Utility Energy Efficiency Programs are a Win for All Ratepayers.

Energy Reliability: energy efficiency technologies lower grid congestion during high customer demand and strengthen grid resilience against power outages and weather events.

Affordability: energy efficiency is the lowest-cost energy resource available to utilities, allowing all Virginians to save money on their electric bills compared to building more generation.

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Support SB565-Deeds/HB746-Webert

THE SAVE ACT: SAVINGS ACHIEVED VIA EFFICIENCY

Energy efficiency is the cheapest unit of energy because it is the one not used. Unlike the austere conservation practices of the past, today, energy efficiency means reducing energy use while still maintaining function, safety, and comfort. It's about making equipment in our homes work smarter- not harder. **The SAVE Act ensures that utilities continue providing energy efficiency programs to their customers by**:

- Strengthening future energy savings targets at a cost-effective and feasible rate;
- Re-establishing the SCC's authority to approve new programs;
- Directing the SCC to develop and implement a less burdensome, more transparent cost-effectiveness test that aligns with national best practices; and
- Directing the SCC to perform feasibility studies for each utility every three years (also known as a potential study).

What is an Energy Efficiency Resource Standard (EERS)?

An EERS sets savings goals for utilities based on retail sales from a prior year. The Virginia EERS is based on 2019 retail sales. The least-cost way for utilities to meet customer demand for electricity is not by increasing generation but by helping customers reduce their demand through utility energy efficiency programs.

- **ACHIEVABLE:** Setting a 2019 baseline - before substantial data center growth - makes these goals easier to achieve.
- **COST EFFECTIVE**: Utilities must demonstrate that the benefits of the energy efficiency program exceed the costs.
- **BIPARTISAN SUPPORT**: The EERS was passed with bipartisan support in both chambers in 2020 before being rolled into the Virginia Clean Economy Act.

How is the EERS Working?

- VA statute sets energy-saving targets for both Appalachian Power Company and Dominion Energy from 2022-2025.
- Dominion: met its 2022 target but is unlikely to meet any other targets
- APCo met its targets in 2022 and 2023, and likely 2024, but may not meet its 2025 target.

Utility Energy Efficiency Program Examples

Free home energy audits with immediate simple fixes and advice for additional energy-efficient enhancements

Residential rebates for Energy Star appliances, smart thermostats, and weatherization products such as insulation

Rebates for installing commercial building automation systems to control lighting, HVAC, and hot water

Free weatherization upgrades to low-income residences such as HVAC, insulation, and lighting

The National Standard Practice Manual (NSPM)

The National Standard Practice Manual™ (NSPM) is a **framework that defines the steps a state *can use* to develop a single cost-effectiveness test for energy efficiency programs** and other distributed energy resources.

The NSPM is policy-neutral. Meaning, it does not recommend any specific cost-effectiveness test, nor does it mandate how the process should be managed. Rather, the manual serves as an objective, technology-neutral guidance document for regulators, utilities, and other stakeholders to assess the impacts of utility energy efficiency investments based on eight guiding principles:

1. **Treat Energy Efficiency as a Resource.** Recognize that EE can be an alternative resource for power generation.
2. **Align With State Policy Goals.** The test should account for the state's energy policy goals and objectives.
3. **Ensure Symmetry Across Costs and Benefits.** Historically, cost-effectiveness tests used by utilities have been imbalanced, meaning, the costs of an EE program are considered, but not the benefits, which can lead to a biased assessment. Benefits and costs should be treated symmetrically.
4. **Account for Relevant, Material Impacts**. Tests should include all relevant factors of state policy goals, including those that are difficult to quantify.
5. **Conduct a Forward-Looking, Long-term Analysis.** Benefit-Cost Analyses (BCA) should be compared to what would have happened long-term in the absence of the energy efficiency program.
6. **Avoid Double-Counting Impacts** All impacts should be clearly defined and valued to prevent double-counting of both benefits and costs.
7. **Ensure Transparency.** The BCA should be transparent, where all relevant assumptions, methodologies, and results are available for stakeholder review and input.
8. **Conduct Benefit Cost Analyses Separate from Rate Impact Analyses.** They answer fundamentally different questions and should be conducted separately. BCAs answer the question "which utility investments will have benefits that exceed the costs?" Rate impact analyses answer the question "how much will utility investments impact the rates of one group of customers compared to another?"

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