iowa Retail Federation, Inc. and other organizations not previously involved in energy efficiency efforts. The Iowa Utilities Board also issued a formal inquiry (NOI-06-1) in February 2006 into how the state can best meet the 1% per year goal of the Midwest Natural Gas Initiative and will be exploring what policies it can implement to reach the goal.

## **Illinois**

Illinois' natural gas and electric utilities do not significantly invest in energy efficiency programs; the state's investor-owned electric utilities contribute a total of \$3 million to the state's Energy Efficiency Fund. A new Sustainable Energy Plan announced by Governor Blagojevich in January 2005 would require electric utilities to meet an escalating percentage (up to 25%) of their load growth through energy efficiency. Unfortunately, due to a contentious political fight over the future of the state's deregulated electricity market, policymakers have yet to focus on implementing or enforcing the Plan.

In September 2005, the Illinois Commerce Commission (ICC) issued Order 04-0779 in the rate case of Nicor Gas Company, which stated that energy efficiency "appears to be the premier option that Illinois has for lowering customer energy bills." Although the order does not

require Nicor to establish a ratepayer funded energy efficiency program, it does assert that an energy efficiency program should be established statewide and developed through a collaborative process. This development is good news in a state where energy efficiency is only beginning to gain traction with policymakers and utilities. However, until the deregulation situation is resolved, the prospect of comprehensive energy efficiency policy in the electric or natural gas sectors in Illinois is uncertain.

## **Michigan**

From the late 1970's until the late 1990's, Michigan's investor-owned natural gas and electric utilities invested in a variety of energy efficiency programs. However, when the state deregulated the electric industry in 2000, public benefit programs were eliminated. In their place, the state established the Low Income and Energy Efficiency Fund, which until this year was funded by a single utility. The state now requires another utility to invest in the fund, however a majority of the funds (72%) over the past four years have been used for bill-pay assistance programs which provide no efficiency gains and do not help customers manage their bills (Lark, Nelson & Chappelle 2005).

Michigan is exploring energy efficiency policy through several different avenues. In October 2005, the Michigan Public Service Commission (PSC) issued Order U-14667 directing the PSC staff to explore energy efficiency programs and report back to the Commission. The Order was issued in direct response to the high natural gas prices experienced in the aftermath of Hurricanes Katrina and Rita and recognized energy efficiency as a vital part of the state's energy policy. The resulting Staff Report on Energy Efficiency highlighted the importance energy efficiency has played in Michigan's past and its potential for the future. Senator Bruce Patterson, Chair of the Senate Technology and Energy Committee, commissioned a task force to develop a long term energy plan for Michigan to be completed in June 2006. This task force is exploring energy efficiency as a resource to meet the state's growing energy demand. Most recently, Governor Granholm issued Executive Directive 2006-2 in April 2006 that directs the PSC to develop Michigan's 21<sup>st</sup> Century Energy Plan. It explicitly calls for the appropriate use of energy efficiency to ensure reliable, safe, clean and affordable energy. While Michigan is not officially committed to the Midwest Natural Gas Initiative, the state's individual progress towards a more energy efficient future is a step in the right direction.

## **Missouri**

Recognizing that energy conservation is critical in the face of rising energy costs, Governor Blunt established an Energy Task Force in December 2005. The Task Force is led by the Chair of the Public Service Commission and is composed of representatives from the state legislature, relevant state agencies and the Lieutenant Governor. The Task Force is already exploring decoupling and other rate designs to reduce the barriers to utility investment in energy efficiency as well as a statewide energy code as first steps in this process. It will issue a report in August 2006. While comprehensive energy efficiency policy is not guaranteed, the Task Force is a tremendous opportunity for the state to capture the economic benefits of energy efficiency.



## **Ohio**

Ohio's Energy Efficiency Loan Program was established in 1999 to provide low-interest loans to residents and businesses wishing to invest in energy efficiency and renewable energy projects. The Loan Fund is financed through a rider on electric bills in the state and is authorized to collect \$100 million over a 10-year period. The purpose of the loan fund is primarily to promote economic development and to improve environmental quality.

Ohio is one of the U.S. EPA's Clean Energy-Environment Partner States and is working closely with the Department of Development, Office of Energy Efficiency to reinstate the funding for the state's revolving loan fund, as well as structure the fund to allow more traditional forms of demand side management programs. Each of Ohio's four large natural gas companies is filing a rate case in 2006, and plans to include decoupling mechanisms. The Office of Consumers' Counsel worked with each company to ensure that their proposals include aggressive energy efficiency programs. Each of the utilities also supports the Midwest Natural Gas Initiative.

## **Minnesota**

The Conservation Improvement Plan (CIP) program requires Minnesota's investor-owned utilities to invest a percentage of their revenue in energy efficiency programs and already achieves significant savings. In 2003, Minnesota utilities invested \$77 million in electric efficiency and \$14.2 million in natural gas efficiency programs, and saved 328 million kWh of electricity and 1.8 million Mcf of natural gas (OLA 2005). The societal benefit-cost ratios for the CIP program averaged 2.3 for natural gas programs and 2.9 for electricity programs.

The Minnesota Public Utilities Commission (PUC) in cooperation with the Minnesota Department of Commerce (DOC) is working with the U.S. EPA's Clean Energy-Environment Partner Program to achieve greater efficiency gains through the CIP program. Although not a direct response to high natural gas prices, the state's interest in innovative rate design and decoupling to reduce barriers to increased investment in energy efficiency are promising. Governor Pawlenty has yet to officially commit to the Midwest Natural Gas Initiative, but Minnesota's PUC and DOC are participating in Initiative activities.

## **Indiana**

Although Indiana has not taken direct energy efficiency action in response to high natural gas prices, the state is beginning to explore options available to help mitigate the crisis. The state is developing a Hoosier Home Grown Energy Plan, which is expected to include recommendations for conservation and energy efficiency. In addition, the Alternative Electricity Task Force commissioned by Governor Daniels is exploring energy efficiency and renewable energy as potential alternatives to traditional forms of electricity generation.

## **Benefits of Regional Collaboration**

When states work together towards a common goal, significant achievements are made. MEEA was formed as a result of nine states joining together to accomplish goals they could not otherwise do alone. The Midwest Natural Gas Initiative participants believe that the entire

Midwest region will have a much greater impact on the wholesale natural gas market than a single state by adopting policies to increase energy efficiency.

Individual states that adopt new energy efficiency policies or expand existing programs will realize direct economic benefits including bill savings and creation of new jobs. However, in order to effectively address the escalating price of natural gas, the Initiative participants believe the Midwest region must act together. A single state does not have enough market power to make a significant impact on the natural gas marketplace. Eight states working in concert to increase energy efficiency, however, can create a market force that can drive down the price of natural gas.

Creating aggressive new energy efficiency policies in states without experience with those policies will take a significant amount of political willpower. Working within the context of a regional goal can help build credibility for new policies and generate additional support. It is easier to adopt new appliance standards in one state if other states in the region are adopting the same standards. In the Midwest, regional collaboration also facilitates sharing success stories and lessons learned. No state needs to reinvent energy efficiency policy because several states in the region have already demonstrated effective programs. Within the smaller context of the Midwest Natural Gas Initiative, policymakers and state agency staff can learn from their peers.

The Midwest has a history of working together to solve problems facing the region and the natural gas crisis presents an opportunity to once again collaborate towards a common goal. Although only two of the eight states in the region have officially joined the Midwest Natural Gas Initiative, every state is taking its own steps to respond to the crisis and is participating in this collaborative process. These state activities will lead the region to a new standard for energy efficiency policy.

MEEA offers an example for how regional coordination to address a problem can be successful. When MEEA coordinates regional energy efficiency program in the Midwest, it is able to leverage modest resources from specific states and utility service territories (between \$2,000 and \$175,000) into nearly \$3 million in successful regional programs. Coordinated planning and implementation of successful energy policies, if the challenges discussed above can be overcome, should be able to leverage similar results.

## **Conclusion**

The Midwest Natural Gas Initiative is capitalizing on a confluence of events to advance sound energy efficiency policy in the region. High and volatile natural gas prices are solidifying support for energy efficiency policies across the country and the Midwest region. By pursuing a coordinated grassroots and grass tops campaign to increase awareness and understanding of energy efficiency policies, the Initiative is building support for a regional strategy to address the natural gas crisis facing the region. While the advances at the state level are steps in the right direction, only concerted, regional action will have the impact on natural gas prices the Initiative is pursuing.

Although there are significant challenges, including a lack of infrastructure, capacity and the need to build political support for the Initiative, the steering committee is optimistic that the Initiative will succeed. The progress that has been made in states that already support efficiency is tremendous; the efforts of those states that don't have strong policies in place is also a good sign that as awareness and skills increase, policies will be adopted that are supportive of energy efficiency. This Initiative hopes to have an immediate impact on the Midwest economy, but

expects to have a long-term impact greater than the sum of the efficiency savings – building a cooperative region that can share success stories.

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