

**Welcome to my World;
Changes in Policy, Programs
and Budgets in the Midwest**

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[MEEA]

Some Background to Help You Understand my Region

Energy Efficiency Funding in the MW has been:

1. Disparity between states
 - MN, IA, WI – significant investment with well-established programs
 - IL, MI, OH, MO – modest investment with one-off programs
 - IN, KY – little to no investment
2. Inconsistent and unpredictable with deregulation in IL, MI, OH and funding raids in WI, IL, OH

Enter... Midwest Natural Gas Initiative (MWNIGI)

The Midwest Natural Gas Initiative is a cooperative effort by 8 Midwest states to develop a multi-state energy efficiency initiative to decrease natural gas consumption by 1% per year for five years. This will cause wholesale natural gas prices to decrease by as much as 13%.

Structure

- Spearheaded by Commissioners Diane Munns, IUB and Phyllis Reha, MN PSC
- Coordinated by MEEA with support from RAP and ACEEE
- Wisconsin Governor Jim Doyle, first to sign MOU and commit to savings
- Iowa Governor Tom Vilsack also committed to Initiative
- Other states are IL, IN, MI, MN, MO and OH

Materials

- Memorandum of Understanding
- State Specific White Papers
- Educational Materials
- Website: www.mwnaturalgas.org
- Press Releases
- Other items as needed

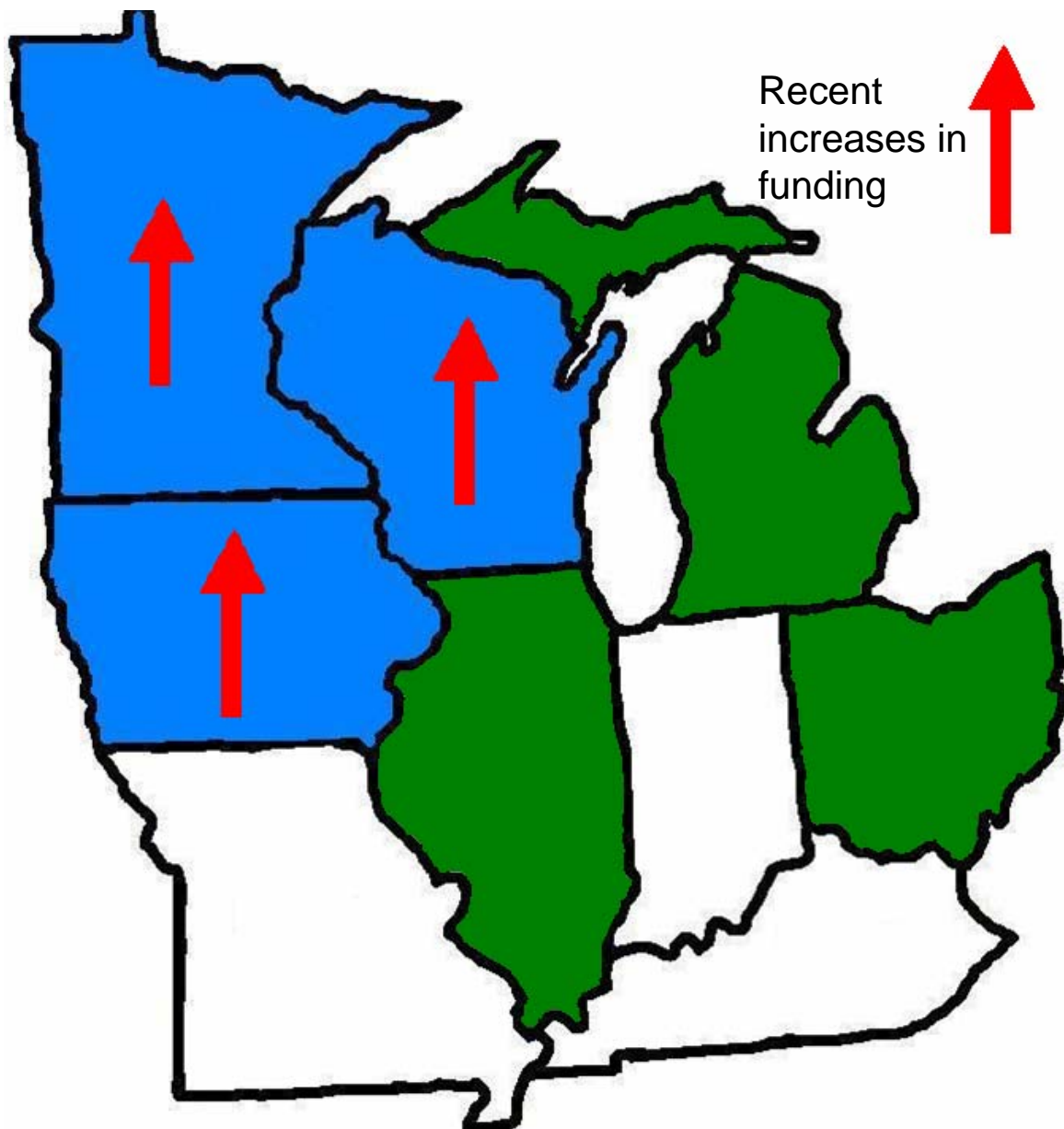
Regional NET Benefits by 2011

- \$4.5 billion in direct natural gas savings
- \$6.8 billion in direct electricity savings
- \$4.2 billion in price savings due to natural gas price reduction
- 30,000 new jobs
- \$750M in additional employee compensation

Policy Environment Changes

- MWNGI as framework
- Individual Rate Cases
- Proposed Decoupling
- Building Energy Codes
- Appliances Standards
- Training around Federal Tax Credits

Midwest EE Investments on the RISE



Minnesota

- Gas - \$14 million
 - Electric - \$77 million
- TOTAL \$91 million**

Iowa

- Gas - \$22 million
 - Electric - \$66 million
- TOTAL \$88 million**

Wisconsin

- Gas - \$13.9 million
 - Electric - \$47.6 million
- TOTAL \$62 million**

New legislation will increase to \$85 million in FY 2007

Illinois

- Electric - \$3 million
- Gas - \$0

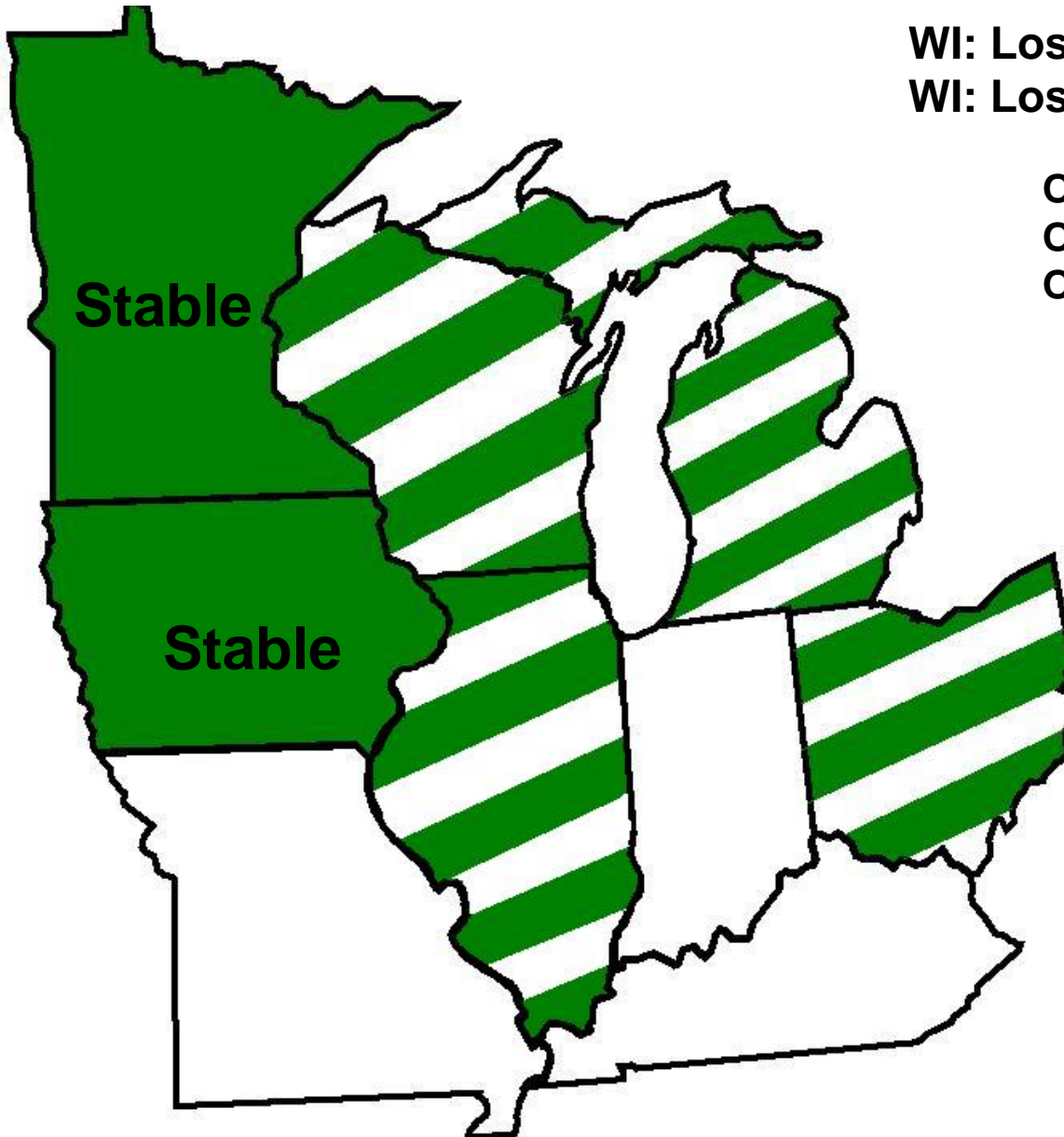
Michigan

- Electric - \$67 million
- Gas - \$0

Ohio

- Electric - \$5 million
- Gas - \$0

Previous Declines in 2003,4,5



WI: Lost at least \$18M 2004

WI: Lost approx \$29M 2005

OH: Lost \$2.5 M 2003

OH: Lost \$10M 2004 – loan to PIP

OH: Loss of \$5M and interest 2005

IL: Lost \$4M PBF 2004

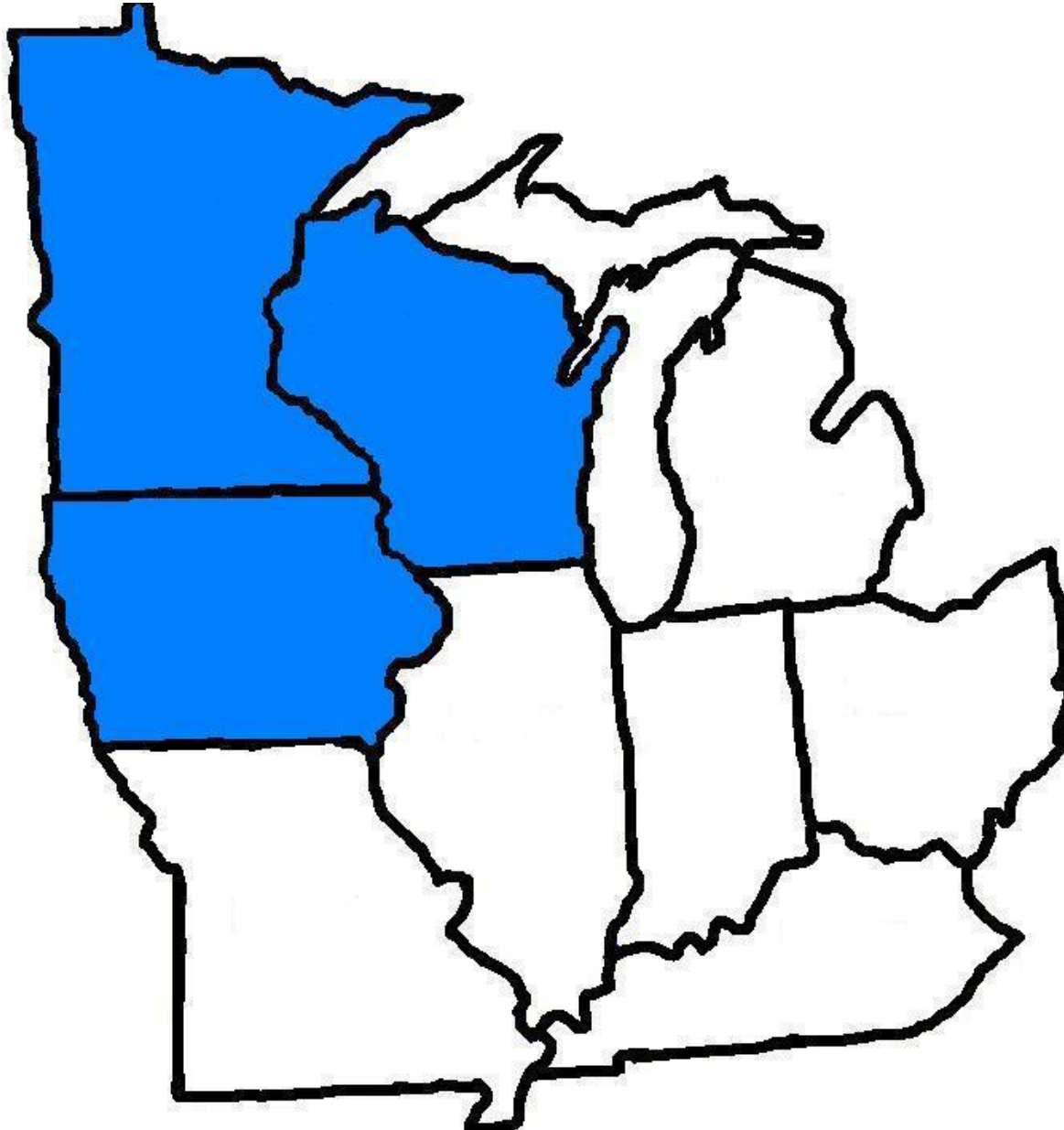
IL: Lost \$12M RE/EE 2005

**IN 2003, ROUGHLY \$230M
WAS INVESTED IN ENERGY
EFFICIENCY PROGRAMMING
IN THE MIDWEST**

**IN 2004, THAT NUMBER
DECLINE D BY 1/3RD**

**2005 WAS NOT A BANNER
YEAR, BUT 2006 LOOKS
MUCH BETTER**

Midwest EE Investments by Natural Gas Utilities



Minnesota

- Gas - \$12.2 million
- Electric - \$51.4 million

Iowa

- Gas - \$12 million
- Electric - \$36 million

Wisconsin

- Gas - \$13.9 million
- Electric - \$47.6 million

Illinois

- Electric - \$3 million
- Gas - 0

Michigan

- Electric - \$40 million
- Gas - 0

Ohio

- Electric - \$10 million
- Gas - 0

Program Changes

[How have programs **changed**?]

- [In terms of **objectives**? e.g.. Policy objective(s) - peak, reliability, energy and/or environment?, Role of MT-relationship to other strategies, Targets - MW / MWhr]
- [in terms of program **designs**, e.g., overall approach (how is region going to meet targets), statewide consistency, marketing, ENERGY STAR use, CEE higher tiers, use of incentives, targeting upstream, midstream or downstream-role of industry, 3rd parties, partnerships; new designs?]
- [In terms of **markets**—shifts in emphasis—where is the region now looking for the savings]
- [**Other** major changes?]

Budget Changes

- Regionally, budgets are increasing – noticeably in MN, IA, WI. Part of this is that in states where there is already a mechanism it is relatively easy to increase numbers and goals.
- [Within your region, what budget changes are happening to the various administrators of efficiency programs?]
- [Drivers to budget changes—adding procurement, climate change, gas, reliability?—threatened by rising prices, state budget crises?]
- [What is the outlook for funding—strong and increasing support?, no threats on the horizon? Threatened decreases? –any variations within the region worth noting?]