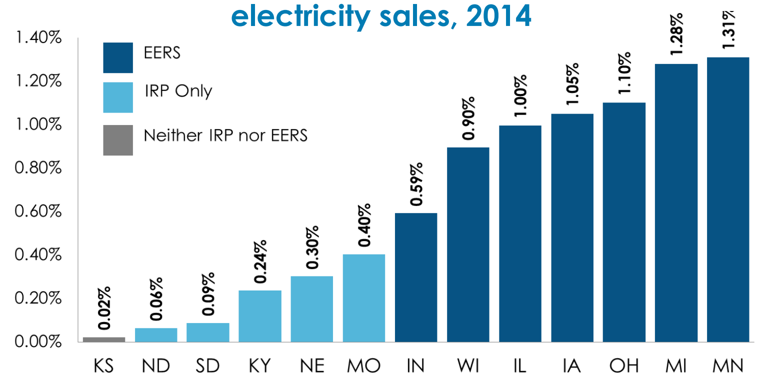
Energy Efficiency Resource Standards

Policy Achieves the Highest Energy Savings

An **Energy Efficiency Resource Standard (EERS)** is a long-term (3+ years) energy savings target for utilities and third-party administrators that requires ratepayer-funded investments in energy efficiency. An EERS provides a stable funding base for energy efficiency programs, and can fuel long-term energy savings within a state. In some states, the EERS applies to all utilities within the state, while in others its applicability is limited to those regulated by the state commission or those larger than a particular size.

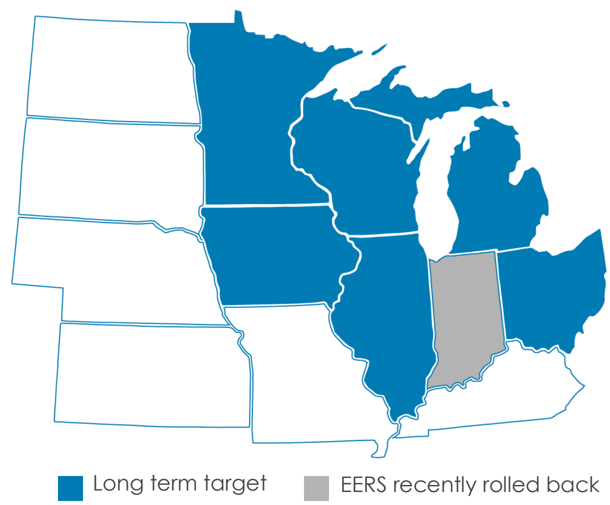
Energy Efficiency in Midwest States: Saved electricity as percent of total retail electricity sales, 2014



Energy Information Administration, 2015

Seven of the states in MEEA's region have long-term efficiency goals. Six (Illinois, Iowa, Michigan, Minnesota, Ohio and Wisconsin) have adopted some form of an EERS that require electric utilities in their state to meet energy savings or energy efficiency program spending targets. Five of these states (Illinois, Iowa, Michigan, Minnesota and Wisconsin) also have natural gas savings or spend targets.

States with an EERS or Similar Long-Term Efficiency Target



Should an EERS target spending or savings?

An early trend in EE funding was to require utilities to fund energy efficiency programming at an amount equal to a percentage (2-3% in leading states) of utility revenue. In Wisconsin, these funds were pooled together to create a Public Benefit Fund, creating the Focus on Energy program. While the Focus on Energy program is well regarded and has resulted in energy savings, policymakers and utilities in other Midwest states moved to savings targets that provide verifiable savings. Most state efficiency programs in the region require utilities to achieve savings at a targeted percentage of retail sales.

- In Illinois, the efficiency goal is 2% for electric and 1.5% for natural gas.
- In Iowa, the efficiency goal is 1.1% for electric and 1% for natural gas.
- In Michigan, the efficiency goal is 1% for electric and 0.75% for natural gas.
- In Minnesota, the efficiency goal is 1.5% for electric and 1% for natural gas.
- In Ohio, the efficiency goal is 2% for electric. The state has no natural gas requirement and the EERS is currently frozen at 2014 levels.

Policy in Brief: Iowa

Iowa has an EERS, but unlike other states that mandate savings targets statewide, Iowa's approach provides more flexibility. In 2008, the Iowa Utilities Board (IUB) implemented a regulatory order that sets an annual energy savings target for each rate-regulated electric and gas utility. These goals are developed for each utility every five years, following an assessment of energy usage and potential savings.

Electric savings have increased by about two-thirds since the IUB ordered all utilities to file energy efficiency plans. Overall, 2009-2013 utility plans in Iowa added up to statewide level savings of approximately 1.4% (electric) and 1.0% (natural gas) of retail sales. In 2013, for every $1 spent on electric energy efficiency programs in Iowa, residents and businesses reaped $1.56-$3.49 in benefits. For every $1 spent on natural gas energy efficiency programs, Iowa gained $1.03-$2.26 in benefits. The most recent energy efficiency plans cover 2014– 2018, and in general have been approved at a level of 1.1% of annual sales through 2018.

State Utility Efficiency Requirements

State	Electric Goal	Natural Gas Goal	Achieved By	Requirements/Ramp-Up
IL	2.00%	1.50%	2015/2017	- Illinois' electric utilities were required to meet a goal of 0.2% efficiency based savings for delivered electricity in 2009. This goal ramped up to 2.00% in 2015 and every year thereafter. A statutory 2.015% spending cap reduced targets for both ComEd and Ameren by the Illinois Commerce Commission (2013 and 2014). - Gas utilities were required to meet a goal of 0.2% in 2011, which will ramp up to 1.5 in 2019.
IA	1.1%	1.00%	2014	See Policy in Brief (above)
MI	1.00%	.75%	2012/2012	- Michigan's electric utilities were required to achieve 0.3% savings in 2009; 0.5% in 2010; 0.75% in 2011; and 1.0% in 2012 and each year thereafter. - Natural gas utilities were required to achieve 0.1% savings in 2009; 0.25% in 2010; 0.5% in 2011; and 0.75% in 2012 in 2012 and each year after.
MN	1.50%	1.0%	2007	- Minnesota's utilities have a savings goal of 1.5% of gross annual retail energy sales since 2009. Commissioners are able to modify targets and reduced natural gas to 1% in 2010. - There is a utility investment requirement of 0.5% of gross operating revenues (NG) and 1.5% of its gross operating revenues (Elec.).
OH	2.00%	0	2019	Ohio's mandated standard began in 2009 with a requirement of 0.3% the preceding three-year weighted average electricity sales to be met with efficiency, ramping up to 1.0% annually from 2014 to 2018, then increasing to 2.0% in 2019 through 2025. EERS is currently frozen at 2014 levels.
WI	-	-	-	Wisconsin utilities have a spending target, rather than a savings target. The utilities must spend 1.2% of their individual annual operating revenues to fund the utilities' programs, which are administered by a third-party, Focus On Energy.

Contact: Nick Dreher, Policy Manager
ndreher@mwalliance.org, (312) 784-7271
20 N. Wacker Dr. Ste 1301, Chicago IL 60606 | *www.mwalliance.org*

MEEA
MIDWEST ENERGY EFFICIENCY ALLIANCE