

**To: State of Michigan**

**From: Rebecca Stanfield, Senior Energy Policy Advocate, NRDC Midwest Program**

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**Q11. The current Energy Optimization standards are a type of numerical standard, i.e. one that explicitly defines the quantity of energy savings to be achieved for a given program year (Megawatt hours or Mcf), based on retail sales. Have other jurisdictions used other methods (including non-numerical standards, or Commission discretion to impose requirements), and if so, what was the result?**

Michigan's use of an annual Mcf and MWh goal is a common framework to gradually increase the extent to which utilities incorporate energy efficiency into their overall resource portfolios. States that use annual incremental savings targets include Illinois, Indiana, Ohio, Iowa, Wisconsin, Minnesota, Massachusetts, Oregon and others. For citations to reports summarizing each state's policy, see our answer to question 6 above.

Many other states use a cumulative load reduction target calculated over a number of years. For example, New York adopted in 2008 a target of reducing load by 15% by 2015. Practically speaking, even the cumulative goals are implemented through a series of plans that divide the overall cumulative target into shorter term increments, and therefore at the implementation stage the policies are more similar than they may appear. There is a perception that a cumulative goal over a number of years may afford utilities more flexibility in terms of the kinds of programs that can be implemented to achieve the target. For example, a utility that is not required to meet an annual target may be able to invest more of its budget in projects that have lower short term but higher long-term savings. This is a laudable objective, but can be accommodated under either policies relying on an annual incremental target or those relying on a cumulative target.

As is described in the Lawrence Berkley National Lab (LBNL) study cited in footnote eleven, some state legislatures have required more generally that the utilities must capture all cost-effective energy efficiency, rather than adopting numerical standards. However, this policy has been, in most cases, coupled with a policy adopted either by the legislature or the state regulatory commission setting numerical targets either on an annual incremental or cumulative basis. Notably, every state listed in the LBNL study as having an "all cost effective" statutory requirement (CA, CT, MA, RI, VT and WA) are also listed in the ACEEE summary<sup>1</sup> as also having either an annual incremental or a cumulative energy efficiency resource standard.

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<sup>1</sup> <http://aceee.org/files/pdf/policy-brief/state-eers-summary-0912.pdf>