NARUC
National Association of Regulatory Utility Commissioners

NARUC Staff Surge Call, December 17, 2025

Summary

Energy affordability is a growing priority for consumers, voters, and utility regulators. While much of the discussion focuses on energy prices and utility rate increases, it is important to remember that consumers pay bills, not rates. Energy efficiency is a key strategy to reduce customer bills regardless of changes in rates. PUC staff joined this Surge Call to discuss how jurisdictions are considering efficiency programs, incentives, and policies through the lens of affordability. Participating states were asked to answer several questions via online survey in advance; these questions also formed the basis for the live discussion.

The following are several key takeaways from the discussion

- Energy efficiency programs are viewed differently across jurisdictions.Some participants see them as essential for affordability while others question their value.
- Many states are experiencing increasing costs for energy efficiency savings as "low-hanging fruit" like lighting programs are exhausted.
- Several jurisdictions are seeing changes in energy efficiency targets and spending, with some increasing (Ontario) and others decreasing (Arizona, Pennsylvania).
- There's growing interest in integrating energy efficiency with demand response and demand flexibility programs.
- Cost-effectiveness testing methodologies vary by state and significantly impact which programs can be implemented.
- Some states are shifting from first-year savings metrics to total system benefit approaches that value when savings occur.

Topics Discussed

Energy Efficiency's Importance to Affordability

The discussion began with a poll about the importance of energy efficiency to affordability, with responses split between "extremely" and "somewhat" important and a few "not at all" responses. One participant questioned whether energy efficiency programs in their state are structured correctly to achieve affordability, noting concerns about measurement and verification costs and the ability to accurately determine savings. Another noted that, in their state, electricity is inexpensive and the more important need is peak demand reduction. In their view, energy efficiency has minimal impact on peak demand in their state and therefore doesn't reduce system costs. A third person noted that efficiency programs in their state were started many years ago specifically due to concerns about affordability, but that their ability to achieve savings is being limited by their cost-effectiveness requirements and limited budgets.

Cost of Savings

There was limited discussion regarding the cost of savings from energy efficiency, but one participant noted that acquisition costs are increasing as the "low-hanging fruit," like residential lighting, has been exhausted, forcing programs to focus on more expensive measures like HVAC and insulation. Another suggested that increases in the cost of savings are implied by changes in cost-effectiveness of efficiency measures. As opportunities for less-expensive (and therefore, highly cost-effective) measures wane, the budgets for programs have been decreasing.

Changes in Efficiency Program Targets or Spending

In response to the question of how spending is changing, responses were mixed. Two states noted that spending and efficiency targets have recently increased substantially, driven by forecasted demand growth in one state and efforts to improve historically low participation rates in the other. In contrast, two states noted concern over the costs of efficiency, with the legislature scrutinizing efficiency surcharges in one case and commissioners reducing overall spending and efficiency rules in another.

Efficiency Potential and Remaining Opportunities

In response to a question about whether staff have adequate information about the remaining efficiency potential in their jurisdictions, participants focused more on how their views of efficiency potential are evolving. One state has recently changed from a focus on “first-year” savings in units of energy (e.g., kilowatt-hours) to “total system benefit” in dollars. This is partly in response to a sense that electrification shows the greatest potential total system benefit for that state. Another participant described how there is more of a focus on peak demand reduction (and therefore demand response programs) than on energy efficiency.

Integration of Efficiency and Demand Response

Following the remarks about demand response, another participant noted that their commission has concerns about the reliability of demand response programs, stating that customers often opt out during emergencies when the programs are most needed. A different state participant explained how they are working to merge efficiency, demand response, and EV managed charging programs into a unified residential program portfolio.