EERS vs. IRP: Why States Should Not Eliminate Their Energy Efficiency Resource Standards

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Midwest Energy Efficiency Alliance (MEEA)

- MEEA is a nonprofit membership organization with 150+ members, including:
  - Electric and Gas Utilities
  - State and local governments
  - Manufacturers and retailers
  - Academic and research institutions
  - Energy service companies and contractors

- Since 2000, MEEA has been the leading source for raising awareness and advancing sound energy efficiency policies and programs in the Midwest

- MEEA balances the diverse interests of its members and network across the public and private sectors, creating a common ground to affect positive change for energy efficiency in the Midwest.
MEEA’s Role as a Resource

- Advancing Energy Efficiency Policy
- Delivering Training and Workshops
- Evaluating & Promoting Emerging Technology
- Coordinating Utility Programs Efforts
- Facilitating Energy Efficiency Programs
- Regional Representation in National Dialogues
- Promoting Best Practices
What is an Energy Efficiency Resource Standard (EERS)?

Source: American Council for an Energy Efficiency Economy (ACEEE)
Energy Savings for States with an EERS vs. those Without

The top 19 states in EE savings all have EERS
No state has saved 1% per year without an EERS

Source: ACEEE
Estimated Annual Utility Investment in Energy Efficiency in the Midwest

$Billions


$2.0 $1.8 $1.6 $1.4 $1.2 $1.0 $0.8 $0.6 $0.4 $0.2 $0.0

**Electric**
- EERS Legislation
  - IL Gas Admin Order
  - IN Electric Voluntary Standard Legislation
  - MO Electric

- Legislative Committee
  - WI EERS adjusted

- Admin Order
  - WI Elec, Gas

**Natural Gas**
- EERS Legislation
  - IL Electric
  - MN Electric, Gas

**Total**
- Legislation
  - IN EERS overturned
  - OH EERS frozen

- Earlier Statewide EE
  - MN 1983 – Pilot legislation
  - 1991 – CIP requirement adopted

- Earlier Statewide EE
  - IA 1990 – Initial legislation
  - 1996 – Legislation updated

- Earlier Statewide EE
  - WI 1999 - Public Benefit Fund Adopted

- MEEA
  - Midwest Energy Efficiency Alliance

- The Source On Energy Efficiency
Midwest Efficiency Targets and Funding Levels

2010 $1.01 billion
2015 $1.78 billion

North Dakota
South Dakota
Nebraska
Kansas
Voluntary energy efficiency only

Minnesota
1.5% elec by 2010
1.0% gas by 2010
(gas goal reduced by commission)

Iowa
Set on a utility basis
1.2% elec current plans
0.85% gas current plans

Missouri
IRP process;
Voluntary electric

Wisconsin
No specific targets
0.6% elec current est.
0.5% gas current est.

Michigan
1% elec by 2012
0.75% gas by 2012
Legislative rollback proposed

Indiana
Overted 2014
Future legislation & funding unclear

Ohio
Two-year “freeze” after 2014.
Future legislation & funding unclear

Kentucky
Voluntary electric and gas

Illinois
2% elec by 2015
1.5% gas by 2017
Fund sweep of State program proposed

The Source On Energy Efficiency
As of August 2015

**Midwest Efficiency Savings - Electric**

**Wisconsin**
- No specific targets
- 0.6% elec current est.

**2010** 5.4 million MWh

**2015** 7.0 million MWh

**North Dakota**
- South Dakota
- Nebraska
- Kansas
- Voluntary electric efficiency only

**Minnesota**
- 1.5% elec by 2010

**Iowa**
- Set on a utility basis
- 1.2% elec current plans

**Missouri**
- IRP process; Voluntary electric

**Illinois**
- 2% elec by 2015

**Michigan**
- 1% elec by 2012

**Indiana**
- Overturned 2014.
- Future legislation & funding uncertain

**Ohio**
- Two-year “freeze” after 2014.
- Future legislation & funding uncertain

**Kentucky**
- Voluntary electric efficiency only

**As of August 2015**
Midwest Efficiency Savings – Natural Gas

**Wisconsin**
- No specific targets
- 0.5% gas current est.

**2010**
- 87 million therms

**2015**
- 136 million therms

**North Dakota**
- South Dakota
- Nebraska
- Kansas
- Voluntary gas efficiency only

**Minnesota**
- 1.0% gas by 2010
- (gas goal reduced by commission)

**Iowa**
- Set on a utility basis
- 0.85% gas current plans

**Missouri**
- Voluntary gas efficiency only

**Illinois**
- 1.5% gas by 2017

**Michigan**
- 0.75% gas by 2012

**Indiana**
- Overturned 2014.
- Future legislation & funding uncertain.

**Ohio**
- Voluntary gas efficiency only

**Kentucky**
- Voluntary gas efficiency only

As of August 2015
Indiana

2009: Administrative order creates Energizing Indiana

2012: Energizing Indiana Program Implemented

2014: Legislature repeals EERS. All investor owned utilities file DSM plans with IN Utility Regulatory Commission

2015: DSM plan and IRP rule making process begins
Energizing Indiana

- From 2012-2013, for every $1 spent on the Energizing Indiana programs, residents and businesses reaped $3.02 in benefits.

- Effective policy increased Indiana’s electricity savings over 25-fold from 2009 levels, the year before electric energy efficiency was required under the EERS.
Energy Savings Reduced in Indiana after the Repeal of their Energy Efficiency Resource Standard

*Indiana & Michigan Power has not yet filed a plan for 2016
Indiana Electric Efficiency Spending and Savings by Customer Class

Source: Utility Filings in IURC Causes 42693-S1, 43955-DSM 02, 44486, 44495, 44497, and 44501.
What is an Integrated Resource Plan (IRP)?

Source: Bruce Biewald and Rachel Wilson, Regulatory Assistance Project (RAP), 2013.
Energy Efficiency in Midwest States
Saved electricity as percent of total retail electricity sales, 2013

Sources: MEEA, 2015; EIA, 2015
Minnesota

- Minnesota has adopted both an IRP model as well as a Conservation Improvement Plan standard plus other goals
- MN incorporates existing 1.5% energy efficiency standard goal as an input within each utility’s IRP
- Electric savings more than doubled between 2007 and 2012
IRP Best Practices: Lessons from Minnesota and Beyond

- **Existing Methodology:** if a state already uses resources such as a technical reference manual, utilities should use values reflected in the technical reference manual in their IRP inputs.

- **Commission Authority:** the state utility regulatory commission should have the authority to approve, reject, request more information, and modify utilities’ IRPs.

- **Energy Efficiency Resource Standards:** incorporate existing or future energy efficiency resource standards as a load reduction input to IRP modeling.
A good electric system IRP should include...

✓ Load forecast
✓ Reserves and reliability
✓ Demand side management
✓ Supply options
✓ Fuel prices
✓ Environmental costs and constraints
✓ Uncertainty
✓ Existing Resources
✓ Valuing and selecting plans
✓ Action plan
✓ Documentation
✓ Time frame
IRP Challenge: Maximization of Energy Efficiency Savings

• In 2013, the 26 states with EERS policies in place, showed more than 3.5 times as much program spending (2.63% vs. 0.76%) and savings (1.11% vs. 0.30%) as the 24 states without an EERS policy, regardless of whether the state had an IRP policy.

• The states with an IRP or other long-term planning requirement that also had an EERS spent and saved over 3 times as much as states that had an IRP requirement but no EERS requirement (2.66% of revenues vs. 0.76%; and 1.16% of sales vs. 0.35%).

• For states without IRP process, those with EERS spent over 3 times as much and saved nearly five times as much (0.90% vs. 0.19%) as states with no IRP/planning requirement and no EERS.
Conclusions

• EERS produce more cost-effective savings than an IRP

• IRP is a planning framework used to evaluate supply-side and demand-side resources

• IRP only as strong as the targets/standards incorporated

• If a state moves toward IRP, it should incorporate an EERS as a load reduction measure so the plan includes targets

• The good news – they can work together to achieve significant savings in a cost-effective, thoughtful way.
Questions and Contact Information

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