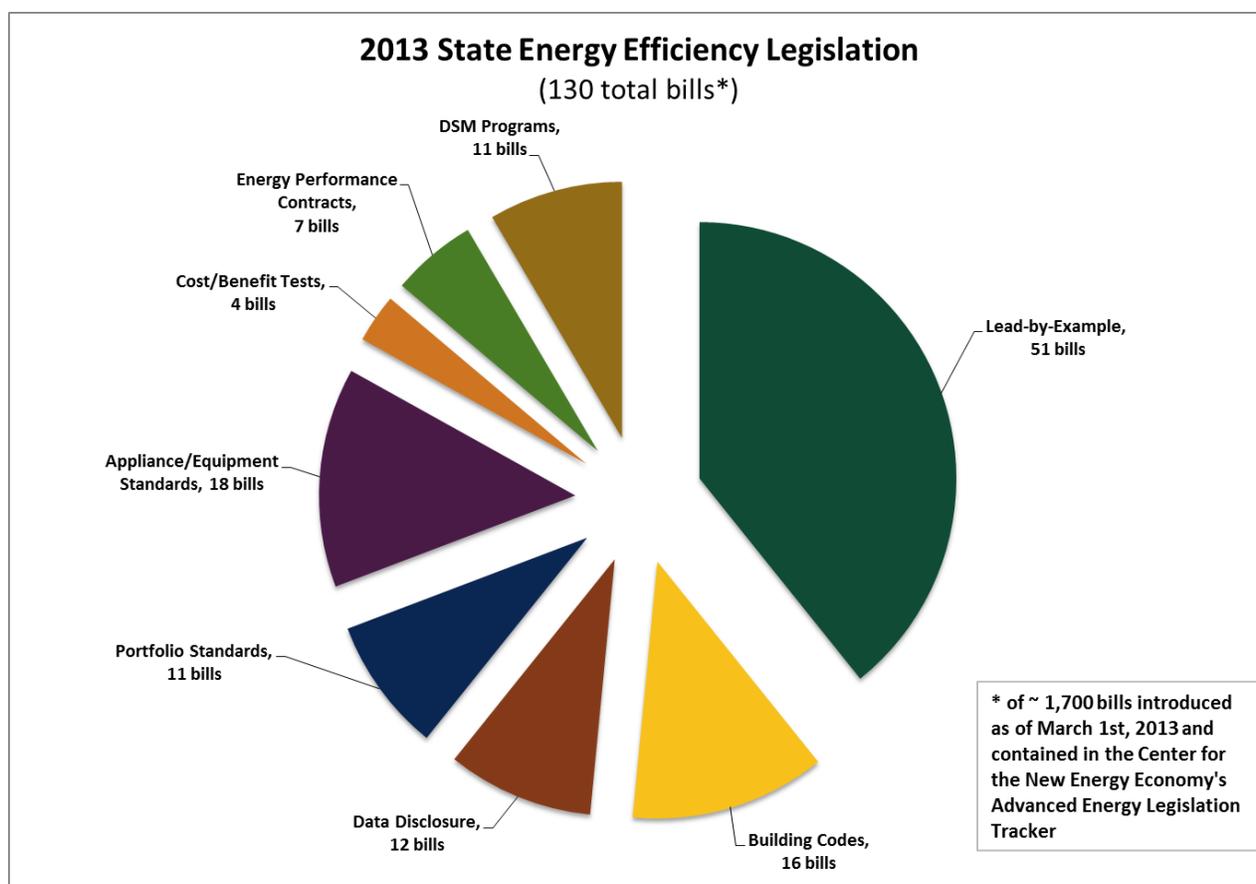


## Rediscovering the First Fuel: States Advance Energy Efficiency Policy in the 2013 Session



Energy efficiency has often been referred to as the “First Fuel.” Although efficiency is widely viewed as the least expensive, lowest-risk investment for the nation’s electric and gas utilities, it has never really had its turn in the national energy policy spotlight, until recently. In his February State of the Union Address, President Obama called for a doubling of American energy productivity by 2030, and a Race to the Top Program, to help states achieve that goal<sup>1</sup>.

Research by the Center for the New Energy Economy at Colorado State University suggests that state legislatures are focusing on energy efficiency policy this session with several trends emerging. Thus far in the 2013 legislative session, policymakers in 35 states have proposed 130 bills that would promote some form of energy efficiency policy. The figure below breaks down all energy-efficiency legislation by policy type, catalogued in the Center for the New Energy Economy’s [Advanced Energy Legislation Tracker](#), which contains more than 1,700 advanced energy bills introduced this session.



These data reveal several trends. First, the majority of states considering energy efficiency legislation are ranked in the top half of the 2012 American Council for an Energy-Efficient Economy (ACEEE) State Scorecard<sup>2</sup>. This may be evidence of a larger trend: a growing disparity between those states moving forward on energy efficiency legislation and those lagging behind. The fact that leading efficiency states continue to promote these policies suggests growing recognition of their effectiveness.

<sup>1</sup> The White House, February 12<sup>th</sup>, 2013. *The President's Plan for a Strong Middle Class and a Strong America*.  
[http://www.whitehouse.gov/sites/default/files/uploads/sotu\\_2013\\_blueprint\\_embargo.pdf](http://www.whitehouse.gov/sites/default/files/uploads/sotu_2013_blueprint_embargo.pdf)

<sup>2</sup> American Council for an Energy Efficiency Economy: *The 2012 State Energy Efficiency Scorecard*.  
<http://www.aceee.org/sites/default/files/publications/researchreports/e12c.pdf>

The largest single class of energy-efficiency legislation is Lead-by-Example bills. These policies encourage state governments to reduce energy consumption in their own facilities and operations. Because the ‘greening of state government’ is a relatively straightforward, low-hanging-fruit type initiative, it’s not surprising that these policies are the most common. Another reason may be the consistent attention given to Lead-by-Example policies in the annual ACEEE State Scorecard.

Appliance Standards and Building Codes represent the next most popular strategies. It is reasonable to expect that fewer appliance-efficiency standards may be introduced at the state level in the future, due to the provisions for standards to be set at the federal level in the Energy Policy Act of 2005. In contrast, Building Code revisions are likely to remain common given the International Code Commission’s triennial improvements in the International Energy Conservation Codes, most recently in 2012.

In total, Lead-by-Example, Building Codes and Appliance Standards comprise 84 of the total 130 energy efficiency bills early this session, and can reasonably be considered the traditional categories. The remaining five categories constitute emerging trends in energy efficiency policy, along with regulatory measures to manage and modify existing programs.

Among the emerging trends, Data Disclosure bills represent some of the more innovative measures. Disclosure policies have become common across the states, though only recently applied to energy efficiency policy. This type of legislation is designed to provide utility customers with more information about their own energy use, on the theory that when customers understand their rate of energy use, they will reduce consumption either through conservation (energy-frugal behavior) or installed measures.

Also emerging are revisions to utility Demand Side Management (DSM) Cost/Benefit Tests for determining the viability of energy efficiency programs. One explanation for this trend is the fact that utilities, which previously relied heavily on lighting retrofits to achieve Energy Efficiency Resource Standard (EERS) targets, are now looking for new mechanisms to achieve those goals. Additionally, commonly used cost tests may not accurately reflect the utility’s investment in new energy efficiency; some programs may therefore be difficult to pass in the face of low avoided natural gas prices. A recent study by Cadmus Group reflects these arguments<sup>3</sup>.

Currently, 24 states have an EERS in place. This session, 11 states have proposed expanding or diminishing existing standards and some states have attempted new standards altogether - Kentucky, Missouri, and West Virginia considered (and later rejected) legislation this year that would have established an EERS. Finally, Demand Side Management and Energy Saving Contract legislation proposed this session generally focuses on improving the regulatory structure of state programs that implement efficiency policies. Effective management of these, and other programs, helps to determine whether a state will achieve its energy efficiency goals.

In summary, three trends in state legislative energy efficiency policy are worth highlighting:

1. Efficient states (as defined by ACEEE’s scorecard rankings) appear to be widening the gap over relatively inefficient states in that they have overwhelmingly led the 2013 session in proposed energy efficiency legislation.
2. Traditional legislative proposals are most common, including Lead-by-Example, Appliance Efficiency, and Building Codes, whereas more macro policy attempts, such as new EERS mandates, are far less common.
3. Noteworthy emerging policies include consumer Data Disclosure as well as modifications to utility Cost/Benefit Tests.

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<sup>3</sup> Cadmus Group: *Whose Perspective? The Impact of the Utility Cost Test*.  
[http://www.cadmusgroup.com/wp-content/uploads/2012/11/TRC\\_UCT-Paper\\_12DEC11.pdf](http://www.cadmusgroup.com/wp-content/uploads/2012/11/TRC_UCT-Paper_12DEC11.pdf)