

What's Up with Public Benefits? A Review and Initial Assessment of Public Benefits Policies and Programs in Restructured States

Martin G. Kushler, American Council for an Energy-Efficient Economy

ABSTRACT

This paper presents some of the highlight results of a comprehensive review and initial assessment of the public benefits policies and programs that have been established in restructured states. This jointly funded national study was created to provide the first early look at public benefits strategies that have been adopted under electric restructuring, and to disseminate the results to all states.

The project is based upon a detailed review of the applicable legislation and regulatory orders in each restructured state, together with in-depth, semi-structured telephone interviews with key involved parties in each of the states. The primary focus is on energy efficiency public benefit programs, but information regarding renewable energy and low-income policies and programs is provided as well.

Introduction

Since the era of electric restructuring began in the mid-1990's, the concept of "public benefits" funding has emerged as the primary new mechanism for supporting utility-related societal benefits such as energy efficiency. (See Eto, Goldman, and Nadel 1998 for a good conceptual framework for a public benefits charge policy.) Not surprisingly, there is a great deal of interest in the energy efficiency community about how this new approach is working.

ACEEE has been engaged in a research project, funded by the U.S. Department of Energy and several individual states (California, New Hampshire, New York, and Wisconsin) to make a first comprehensive review and assessment of public benefit policies in restructured states. The purpose of this paper is to present some of the highlight results of that research. (ACEEE will be producing a two-volume set of reports providing much more detail on this study. Volume 1 [Kushler and Witte 2000] is already available.)

Methodology

This project took as its focus the universe of states that had formally passed an electric restructuring policy as of the end of 1999, plus two states that had passed specific public benefits fund legislation but had not formally restructured. For each of these 25 states, the project obtained and reviewed copies of the pertinent legislation and regulatory orders to extract descriptive information about their public benefits policies and funding.

Then, for each state where some type of energy efficiency-related public benefit policy had been adopted, several key parties (e.g., regulatory staff, utilities, and energy efficiency advocates) were interviewed (in semi-structured telephone interviews) to obtain their qualitative assessment of both the policy as written and the administrative implementation of that policy to date.

Descriptive Results

The first segment of results presented here focuses on an objective description of the public benefits-related policies and approaches adopted by the 25 states examined in this project.

The State Score Card

Among the 25 states addressed in this study, 20 have passed electric restructuring legislation (Arkansas, California, Connecticut, Delaware, Illinois, Maine, Maryland, Massachusetts, MT, Nevada, New Hampshire, New Jersey, New Mexico, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Texas, and Virginia), three have adopted restructuring through regulatory orders (Arizona, Michigan, and New York), and two have passed specific legislation requiring public benefits funding but have not actually restructured their electric industry (Vermont and Wisconsin).

Of these 25 states, 19 have included specific requirements to support energy efficiency in their legislation and/or regulatory orders. A couple of additional states are still investigating the issue, while the remainder have shown no indication of including this type of policy requirement.

With regard to renewable resources, 17 of the 25 states have included specific policies supporting renewable energy. A total of 14 states have direct funding of one type or another, and 9 states have a “renewable portfolio standard” (RPS), whereby electricity suppliers are required to have renewable energy sources comprise some minimum percentage of their overall generation supply. (The total of 17 states results from the fact that six of those states have both direct funding and an RPS mechanism.)

Lastly, a total of 19 states include specific funding policies supporting low-income programs (typically some type of bill payment assistance and some support for weatherization or other energy efficiency services) in their restructuring legislation and/or regulatory orders.

A summary of descriptive data on public benefits policies and funding, on a state-by-state basis, is presented in Table 1. The table includes information for each state that has incorporated at least some specific public benefits policy support in its restructuring related legislation/regulatory orders. The remaining four states (Arizona, Michigan, Oklahoma, and Virginia) have been omitted because they had no such policies to summarize.

In reading Table 1, the following definitions should be applied.

SBC = System Benefit Charge

R&D = Public purpose-related Research and Development

EE = Energy Efficiency

LI = Low Income

RE = Renewable Energy

Million \$ = Average annual spending in millions of dollars

Mills/kWh = Amount of the SBC expressed in mills/kilowatt-hour equivalent

% Rev = Amount of the SBC funding expressed as % of utility annual revenues

admin. = Entity responsible for administering the SBC funded programs

Please note that the data in Table 1 was updated to reflect available information as of the end of April 2000.

Key Issues

Although restructuring is a very complex undertaking, and legislation/regulatory orders can be very detailed, it was possible to identify a few key issues that were core subjects of debate in just about every state. These include: (1) funding (both the mechanism and the amount); (2) administration (i.e., who will administer and operate the programs); and (3) the duration of any policy/funding requirement. The following material briefly summarizes the approaches taken by the states on these issues. (Note: the remainder of this paper focuses just on energy efficiency public benefit policies.)

Funding mechanisms. By far the most common approach to funding energy efficiency public benefit programs is a mechanism typically referred to as a “system benefit charge” (or “public benefit charge”). This is a non-bypassable charge on the distribution service (thus being “competitively neutral” because customers pay the charge no matter who their generation supplier is), usually expressed in “mills per kWh.” A total of 15 states have adopted that type of approach.

Another three states have used an approach where the funding is either embedded in rates or provided through a flat monthly fee, rather than a per kWh charge. Finally, two states have included approaches that are thus far somewhat unique. Illinois (in addition to a very small requirement for utility funding of some state-administered programs) has established a large “Clean Energy Trust Fund” (funded with \$250 million from Commonwealth Edison as part of a larger agreement on restructuring-related issues) that will be used, in part, for energy efficiency efforts. Texas, in contrast to virtually every other state, did not establish a funding amount. Rather, it set a requirement for utilities to achieve energy savings each year equivalent to 10% of projected load growth.

Funding amount. In order to provide common bases for comparison, this research has attempted to determine estimates of energy efficiency spending using three standard indices: millions of dollars; mills per kWh; and percent of utility revenue (see Table 1). Typically, a state’s legislation and/or regulatory orders might only clearly specify one of those indices, so this project developed estimates of the remaining indicators from other available data (e.g., EIA data on utility sales and revenues, etc.)

The indicator for which we were able to obtain the best information was mills per kWh, and we were able to find or develop estimates of that indicator for 15 states. For those states, the required funding level for energy efficiency ranged from 0.03 to 3.3 mills/kWh, with a median value of 1.3 mills/kWh.

One interesting public policy question is how the level of funding for energy efficiency under these new public benefits approaches compares to historical utility energy efficiency spending. The results indicate that, with a few exceptions, states have tended to set their new energy efficiency funding at a level comparable to recent experience, but significantly below peak utility spending levels of the early to mid-1990s. While many advocates would like to see higher levels, at least the policy direction has been stabilized. A new study by ACEEE suggests that these public benefit energy efficiency mechanisms may have helped stop the half-decade long slide in national utility energy efficiency spending, and may in fact have helped produce a slight increase in spending from 1997 to 1998 (Nadel, Kubo, and Geller 2000).

Table 1: Summary Table of Public Benefit Programs and Electric Utility Restructuring

Arizona	In Dec96, the ACC ordered retail competition beginning in Jan99 and completed by Jan03. Later updated to begin Jan01. ACC rule requires SBC for LI, EE and RE. Funding determined in indiv. utility cases. Also a proposed charge for "Environmental Portfolio Standard" (see RE). Table is for IOUs only.		Details of SBC Funding					Renewables	Generation
			R&D	EE	LI	RE	Total	Portfolio Standard	Disclosure
		million \$	TBD	9.0	TBD	18+	27.0+	ACC rule proposed: 0.2% by 2001, up to 1.1% by 2007. Half must be solar elec.	Fuel mix and emissions are required by ACC rule.
		mills/kWh	TBD	0.4	TBD	0.85	1.25+		
		% rev.	TBD	0.3	TBD	0.6	0.9+		
admin.	TBD	utility	utility	utility					
California	In Sept96, AB1890 was signed into law. Full retail access for all customer types began Apr98. Funding is through a non-bypassable wires charge. Totals in table are just the 4 large IOUs. Small IOUs and muni's are also spending over \$100 million on pub ben. Table shows annual average over 4 yr authorization in legis.		Details of SBC Funding					Renewables	Generation
			R&D	EE	LI	RE	Total	Portfolio Standard	Disclosure
		million \$	62.0	218+	81.0	135.0	496+	None.	Yes. A "power content label" is required for generation mix.
		mills/kWh	0.4	1.3	0.5	0.8	3.0		
		% rev.	0.4	1.3	0.5	0.8	3.0		
admin.	CEC	utility	CPUC	CEC					
Connecticut	In April 1998 Public Act 98-28 was signed into law. Phases in retail access during 2000. It funds EE, RE, and LI. RE ramps up over time, average is in table. Support for R&D is imbedded in the RE programs. Funds are collected through a non-bypassable wires charge.		Details of SBC Funding					Renewables	Generation
			R&D	EE	LI	RE	Total	Portfolio Standard	Disclosure
		million \$	in RE	87.0	TBD	22.0	109+	Two tier, limits hydro starting at 6% and escalating to 13% by the year 2009.	Included in bill without specifics.
		mills/kWh	in RE	3.0	TBD	0.75	TBD		
		% rev.	in RE	3.0	TBD	0.75	TBD		
admin.	EE & RE	collab.	DPUC	St. Auth.					
Delaware	Restructuring Act signed in March 1999. Has two SBCs: 0.178 mills/kWh for EE "incentive" programs, overseen by DE Economic Dev. Office, 0.095 mills/kWh for LI bill asst. & EE, overseen by Dept. of Health & Soc. Services. An additional \$250,000 from rates is to go to customer education, esp. regarding RE.		Details of SBC Funding					Renewables	Generation
			R&D	EE	LI	RE	Total	Portfolio Standard	Disclosure
		million \$		1.5	0.8	0.3	2.6	None.	Not required. Law says Commission "may" promulgate rules.
		mills/kWh		0.18	0.1	0.03	0.3		
		% rev.		0.3	0.15	0.05	0.5		
admin.		state	state	state					
Illinois	In Dec97, PA 90-561 was signed. It provides funding for EE, RE and LI (although EE and RE are at low levels), using non-bypassable flat monthly charges on customer bills. ("mills/kWh" equiv. includes \$ from gas & electric.) Also, one-time ComEd \$250 million Clean Energy Trust fund ok'd by legis. May 99(not in table).		Details of SBC Funding					Renewables	Generation
			R&D	EE	LI	RE	Total	Portfolio Standard	Disclosure
		million \$		3.0	75.0	5.0	83.0	None.	All electricity retailers would be required to disclose generation mix and emissions.
		mills/kWh		0.03	0.6	0.04	0.7		
		% rev.		0.04	0.8	0.05	0.9		
admin.	Dept of Cmrc. & Comm. Affairs								
Maine	In May97, a state restructuring law was passed. The PUC has proposed, and legislature has authorized, up to approx.\$17 million/yr. for EE via statewide charge in distribution rates (equiv. to max. of 1.5 mills/kWh). State Planning Office will oversee. Original law also requires LI asst. funding as shown. R&D is voluntary funding.		Details of SBC Funding					Renewables	Generation
			R&D	EE	LI	RE	Total	Portfolio Standard	Disclosure
		million \$		17.2	5.5		22.7	30% starting Mar00. Limited to facilities of 100-MW or less.	Yes. Fuel mix and emissions disclosure is required.
		mills/kWh		1.5	0.5		2.0		
		% rev.		1.5	0.5		2.0		
admin.	TBD	state	utility						

Table 1: Summary Table of Public Benefit Programs and Electric Utility Restructuring (contd.)

Maryland	Restructuring Law signed in April 1999. Includes \$34 million/yr. tax funded "Universal Service Fund" for bill assist. and EE for LI customers. (Table shows mills/kWh and % rev. equiv.) In addition, 2 of state's 3 largest utilities have 1 mill/kWh residential only SBC for EE ok'd thru settlements. (EE in table just for those)		Details of SBC Funding					Renewables	Generation
			R&D	EE	LI	RE	Total	Portfolio Standard	Disclosure
		million \$		13.0	34.0		47.0	PSC to conduct a feasibility study of an RPS and report by 2/1/2000.	Yes. Fuel mix and emissions disclosure is required.
		mills/kWh		1.00	0.6		0.6+		
		% rev.		0.4	0.9		0.9+		
admin.		Utility	state						
Massachu- setts	In Nov97 comprehensive legislations was signed bringing retail access to all customers in 1998. Includes a non-bypassable wires charge for EE, RE and LI. Amounts ramp up for RE and down for EE. Averages shown in table. LI must get at least .25 mills of the EE SBC. (Note: RE excludes .25 mills/kWh for MSW)		Details of SBC Funding					Renewables	Generation
			R&D	EE	LI	RE	Total	Portfolio Standard	Disclosure
		million \$		130.0	Incl.	30.0	160.0	Requires a new 1% increment by 2003, 4% more by 2009, 1%/yr. thereafter.	Fuel mix and emis- sions disclosure is required. Member N.E. Disclosure Project
		mills/kWh		3.00	in	0.7	3.7		
		% rev.		3.00	EE	0.7	3.7		
admin.		Utility	Utility	MTPC					
Montana	In May97, electric utility restructuring was signed into law. Retail access began July98 and is scheduled to be completed by July02. Using EE and RE funds for R&D is approved by the new statute. Funds will be collected using a "universal system benefit charge." LI must be at least 17% of total.		Details of SBC Funding					Renewables	Generation
			R&D	EE	LI	RE	Total	Portfolio Standard	Disclosure
		million \$		TBD	TBD	TBD	14.0	None.	The PSC has proposed disclosure. Hearings are being held.
		mills/kWh		TBD	TBD	TBD	1.1		
		% rev.		TBD	TBD	TBD	2.4		
admin.		Utility programs +							
Nevada	In July97, electric utility restructuring was signed into law. Subject to PUC review, retail access is scheduled for March 2000. Public benefit programs, including R&D, are specifically encouraged but funding is not provided by the statute. PUC is working on rules to implement the law, EE not addressed yet.		Details of SBC Funding					Renewables	Generation
			R&D	EE	LI	RE	Total	Portfolio Standard	Disclosure
		million \$		TBD	TBD	TBD	TBD	By Jan01 to be 0.2%. Add 0.2% biennially until 1% total in 2009, 1/2 to be new solar.	Bills must contain price variability, and generation mix.
		mills/kWh		TBD	TBD	TBD	TBD		
		% rev.		TBD	TBD	TBD	TBD		
admin.									
New Hampshire	In May96, NHRSA was passed into law. Full retail access was to be implemented in Jan98, but conflicts over stranded costs have delayed the process. The statute authorizes funding for R&D, EE, RE and LI but initial PUC plan only funded LI. PUC is considering funding some EE as a result of a rehearing.		Details of SBC Funding					Renewables	Generation
			R&D	EE	LI	RE	Total	Portfolio Standard	Disclosure
		million \$		TBD	13.0		TBD	None.	Participants in the New England Disclosure Project.
		mills/kWh		TBD	1.5		TBD		
		% rev.		TBD	1.3		TBD		
admin.		TBD	county						
New Jersey	Restructuring law passed in Jan.99. Requires SBC funding for EE/RE at same level as existing DSM costs (approx. \$235 million/yr.). Full SBC is 3.4 mills. Half would pay for costs from prior years, half for new programs. 25% of new must be RE. Numbers in table are new \$ only.. LI sep. funded at prior levels.		Details of SBC funding					Renewables	Generation
			R&D	EE	LI	RE	Total	Portfolio Standard	Disclosure
		million\$		87.5	10.1	30.0	127+	By Jan01 to be 0.5%. from "Class 1", by Jan.06 1.0%. Ramps up to 4% by 2012.	Required for fuel mix and emissions.
		mills/kWh		1.35	0.16	0.45	1.96		
		% rev.		1.35	0.15	0.45	1.95		
admin.		Utility	Utility	Utility					

Table 1: Summary Table of Public Benefit Programs and Electric Utility Restructuring (contd.)

New Mexico	Legislation to restructure (SB 428) was signed in April 1999. An SBC of 0.3 mills/kWh is required, which goes to fund consumer educ., LI energy efficiency, and renewable energy promotion. Numbers in table are specified min. or max. figures. Funds to be administered by the state Dept. of Environment.		Details of SBC Funding					Renewables Portfolio Standard Utility Standard Offer must have 5% NM renewables, plus offer extra green rate.	Generation Disclosure Required for fuel mix and emissions.
			R&D	EE	LI	RE	Total		
		million\$			0.5+	4.0	5.0+		
		mills/kWh			incl.	incl.	0.3		
		% rev.			0.1	0.4	0.5		
New York	In May96, the PSC issued Order 96-12. All state IOUs filed rate and restructuring plans. A July98 Order identified \$78 million per year for an SBC to fund EE, LI and R&D, administered by NYSERDA. R&D includes \$4 million for solar & wind. (EE in table doesn't incl. Approx. \$100 million/yr. by power author.)		Details of SBC Funding					Renewables Portfolio Standard None.	Generation Disclosure Required by PSC Order dated 12/15/98. Working on design to start in 2000.
			R&D	EE	LI	RE	Total		
		million \$	14.0	54.0	10.0	in R&D	78.0		
		mills/kWh	0.1	0.6	0.1		0.8		
		% rev.	0.1	0.5	0.1		0.7		
Ohio	Restructuring Law (SB3) signed in July 1999. Includes an SBC for up to \$15 million/yr. for an "Energy Eff. Revolving Loan Fund" admin. by the state, plus a "Universal Service Rider" for LI bill asst. and efficiency. LI in table based on recent historical spending. (EE does not incl. addtl. agreements by indiv. utilities.)		Details of SBC Funding					Renewables Portfolio Standard None.	Generation Disclosure Yes. Fuel mix and emissions disclosure is required.
			R&D	EE	LI	RE	Total		
		million \$		15.0	100.0		115.0		
		mills/kWh		0.1	0.7		0.8		
		% rev.		0.15	1.1		1.25		
Oregon	Law passed in July 1999. Includes a "public purpose charge" to fund EE, RI and LI, equiv. to 3% of total IOU revenues (approx. \$50 million). Requires 63% of funds for EE (incl. MT) and 19% to RE. PUC to develop rules. LI gets 18% of PPC for weatherization, plus extra \$10 million for bill payment assistance (incl. in table totals).		Details of SBC Funding					Renewables Portfolio Standard None. (a "green rate" option is required, however)	Generation Disclosure Yes. Fuel mix and emissions disclosure is required.
			R&D	EE	LI	RE	Total		
		million \$		31.5	19.0	9.5	60.0		
		mills/kWh		1.0	0.6	0.30	1.9		
		% rev.		1.9	1.1	0.60	3.6		
Pennsyl- vania	In Dec96, a restructuring law was signed. Retail access to be phased-in over 2 yrs. starting Jan99. Law requires EE and LI minimum funding at existing levels (10m and 26m). Exact levels determined in indiv. utility cases have been higher than minimum. EE includes some renewables. LI includes 20% for efficiency.		Details of SBC Funding					Renewables Portfolio Standard Being addressed in indiv util cases. Also, bidders for "last resort" service need 0.2%.	Generation Disclosure Yes. Fuel mix is required. (but not emissions data.)
			R&D	EE	LI	RE	Total		
		million \$		11.0	85.0	2.0	98.0		
		mills/kWh		0.1	0.7	0.02	0.8		
		% rev.		0.1	0.9	0.02	1.0		
Rhode Island	Retail competition phased in by Jan98. Final spending plans exceeded the legislated minimum of 2.3 mills per kWh. Some funding on R&D for "near commercialization" renewables. Funds collected through a non-bypassable wires charge, except low-income efficiency and rate discounts which are funded in rates, not the SBC.		Details of SBC Funding					Renewables Portfolio Standard None.	Generation Disclosure Participant of NE Disclosure Project.
			R&D	EE	LI	RE	Total		
		million \$		14.0	in rates	2.5	16.5		
		mills/kWh		2.1	in rates	0.5	2.6		
		% rev.		2.1	in rates	0.4	2.5		
		admin.		Collab.	utility	Collab.			

Table 1: Summary Table of Public Benefit Programs and Electric Utility Restructuring (contd.)

Texas	Restructuring Law signed in June 1999. Requires utilities to administer EE programs to achieve savings equiv. to 10% of annual load growth by 2004. PUC to establish rates and procedures. Also a small SBC for customer educ. and LI assistance & 10% LI rate discount. (That SBC not to exceed .065 mills/kWh.)	Details of SBC Funding					Renewables	Generation
		R&D	EE	LI	RE	Total	Portfolio Standard	Disclosure
		million \$	TBD	TBD		TBD	Requires 2000 MW of new renewables by 2009. (Phase-in, 400 MW by 2003.)	PUC required to develop rules to disclose enviro. impacts.
		mills/kWh	TBD	TBD		TBD		
		% rev.	TBD	TBD		TBD		
		admin.	utility					
Vermont	VT has not yet restructured*, but in June 1999 S.137 passed, giving PSB the authority to establish an SBC to fund statewide EE thru a non-utility entity, in place of utility programs. \$17.5 million/yr maximum. 5-year ramp-up budget was set in settlement, averages shown in table. *(in 1997, S.62 passed Senate but not House.)	Details of SBC Funding					Renewables	Generation
		R&D	EE	LI	RE	Total	Portfolio Standard	Disclosure
		million \$	13.1	TBD	TBD	TBD	S62 required 2-tier, existing (up to 15%) & emerging (up to 4%) by 2007.	S62 required price, mix, pollutants, EE notices, and terms. NE Disclosure Proj.
		mills/kWh	2.5	TBD	TBD	TBD		
		% rev.	2.6	TBD	TBD	TBD		
		admin.	contrac	TBD	TBD			
Wisconsin	Act 9 of 1999 passed Sept. 99 includes elec. Reliability provisions which designate the WI Dept. of Admin. as the state agency to design and implement public benefit programs. Industry restructuring has not yet been addressed. Totals in the table reflect best current estimate of funding levels when fully in place.	Details of SBC Funding					Renewables	Generation
		R&D	EE	LI	RE	Total	Portfolio Standard	Disclosure
		million \$	1.5	78.3	64.2	3.8	Requires 0.5% by 12/31/2001. Increases biennially to 2.2% by 12/31/2011.	Not addressed.
		mills/kWh	0.0	1.5	1.3	0.1		
		% rev.	0.05	2.9	2.4	0.15		
		admin.	DOA	DOA	DOA	DOA		

TBD = To Be Determined

SBC funding amounts provided in the table are average annual funding levels.

Administrative approaches. The mechanisms selected by states for administering their public benefits energy efficiency (EE) programs can be sorted into three basic categories: (1) utility administration; (2) independent administration by a government or other non-utility entity; and (3) some type of “hybrid” approach.

A total of seven states have chosen to have individual utilities administer their EE programs (albeit often with some type of collaborative advisory process). Seven additional states have chosen some type of independent entity (six use a state government agency of some sort and one has competitively selected an independent contractor).

Five states fall into the “hybrid” category. Their approaches range from utility administration within a system of regulatory-appointed planning input and requirements for certain “statewide” programs, to a system whereby utilities get “credit” for any programs they run themselves and only need to remit any remaining portion of the total spending requirement to a state agency for administration.

It should be noted that although it is possible to sort states into three general categories, most states have various elements and features that make their approach somewhat unique. This is truly an area where a lot of interesting experimentation is occurring.

Funding duration. The third key issue regarding public benefit energy efficiency policies has been the length of time for which funding has been required. Here again, there has been quite a bit of variability. A total of six states do not set any specific duration for the funding requirement, leaving it essentially open-ended. Another four states set a 10-year funding period. Six states specify 5 years, one state sets 4 years, and two states set a 3-year period. Most of the states that set a specific time duration indicated that some type of review and determination of future policy would occur as the end of the initial period approached. That process has already begun in several states.

Qualitative Results

The second segment of results presented in this paper focuses on a qualitative assessment of the policy mechanisms and early implementation experience in states that have adopted public benefits policies. This information is based on telephone interviews with representatives of several key interested parties in each state. The ultimate set of respondents was almost equally divided among five groups: state regulators; other state agencies; utilities; advocacy groups; and “other” (e.g., customer groups and suppliers). These ratings are of course subjective, and come from groups involved in the issue rather than “neutral parties.” Still, the nature of the groups interviewed provides a good range of perspectives.

These qualitative results are summarized below using three different mechanisms: (1) interviewee “ratings” of their state’s public benefit policies and implementation; (2) key “lessons learned” as identified by the individuals interviewed; and (3) a brief description of some of the key mistakes (“bloopers”) made thus far in developing state public benefits policies, again as noted by the interviewees.

Grading Public Benefit Policies and Implementation

Each of the states identified previously as having passed some type of restructuring-related public benefits policy were targeted and representatives of key organizations in these state were interviewed by telephone (see above). Typically, from three to five interviews were conducted in each state. As a part of the interview, in order to provide a general indicator of their degree of satisfaction, respondents were asked to assign a letter “grade” (A to F) to two aspects of the situation in their state: (1) the adequacy/quality of the “on paper” policy that their state had adopted; and (2) the administrative execution/implementation of that policy thus far.

Among the results from those ratings, a few aspects are worthy of note. First, the respondents in these states had an overall fairly positive regard for the public benefits policies adopted by their state. The modal “grade” assigned was a ‘B’, and over 80% of respondents assigned a ‘B’ or an ‘A.’

With a few exceptions, grades assigned for “implementation” to date tended to be the same or slightly lower than the “on paper” policy grade. However, respondents in a number of cases assigned an “incomplete” because they felt it was too early to pass judgement on implementation aspects.

The two most common reasons offered for downgrading the state’s “policy” were a lack of clarity in the legislation (leading to subsequent argument and delays) and that the funding levels were too low. Reasons for downgrading on the implementation side tended to focus on administrative delays, with occasional mention of lack of support for the policy by certain agencies responsible for implementation.

For confidentiality and other reasons, this paper avoids going into detail about individual states. However, for those looking for a good model for state legislation, the most consistently positive ratings of the “on paper” policy were received from Vermont, Rhode Island, Connecticut, and Massachusetts.

Lessons Learned

The second aspect of qualitative assessment was to ask respondents to identify what they considered to be the key lessons learned thus far in developing their states’ public benefits policies. For brevity and clarity, the major lessons identified are simply listed below. In viewing these responses, it is useful to keep in mind that most states had not yet actually implemented their public benefits programs (many are tied to the schedule for opening up retail choice of generation suppliers). Therefore, many of the lessons at this point relate to developing and passing the public benefits policies in the first place, rather than to in-the-field implementation experience.

Key lessons cited include the following:

- Organize advocates early in the process (so to make sure they have a seat at the table).
- Form coalitions, especially including business interests, if possible.
- Arrange a legislative and/or regulatory “champion” for the policy (this is very important).

- Make clear all the benefits of the policy in communicating regarding this issue to policymakers. Don't let the debate focus just on the costs.
- Make sure the legislative language is specific and clear (especially regarding the funding amount and mechanism). This helps avoid arguments and delays later.
- Realize that every state is unique. There is no single solution for all situations.
- Work with existing assets in your state. If some approaches/organizations have worked well, incorporate them into the policy approach.
- Be diligent throughout the process. Make sure final legislative language is correct. Don't just assume that the original verbal deal is correctly translated into actual language. Details matter. (This also applies to subsequent rule making and orders.)
- Set up a dedicated fund, rather than relying on general revenues and/or annual appropriations. Clear dedicated funding is crucial.
- Remember that programs take time to implement properly. (Especially market transformation.) Be sure to allow sufficient time for policies to work.
- Organize central statewide administration, or at least close coordination among different utilities in a state, as this is crucial for market transformation strategies.
- Think about regional cooperation for certain strategies (especially things like market transformation and renewable portfolio standards).
- Develop an infrastructure and renewables industry if renewable mandates are going to succeed.

Finally, additional lessons from the experience to date with public benefits can perhaps be best illustrated by briefly describing what appear to be some of the major mistakes or oversights encountered thus far in public benefit policy development.

Blooper Highlights

In the hope that states enacting future policies can learn from the mistakes of others, this section of the paper presents a few of what might be termed highlight "bloopers" in public benefits policy formation to date. These examples were identified during the interviews done for the qualitative assessment portion of this study. The names of the respondents and the states are omitted in order to protect the innocent.

- At least one state has discovered that their new system benefits charge will be almost entirely used up to pay for prior energy efficiency program costs (rather than covering those prior obligated costs in some other manner, such as in the stranded cost arena).
- Another state passed a very aggressive renewable portfolio standard but discovered that the fine print of the legislation exempted "default" service from the RPS. Since experience under restructuring thus far has shown that almost all residential and small commercial customers have stayed on default service, the potential impact of the RPS would be largely negated.

- In more than one state, the restructuring legislation contains favorable language “authorizing” a SBC for energy efficiency and renewable energy, but non-supportive regulatory commissions have refused to approve any funding.
- Finally, another state has become infamous for its administrative meltdown, where an overly complex process and lack of coordination among different government entities has hindered its goal of statewide administration.

Conclusion

This study is attempting to provide the first comprehensive review and initial assessment of restructuring-related public benefits policies in the states. The objective of this paper has been to provide a concise overview of policies and actions to date, and to identify some key “lessons learned” that might assist policymakers and other interested parties as they consider future public benefits policies.

The general conclusions from this study thus far could be summarized as: (1) there is a remarkable diversity of details in the policies and approaches toward public benefits being taken by the individual states, and (2) although there is a common threshold need for a state to have some specific affirmative policy and funding, there doesn’t seem to be a single “best” approach to those details. Rather, specific approaches need to be tailored to the particular strengths and weaknesses within a given state.

Overall, there is a rich laboratory of experimentation going on in the states and there will be many opportunities to learn about how to design and implement effective public benefits policies. This should be good news for the public interest as well as for researchers and evaluators.

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