

EXECUTIVE SUMMARY

Examining the Net Savings Issue: A National Survey of State Policies and Practices in the Evaluation of Ratepayer-Funded Energy Efficiency Programs

One of the most prominent and longstanding challenges in the utility energy efficiency field is the issue of determining the net savings impacts of a program. This is not only a technical methodological challenge, it also has conceptual and policy implications.

In order to help policymakers, regulators, utilities, and other interested parties better understand this issue and how their peers are addressing it, the American Council for an Energy-Efficient Economy (ACEEE) conducted a national review of state approaches to the net savings issue. ACEEE surveyed all 50 states and the District of Columbia, reviewed a large amount of recent industry literature, and conducted interviews with national energy efficiency program evaluation experts.

The reader should note that this is not a methodological report. The purpose of this study was not to assess or resolve evaluation methodology issues relating to estimating net savings. Other entities have addressed and are addressing that task, e.g., the Department of Energy/National Renewable Energy Laboratory (DOE/NREL) Uniform Methods Project. Rather, the purpose of this project is to examine and document what states are doing in actual practice, in terms of their decision making regarding the issue of net savings.

Briefly stated, the results of this project indicate a great deal of diversity in how states are approaching this issue. At one end, nearly a quarter of states simply report gross savings. Another large segment, probably a majority, nominally report net savings, but with a fairly simplistic approach (often just using deemed net to gross ratios). Finally, a small number of states (many profiled in this report) are pursuing more complex approaches to measurement of net savings, including spillover and in some cases, broader market effects.

Even among evaluation professionals, while the majority support the use of net savings for program reporting and calculating lost revenues, there is not a consensus on whether net savings is the metric that should be used, much less on what specific methodologies should be utilized to determine net savings.

In the context of this diversity, this project seeks to present a snapshot of the current situation in the industry and provide some thoughts on key issues and concerns that are at play. This report provides a summary of our national survey results (as well as state-by-state results on key variables, in Appendix B), the key takeaways from our interviews with national energy efficiency evaluation experts, brief profiles of some states that are noteworthy on this issue (in Appendix A), a summary of our conclusions, and a few practical recommendations for how states should address various aspects related to the subject of net savings.

The net savings issue is one where methodologies and policy approaches continue to evolve. We hope that this assessment of the current status across the nation will contribute to the discussion.