

Natural Gas Efficiency Programs Report

Executive Summary

In 2019 the American Gas Association (AGA) and the Consortium for Energy Efficiency (CEE) surveyed their U.S. and Canadian members and efficiency program administrators on the status of their 2018 ratepayer-funded natural gas efficiency programs, including expenditures, savings impacts, carbon dioxide emissions reductions, and budgets for 2019. Based on survey findings for the 2018 program year:

Natural Gas Efficiency Program Funding and Impacts

- In North America (U.S. and Canada), participating utilities spent \$1.47 billion in 2018 on natural gas efficiency programs - \$1.41 billion and \$59 million in the U.S. and Canada, respectively. Participating utilities also budgeted nearly another \$1.4 billion for the 2019 program year
- Natural gas utilities in the U.S. spend \$3.8 million on energy efficiency programs every day.
- Program funding in North America increased by more than eight percent from 2016 to 2018. In the United States, program funding has grown over 77 percent since 2007 and over 20 percent since 2012.
- North American natural gas utilities saved 425 million therms or 42.5 trillion Btu, the equivalence of 2.25 million metric tons of avoided CO₂ emissions in 2018.
- Natural Gas utilities helped customers save 259 trillion Btu of energy and offset 13.7 million metric tons of carbon dioxide emissions from 2012 through 2018 in the U.S.
- Natural gas utilities spent \$365.34 million dollars on low-income efficiency programs and assisted over 214,581 low-income participants in 2018.
- Weatherization is the third most common component of natural gas efficiency programs—offered in 70 percent of low-income programs.

Natural Gas Efficiency Program Characteristics

- Natural gas utilities continue to help their customers to reduce energy usage and lower their annual energy bills by investing in successful and innovative efficiency programs, which include cash rebates and financial incentives, low-income specific programs, strategic partnerships, joint programs with other electric and gas utilities, efficiency loans, education campaigns, targeted marketing, energy audits, whole house projects, and customized retrofits of large facilities.
- Natural gas utilities fund at least 132 active natural gas utility ratepayer-funded efficiency programs in North America—125 programs in 42 states in the U.S. and seven programs in Canada.

Natural Gas Efficiency Regulatory Requirements and Cost Recovery Treatment

- Many states mandate utility investment in natural gas efficiency programs through a regulatory order or legislation. Of the total 105 utilities in the 40 states and 3 Canadian provinces that responded, 77 utilities indicated that the state in which it operates requires the funding of an efficiency program.
- The top five goals driving efficiency program funding requirements within the U.S. and Canada include energy conservation and savings, customer dollar savings or bill reduction programs, behavioral change and direct outreach programs, reduced usage for low-income customers, and value-added customer service and options programs. Seventy-five utilities in 35 states have set more than one goal, of which 12 utilities are pursuing ten or more targets.
- Thirty-seven states permit utilities to recover natural gas efficiency program costs, 27 allow them to recoup lost margins related to program implementation, and 15 approve financial incentives to reward efficiency program implementation or performance.
- Recovery of natural gas efficiency direct program costs are allowed via the following mechanisms:
 - Special tariff or rider - 22 states
 - Base rates - 11 states
 - System benefits surcharge - 8 states
 - Deferral accounts - 7 states
 - Other mechanisms - 15 states
- Natural gas efficiency programs are found in all 42 states that allow the utility to segregate margin recovery from its natural gas throughput or delivered volumes.
- Twenty-one percent of respondents (19 of 92) reported that their regulator-approved natural gas efficiency program encourages fuel switching through financial incentives (e.g., rebates, loans, and other benefits) for customers who install natural gas equipment in new homes, convert to natural gas from other fuels, or replace old equipment with new higher-efficiency natural gas equipment.

Natural Gas Efficiency Program Planning and Evaluation

- North American spending on evaluation, measurement and verification activities exceeded \$34 million in 2018. The 2018 expenditures increased from 2017 by about 13 percent each in North America and the U.S.
- About 1/3 of participating utilities indicated that a reduction of greenhouse gas or carbon emissions is a performance target for their efficiency program. Additionally, 31 utilities indicated that reducing greenhouse gas emissions / direct impact on avoided emissions as part of a state requirement by the program provider, 26 utilities indicated that it was due to a regulator goal, and 21 utilities indicated that the goal was a policy target in enabling legislation.

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