

Making energy efficiency work: Unlikely alliances in the Midwest

“The climate of collaboration...having the utilities, the Sierra Club, governments, businesses all focused on moving in the same direction is huge...”

While much of the national press on energy efficiency is focused on California and Washington, D.C., a strong, practical, and motivated alliance to promote efficiency has emerged in the Midwest. It is the result of local collaboration across a broad range of interested parties. Many of these groups – utilities, environmentalists, consumer advocates, regulators – have more often been adversaries than allies. The message that unites them: we can identify efficiency initiatives that are good for all of us, and we should just get on with them.

This was the big takeaway from a milestone community conference - the Kansas City Energy Efficiency Forum held in September. Over 500 people representing a wide range of interests, gathered for an extensive dialogue with national experts, and with each other. Participants represented the energy industry, the business community, state and local governments, and environmental groups.

Although the idea was originated by Kansas City Power & Light, a progressive local utility, as the continuation of an innovative EE strategy it developed in 2004, the conference sponsors included an unlikely set of allies: AARP, The Sierra Club, KCP&L, Aquila, the Mid-America Regional Council (MARC - a regional environmental organization), the Missouri Economic Development Association, The Chamber of Greater Kansas City, and the Kansas Energy Council. KCP&L organized the conference with the assistance of these organizations and Bridge Strategy Group, a management consulting firm.

In the past, many of these parties have been on opposite sides of litigation, regulatory testimony and a range of legislative and policy initiatives. But the promise of EE benefits and a desire to avoid the risks of poorly designed and implemented programs brought these groups and others together as allies seeking a progressive and comprehensive solution. All parties rallied around a common message that EE need not (some would say cannot) wait for federal legislation but instead must be conceived and implemented locally.

Local and National Representation

Missouri Senator Claire McCaskill opened the conference with a keynote speech that provided insight into some of the more than 150 pieces of ongoing federal EE legislation. These include funding efficient lighting, weatherization, and legislation that would require a 30% improvement in energy efficiency for federal buildings by 2015. McCaskill anticipates that environmental issues will be even more important in the next legislative session, and also at the state level.

The keynote was followed by two discussion panels both led by Dr. Joel Swisher of the Rocky Mountain Institute.

The first panel focused on national policy and innovation. It included Robbie Cox, President of the Sierra Club and representatives from Wal-Mart, the National Resource Defense Council, General Electric, among others.

On a national basis, the panel discussed how the United States' investment in energy efficiency lags behind those of other developed nations. Although in the case of GE and Wal-Mart, investment has come from the private sector. According to one panelist, Missouri recently ranked #46 out of all states in terms of EE investment, stressing the importance of the forum and highlighting the need to act locally.

The second panel was geared towards regional issues and included representatives from MARC, the Missouri Office of Public Counsel, Missouri Votes Conservation, a Commissioner of the Missouri Public Service Commission, a nationally known architect, an attorney representing commercial and industrial customers, and Bill Downey, the CEO of KCP&L. Each panelist provided insight into the reason their organization supported a push for EE and also key barriers to implementation – including regulatory, legislative and awareness among consumers.

Following the panels, the audience heard from both Governor Matt Blunt of Missouri and Governor Kathleen Sebelius of Kansas. Their messages stressed the importance of energy efficiency to the quality of life and economic vitality of their states and offered their support and encouragement to the participants.

Following the panels, the 500 attendees and panelists formed discussion groups, some of which lasted over two hours. Ideas captured by group facilitators from KCP&L and Bridge Strategy will help to shape future meeting agendas and evaluate policies and communication approaches.

***“Never before have
so many forces been
aligned on this
issue...”***

Low Hanging Fruit

The discussion groups focused first on relatively easy-to-implement local programs that all sides agreed are good for business, good for the community, good for the environment and good for utilities. During her speech, Senator McCaskill said, “It’s very important that we incentivize the programs that encourage the citizens to do what is right, whether it’s changing their light bulbs, updating their appliances, making sure their tires are inflated to the proper level or building energy-efficient homes.”

The discussion groups cited several instances of untapped EE potential in the Midwestern residential/commercial market, including weatherization, upgrades to more efficient heating and cooling, stricter building codes, promoting use of CFL lighting, turning off computers at night, and installing programmable thermostats and controls.

The groups discussed how the low price of energy in the Midwest has hindered adoption of energy efficient practices. In general, groups agreed that more real-time energy pricing and subsidization of first cost for end use investments, coupled with forecasts for higher prices would lead to more widespread consumer participation in EE.

Some argued for raising energy prices faster, as an incentive and mechanism to drive change. One potential outcome discussed was higher rates, but lower bills for those who participate. Several individuals, including consumer advocates, stressed the importance of maintaining affordable energy – particularly for low and fixed income groups, but also keeping the industry competitive. From an industrial perspective, there was a strong awareness of economics, reliability and air quality as elements of long term competitive advantage. Kansas City is on the western edge of states under federal air quality restrictions.

Longer-term changes

The groups found it harder to agree on longer-term initiatives. Cox, of the Sierra Club, described climate change as second only to the Iraq war in terms of voter concern. This increasing awareness of the environmental impacts of energy consumption may, he said, create an opportunity to launch more far-reaching EE changes such as improved urban planning, increased use of mass transit and “right-sized” home and car purchases.

To successfully effect longer-term behavioral changes, forum participants agreed that EE programs must be economic, convenient, and involve the community. From an economic perspective, homeowners require returns on EE investments within 3-5 years, while businesses generally take a shorter payback. Renters (individuals and commercial businesses) are not likely to make investments, making property owners and managers a key constituency for EE participation.

Regional Focus

While national intervention can provide leadership for some issues such as air quality, the forum participants generally agreed that the best bet to gain momentum in EE is to promote local and regional collaboration. Community involvement keeps the consumer invested in EE by helping to localize both environmental and economic benefits.

As different regions of the country have varying conditions (e.g., humidity, temperature, end use profiles, applicability of different types of renewables), handling efficiency at the local level allows investments to be tailored to specific needs. For example, Ken Baker, a senior manager at Wal-Mart discussed his company’s \$500 million EE program. It includes installation of skylights, energy efficient light bulbs, and solar panels that can reduce a store’s energy consumption by 20%. Wal-Mart recognizes that some technologies may not work in all locations, strengthening the company’s commitment to tailoring EE practices to the regional environment.

To underscore the need for change, Bill Downey, CEO of KCP&L, pointed out that his company’s service territory will experience 30% growth in demand by 2030, presenting environmental and sustainability challenges that must be addressed now.

Next Steps

The KC Energy Efficiency Forum helped the debate move from the conceptual to the specific, by bringing national resources to the local/regional level and creating a platform for uniting local interests into a common discussion.

The broad swath of stakeholders at the forum could envision win-win scenarios in the pursuit of sustainability and many were willing to commit to an even more active role in shaping the environmental future of the region. With such widespread support, among non-traditional allies, EE is well-positioned to take off in the Midwest and claim its place in the national debate.

This summary was created by Robert Zabors, Bob Irvin, Manisha Shah and Mike Zivin of Bridge Strategy Group – a management consulting firm based in Chicago.

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