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SUSTAINABLE ENERGY STUDY #23

States Hit the Accelerator on Utility Efficiency Targets:

States have accelerated their efforts to reduce energy use by setting mandatory energy savings targets for electric and gas utilities.

A review released September 18, 2007 by the American Council for an Energy-Efficient Economy (ACEEE) found 15 states with such policies in place, up from five states two years ago. These targets, dubbed "Energy Efficiency Resource Standards" (EERS), set long-term targets that ramp up to major savings. Utilities can meet the targets by offering programs to help their customers conserve energy, and some states credit savings from combined heat and power plants, transmission and distribution system upgrades, and other measures toward the targets. According to ACEEE, targets are generally set based on studies of cost-effective efficiency potential, as well as program experience and stakeholder concerns. Penalties often apply if targets are not met, with particulars varying from state to state.

"Energy efficiency is a top priority for many governors, legislators, and utility commissioners in order to reduce customer energy bills, dampen electricity and natural gas prices, help prevent blackouts, and start to address global warming. EERS are especially popular because they guarantee specific results and encourage utilities to minimize costs," noted ACEEE Executive Director Steven Nadel.

ACEEE analysis estimates that EERS requirements now in place could reduce national electricity demand by more than one percent per year by 2013. This would be a significant impact, given that the Annual Energy Outlook of the Energy Information Administration forecasts that national electricity consumption growth will average only 1.5% per year from now through 2025. EERS could thus significantly reduce electricity demand growth, reducing customer bills, softening wholesale power prices, relieving predicted generation capacity shortages, and slowing carbon emissions.

The most aggressive targets in place are Vermont's, which reduced electricity use by more than five percent from 2000-2006. The 2007-2008 target calls for an additional reduction of 3.5 percent of electricity use. An even more aggressive target is being developed in New York State where Governor Spitzer has announced a target of 15 percent savings by 2015. The state Public Service Commission is now working out the specifics.

At the other end of the spectrum, some states have set modest targets and then gradually increased them. For example, Texas established a target in 1999 of reducing load growth by 10 percent annually. The target has been exceeded each year and in 2007 the Texas legislature

increased the target to 20 percent of load growth. They also commissioned a study to determine if 30 percent and 50 percent of load growth targets can be met in future years.

Other recent actions have taken place in Minnesota, Illinois, North Carolina, New Jersey, and Colorado. For example, in Minnesota, Governor Pawlenty proposed the New Generation Energy Act that, among other provisions, requires the state's utilities to reduce energy use by 1.5 percent per year. Illinois and North Carolina passed their laws this past summer. Both set targets but also set cost caps on efforts to meet the targets. Recent legislation in New Jersey, Colorado, and Virginia directs their state regulatory commission to work out details. The New Jersey legislation authorizes a target of 20 percent savings by 2020.

Other states with energy savings targets are California, Connecticut, Hawaii, Nevada, Pennsylvania, and Washington.

The above-cited news release can be found at: <http://www.aceee.org/press/0709-eers.htm>

The ACEEE 6-page summary report (pdf format) is available at <http://aceee.org/energy/state/utpolicy.htm>.

The same Web site also includes a 2-page summary (pdf format) with a map of affected states.