

# Energy Efficiency Policies in the Midwest

## A ROADMAP TO MAXIMIZING ENERGY SAVINGS

Each state in the Midwest has unique policies that promote energy efficiency investment and energy savings for customers. This guide explores the different approaches to and the positive impacts of well-designed energy efficiency policy.



### What's inside:



Effective Approaches to Energy Efficiency Policies



Who Benefits from Energy Efficiency Programs



Positive Impacts of Energy Efficiency


### What is energy efficiency?

Energy Efficiency (EE) is making each unit of energy more productive—doing more with less. This includes retrofitting old, inefficient technology, improving processes and promoting behaviors that reduce energy consumption.

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# EFFECTIVE ENERGY EFFICIENCY POLICIES

**Energy efficiency policy drives investment and savings.** Every state can achieve cost-effective energy efficiency with policies tailored to their unique needs and makeup. Below, you'll see a list of successful EE policy strategies and states that have implemented them.



## Policies that strengthen the regulatory process



**Requirement to File** - Utilities file periodic EE plans and reports with their regulator. A consistent, statewide filing and approval process expands EE commitments by utilities.



**Stakeholder Collaboration** - A formal statewide process that builds consensus among the energy, business, environmental, consumer and utility sectors helps ensure concerns are addressed, minimizing costly litigation and improving program delivery.



**Integrated Resource Plans** - An IRP is a forward-looking assessment of a utility's future energy needs and resources. Comprehensive IRPs let EE compete against supply-side resources.



**Evaluation Framework** - Consistent practices for measuring and testing EE keeps programs cost-effective and up-to-date with industry and market changes.



## Policies that prioritize energy efficiency



**Savings Targets** - A commitment statewide or by utility to save a specified amount of energy on an annual or multiyear basis.



**Spending Targets** - Requiring a minimum utility investment in energy efficiency.

### Building Efficiency Policies



**Building Energy Codes** - Minimum building efficiency standards incorporate cost-effective energy-saving technologies at the time of construction



**Energy Code Compliance** - Training and education opportunities to improve adherence to the code. Utilities can support these policies and potentially claim savings.



**Benchmarking** - Publicly disclosing the relative energy performance of large commercial buildings informs EE investments by the owners and influences occupant behavior.



## Policies that establish a utility business case



**Program Cost Recovery** - Utilities recover the cost of administering EE programs.



**Performance Incentives** - Tiered financial bonuses for utilities that meet and exceed EE goals.



**Lost Revenue Recovery** - Utilities recover an authorized amount of revenue lost from selling less energy due to EE programs, removing the disincentive inherent to the traditional utility business model.



# ENERGY EFFICIENCY HELPS ALL CUSTOMERS

Since the 1980s, the Midwest has promoted energy efficiency investment seeking benefits for all customers. To reach our full energy savings potential, the Midwest needs to pursue creative solutions that serve harder-to-reach customer segments. Deeper energy savings opportunities are especially true for industrial, small business and underserved residential customers.

## Business Programs



**Program examples:** building retrocommissioning, incentives, indoor agriculture, commercial food service programs

**Utility cost range:** 1.9-4.1¢/kWh

**Savings increase** 44% of growth since 2010

## Residential Programs



**Program examples:** Lighting/appliance rebates, behavior change, weatherization, HVAC

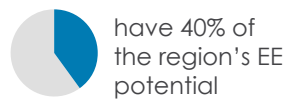
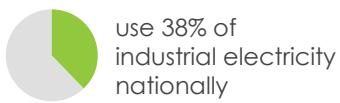
**Utility cost range:** 1.1-6.9¢/kWh

**Savings increased** 56% of growth since 2010

## Reaching Industrial Customers

Industrial customers have the **greatest potential** to save and have the **most cost-effective** programs.

The Midwest's industries:



### Helpful policies & practices:

- Targeted custom programs to meet unique energy needs
- Strategic Energy Management (SEM)
- Removing statutory barriers to participation

## The Needs of Small Businesses

EE can help small businesses cut costs and grow. The potential for savings is huge, but the sector has been hard to reach.

### Helpful policies & practices:

- Streamlined process from audit to installation
- Single point of contact
- Financing options that deliver immediate monetary savings

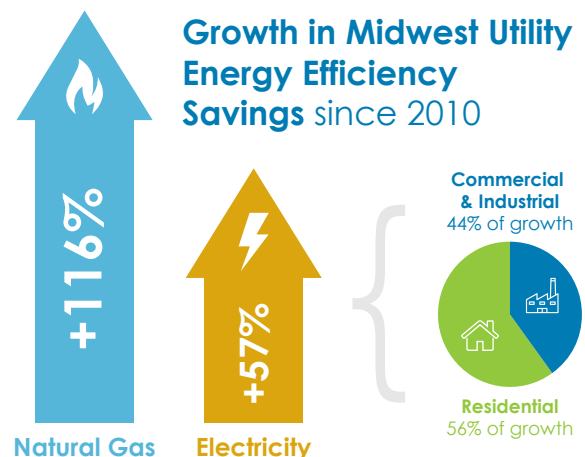
## Hard-to-Reach Residential Communities

To ensure all customers benefit, energy efficiency portfolios should include targeted programs for:

- Income qualified customers
- Multifamily buildings
- Rural customers

### Helpful policies & practices:

- Whole-building retrofits
- Health and safety solutions
- Updated building energy codes
- Workforce development partnerships



# THE BENEFITS OF ENERGY EFFICIENCY POLICIES

Energy efficiency creates good, local jobs in communities across the Midwest.



More than **550,000** Midwesterners are employed in energy efficiency



**71%** of all clean energy jobs are in energy efficiency

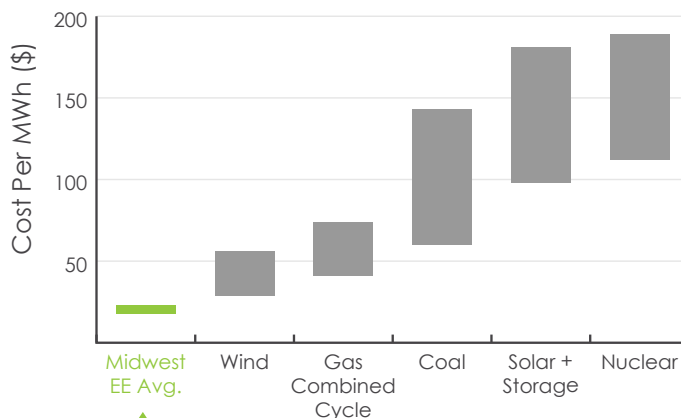


**1 in 10** energy efficiency workers is a veteran

## Energy Efficiency by the Numbers

Over the past decade, the Midwest has:

- ✓ Invested \$14.4 billion in energy efficiency
- ✓ Saved 7.9 billion Therms of natural gas
- ✓ Saved 430 million mWh of electricity



That's enough electricity savings to power **24 million Midwest homes** (about 70% of the homes in the region) for a year.

Compared to other generation sources, energy efficiency is **the most affordable way to meet our energy needs.**



## How Energy Efficiency Benefits:



### Customers

- Lower energy bills and energy burden
- Lower business operating costs
- More comfortable homes and workplaces

**Midwest customers have saved an estimated \$27 billion** on electric bills over the last decade thanks to EE. Every \$1 invested in EE delivers more than \$2.50 in benefits.



### Utilities

- More reliable and resilient energy system
- Avoided energy and capacity charges
- Reduced customer arrears and collections
- Better customer relations

**Energy efficiency is the cheapest energy resource**—far more affordable than new generation—which keeps utilities flexible and reduces risk.



### Communities

- Better public health
- Lower emissions
- Good, local jobs

MEEA research showed that over 25 years, a single-year's EE investment of \$1.5 billion across the Midwest could:

- Support 105,000 jobs
- Boost regional income by \$8.5 billion
- Add \$13.5 billion in economic value