



National Action Plan for Energy Efficiency

Summary

The National Action Plan for Energy Efficiency (Action Plan) presents policy recommendations for creating a sustainable, aggressive national commitment to energy efficiency through gas and electric utilities, utility regulators, and partner organizations. The recommendations, if fully implemented, could save Americans billions of dollars in energy bills over the next decade, contribute to enhanced energy security, and improve the environment. Leading organizations across the country are taking specific actions to make the Action Plan a reality.

Leadership Group

The Action Plan was developed by a Leadership Group of more than 50 leading privately, publicly, and cooperatively owned electric and gas utilities, utility regulators, state agencies, large energy users, consumer advocates, energy service providers, and environmental and energy efficiency organizations. The group is co-chaired by Marsha Smith, Commissioner of the Idaho Public Utilities Commission and 1st Vice President of the National Association of Regulatory Utility Commissioners, and Jim Rogers, President and Chief Executive Officer of Duke Energy. The U.S. Department of Energy and U.S. Environmental Protection Agency facilitate the work of the Leadership Group.

Recommendations

1. Recognize energy efficiency as a high-priority energy resource.
2. Make a strong, long-term commitment to implement cost-effective energy efficiency as a resource.
3. Broadly communicate the benefits of and opportunities for energy efficiency.
4. Promote sufficient, timely, stable program funding to deliver energy efficiency where cost-effective.
5. Review and adopt policies to align utility incentives with the delivery of cost-effective energy efficiency and modify ratemaking practices to promote energy efficiency investments.

Accomplishments

During its first year, the Leadership Group reviewed and identified barriers limiting greater investment in cost-effective energy efficiency; issued a comprehensive report that explores policies, practices, and efforts to overcome these barriers; and developed five key recommendations for increasing investment in energy efficiency. The Leadership Group released its recommendations on July 31, 2006, as part the National Association of Regulatory Utility Commissioners Summer Meeting in San Francisco, California.

In addition, the Leadership Group and other participants are committing to aggressively pursue energy efficiency and advance the recommendations in their own spheres of influence. As of March 2007, more than 90 organizations have announced public statements and commitments to advance energy efficiency across 47 states. These organizations include utilities, state agencies, consumer advocates, large energy users, environmental groups, trade associations, and others.

Next Steps

During 2007, the Leadership Group is focusing on implementation, outreach, and development of additional guidance materials identified as important to implementing the Action Plan.

Key efforts include:

- Assisting organizations in meeting their commitments
- Reaching out across the country through Regional Implementation Meetings
- Engaging more organizations through an end-use Sector Collaborative on Energy Efficiency
- Creating a longer-term vision and set of goals for achieving all cost-effective energy efficiency

Resources

The Action Plan now provides or will provide the following resources by end of 2007:

National Action Plan for Energy Efficiency Report.

This report includes the Action Plan recommendations and details the key barriers to energy efficiency in utility ratemaking and revenue requirements, energy resource planning processes, rate design, and energy efficiency program best practices. The report also reviews and presents a variety of policy and program solutions that have been used to overcome these barriers.

Guidebooks. Four how-to guidebooks are being developed to assist in the implementation of the Action Plan recommendations.

1. Methods for measuring and verifying energy savings and load reductions from energy efficiency programs
2. Effective energy planning and procurement processes that treat energy efficiency as a resource
3. Energy efficiency potential studies
4. Mechanisms and options for aligning utility incentives with energy efficiency investment

Sector Collaborative on Energy Efficiency. This collaborative engages utilities and end-users to help them capture the benefits of energy efficiency and pursue new commitments and partnerships. Participating sectors include commercial real estate, grocery, hospitality, retail, and cities. The Collaborative is working to identify tools needed for implementing cost-effective energy efficiency

measures; explore strategies to increase the use of energy efficiency, including bulk purchasing, creative financing, emerging technologies, and benchmarking; and document how energy savings are valuable investments for participating sectors.

Regional Implementation Meetings. During 2007, regional meetings will be held to bring together key stakeholders in the Mid-Atlantic, New England, Midwest, West, and Southeast. The meetings will include expert presentations on regional trends affecting investment in energy efficiency and peer-to-peer exchange on regional implementation of the Action Plan recommendations. The meetings will also help additional organizations think through options to advance energy efficiency with an eye toward taking action and making an aggressive commitment under the Action Plan.

Energy Efficiency Benefits Calculator. This calculator can be used to help educate stakeholders on the broad benefits of energy efficiency. It provides a simplified tool to demonstrate the business case for energy efficiency from the perspective of the consumer, the utility, and society and can be adapted for a variety of utility types, policies, and cases.

Outreach and Resource Materials. An energy efficiency resource database, sample utility commission dockets, sample energy efficiency workshop materials, and educational presentations will help stakeholders pursue the recommendations of the Action Plan. In addition, two fact sheets will address consumer benefits of energy efficiency programs and energy efficiency in building codes.

Background

Energy efficiency is already a key component in the nation's energy resource mix in some parts of the country. Utilities, states, and others have decades of experience in bringing energy efficiency to their customers upon which more states, utilities, and others can build. Experience shows that energy efficiency programs can lower customer energy bills, cost less than and help defer new energy production,

provide energy savings to consumers, provide environmental benefits, and spur local economic development.

Energy efficiency will continue to be available in relevant quantities and at low costs in the future. Many state and regional studies have found that adoption of economically attractive, but as yet untapped, energy efficiency could yield more than 20 percent savings in total electricity demand nationwide by 2025. These savings could help cut load growth by half or more compared to current forecasts. Savings in direct use of natural gas could simi-

larly provide a 50 percent or greater reduction in natural gas demand growth.

Across the nation, however, stakeholders do not have the programs and policies in place to capture the full benefits of cost-effective energy efficiency. The current underinvestment in energy efficiency is due to a number of barriers, including those present in the policies used to govern electric and natural gas utilities such as market, customer, public policy, utility, state, and regional energy planning; and program design and implementation barriers.

Leadership Group Members and Observers

Leadership Group

Alliance to Save Energy
Ameren Services
American Council for an Energy-Efficient Economy
American Electric Power
Arkansas Public Service Commission
Austin Energy
Baltimore Gas and Electric
Bonneville Power Administration
California Energy Commission
California Public Utilities Commission
Connecticut Consumer Counsel
Connecticut Department of Environmental Protection
Connecticut Department of Public Utility Control
District of Columbia Public Service Commission
Duke Energy
Entergy Corporation
Environmental Defense
Exelon
Food Lion
Great River Energy
Idaho Public Utilities Commission
ISO New England Inc.
Johnson Controls
Keyspan
MidAmerican Energy Company
Minnesota Public Utilities Commission
National Grid
Natural Resources Defense Council
New Jersey Board of Public Utilities

New Jersey Natural Gas
New York Power Authority
New York State Public Service Commission
North Carolina Air Office
North Carolina Energy Office
Office of the Ohio Consumers' Counsel
Pacific Gas and Electric
Pepco Holdings, Inc.
PJM Interconnection
PNM Resources
Puget Sound
Sacramento Municipal Utility District
Santee Cooper
Seattle City Light
Servidyne Systems, LLC
Southern California Edison
Southern Company
State of Maine
Tennessee Valley Authority
Texas State Energy Conservation Office
The Dow Chemical Company
Tristate Generation and Transmission Association
USAA Realty Company
Vectren Corporation
Vermont Energy Investment Corporation
Wal-Mart Stores, Inc.
Washington Utilities and Transportation Commission
Waverly Light and Power
Xcel Energy

To create a sustainable, aggressive national commitment to energy efficiency

Leadership Group Members and Observers *(continued)*

Observers

American Gas Association
American Public Power Association
Business Council for Sustainable Energy
Consortium for Energy Efficiency
Council of Energy Resource Tribes
Demand Response Coordinating Committee
Edison Electric Institute
Electric Power Research Institute
Energy Programs Consortium
Gas Appliance Manufacturers Association

Gas Technology Institute
National Association of Energy Service Companies
National Association of Regulatory Utility Commissioners
National Association of State Energy Officials
National Council on Electricity Policy
National Electrical Manufacturers Association
National Rural Electric Cooperative Association
North American Insulation Manufacturers Association
Steel Manufacturers Association

Facilitators

The U.S. Department of Energy (DOE)

DOE, through a number of voluntary programs, works with building owners, industry, state public utility commissions, regional bodies, and state policymakers on energy efficiency technology and policies. Programs include the Electric Markets Technical Assistance Program, ENERGY STAR, Building America, Federal Energy Management Program, Weatherization, State Technical Assistance, and Industrial Technologies. Current program initiatives also include "Save Energy Now" and the Secretary's "Easy Ways to Save Energy" campaign.

The U.S. Environmental Protection Agency (EPA)

EPA, through a number of voluntary programs, works with businesses, organizations, governments, and consumers to reduce emissions of the greenhouse gases that contribute to global climate change by promoting greater use of energy efficient and other cost-effective technologies. One of these voluntary programs, ENERGY STAR® (operated with DOE; see www.energystar.gov), has helped utilities and others over the past decade to implement low-cost energy efficiency programs that deliver energy bill savings to their customers. In 2005, with the help of ENERGY STAR, Americans have reduced national electricity demand by more than 4 percent, saving about \$12 billion and avoiding the greenhouse gas emissions equivalent to the emissions of 23 million vehicles.¹

For More Information

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¹ ENERGY STAR and Other Climate Protection Partnerships 2005 Annual Report (2006)