



RAP[®]

Energy solutions
for a changing world

Topics on Electric Utility Regulation: A Workshop

New Jersey Board of Public Utilities

Presented by Richard Sedano

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The Regulatory Assistance Project (RAP)[®]

Introducing RAP and Rich

- RAP is a non-profit organization providing technical and educational assistance to government officials on energy and environmental issues. RAP staff have extensive utility regulatory experience. RAP technical assistance to states is supported by US DOE, US EPA and foundations.
 - Richard Sedano directs RAP's US Program. He was commissioner of the Vermont Department of Public Service from 1991-2001 and is an engineer.
 - David Littell is a principal in RAP's US Program. He was a Maine PUC Commissioner and Environment Commissioner and is an attorney.

Workshop Topics

- Rate Design Opportunities
 - Presentation and discussion
- Clean Energy Administration
 - Presentation and discussion
- Technology Deployment and Data Management and Access
 - Presentation and discussion
- Utility Performance and Redefining the Utility Role
 - Presentation and discussion

Clean Energy Administration Segment



Who Should Deliver Ratepayer Funded Energy Efficiency?

- Whichever entity is most effective
 - States differ in circumstances, history
 - Utilities differ in EE performance and commitment

Cornerstones of an Effective EE Administrator

- **Clarity** – especially about the mission
- **Consistency** – market strategies develop and evolve over time
- **Consensus** – around the mission and the process

Leadership and **commitment**
from political authorities and
public acceptance are important

Goals of EE Programs

- **Resource Acquisition** including **reliability** – avoid G&T&D and other investment that costs more than EE
- **Market Transformation** – change the way people make choices
- **Environmental Compliance and Quality**
- **Economic Development** -- cut utility costs, grow clean energy businesses

Other Important Features

- Transparency – How are decisions made?
 - Programs (screening, targets, strategy, etc.)
 - Evaluation
 - Innovation
- Funding – How is money collected?
 - Is funding stable?
- Accountability to the public
 - Usually (not always) via the utility commission

Options for EE Administration

- Independent, non-government, third-party (statewide) organization
- Utility administration (ownership by investors, cooperative, public)
- Government administration at both state and local level
- Hybrid – responsibility divided between or among multiple administrators

So which is better?

- There is no study that thoroughly evaluates
- We have many observations across the US that we can assess
- What to look for (detailed slides follow):
 - Compatibility with Broader Public Policy Goals
 - Accountability and Oversight
 - Administrative Effectiveness
 - Transition Issues

Who Should Deliver Ratepayer Funded Energy Efficiency?

- Whichever entity is most effective
 - States differ in circumstances, history
 - Utilities differ in EE performance and commitment
- The right formula in a state depends on
 - Track record of utility, utility – regulator
 - Is there consensus that utility **can/can't** succeed
 - Public objectives

Compatibility with Broader Public Policy Goals

- Harmony of financial interests
- Integrated resource portfolio
- Resource acquisition
- Strategic deployment
- Environmental improvement
- Economic development
- Market transformation
- Sustainability of effort over time
- Funding stability
- Institutional stability

Accountability and Oversight

- How is budget set?
- Who participates in program development (opportunity for public participation)?
- Are measurement and evaluation metrics an integral part of program design?
- Program evaluation
- Process evaluation
- How are results verified?
- Frequency of reporting
- Protocols and capabilities for periodic program review
- Can the effort be successfully managed and overseen at large scale?

Administrative Effectiveness

- Efficient, non-redundant administrative costs
- Budget competency
- Ability to acquire and retain high quality staff, experts and contractors
- Flexibility to adapt programs to evolving market conditions/opportunities
- Ability to take the long view
- Ability to target funds geographically
- Local options for program design
- Ability to facilitate timely payment of incentives to customers and trade allies

Transition Issues

(if a change is contemplated)

- Start-up costs of new organization covered
- Smooth transfer of program responsibility
- Preserving structure and potential transfer of data to facilitate subsequent program evaluations

What Does Experience Tell Us?

- Most states use utilities to deliver consumer-funded energy efficiency
- Some states chose something else
 - Some third-party systems working very well
- A few divided responsibilities, with the utilities doing part

The states that seem to be working best show well against the criteria here

Utility Administration

- Most utilities want to maintain control of energy efficiency programs
 - Connection to resource planning and invest
 - Relationship with customers
- Financial (fixed cost recovery, profits)
- Corporate EE outlook – enterprise-wide?
- Oversight can address many concerns, as with the formal panels in CT and MA or with standing collaboratives elsewhere

IOU Synthesis

- Business model solutions exist in use, challenge is gaining consensus on choices
- Engagement with system planning, strategic deployment is happening a bit, but generators (incl. IOUs) resist
- Hybrid models are tricky: challenge to find the right interface of responsibility and encourage cooperation, **customer focus**

Independent Administration

- Purpose-built organization for energy efficiency
 - Statewide brand, scale
- Put to rest concerns about irredeemable conflict between energy efficiency and sales incentives or other complaints
- Lines of coordination with utility optimize this structure

Independent Structures

- Wisconsin Focus on Energy
- Hawaii Energy
- Efficiency Maine Trust
- Efficiency Vermont
- Energy Trust of Oregon
- Efficiency United (Michigan)
- Indiana core program entity stopped

Consumer-owned Utilities

- G&T, Municipal Association, Federals can aggregate services for members/allotees
 - Great River Energy, a G&T in Minnesota
 - American Municipal Power (AMP) around OH
 - Bonneville Power Administration
 - Tennessee Valley Authority

Government Structures

- NYSERDA (Energy \$mart)
- DC Sustainable Energy Utility*
- Delaware SEU
- New Jersey Office of Clean Energy

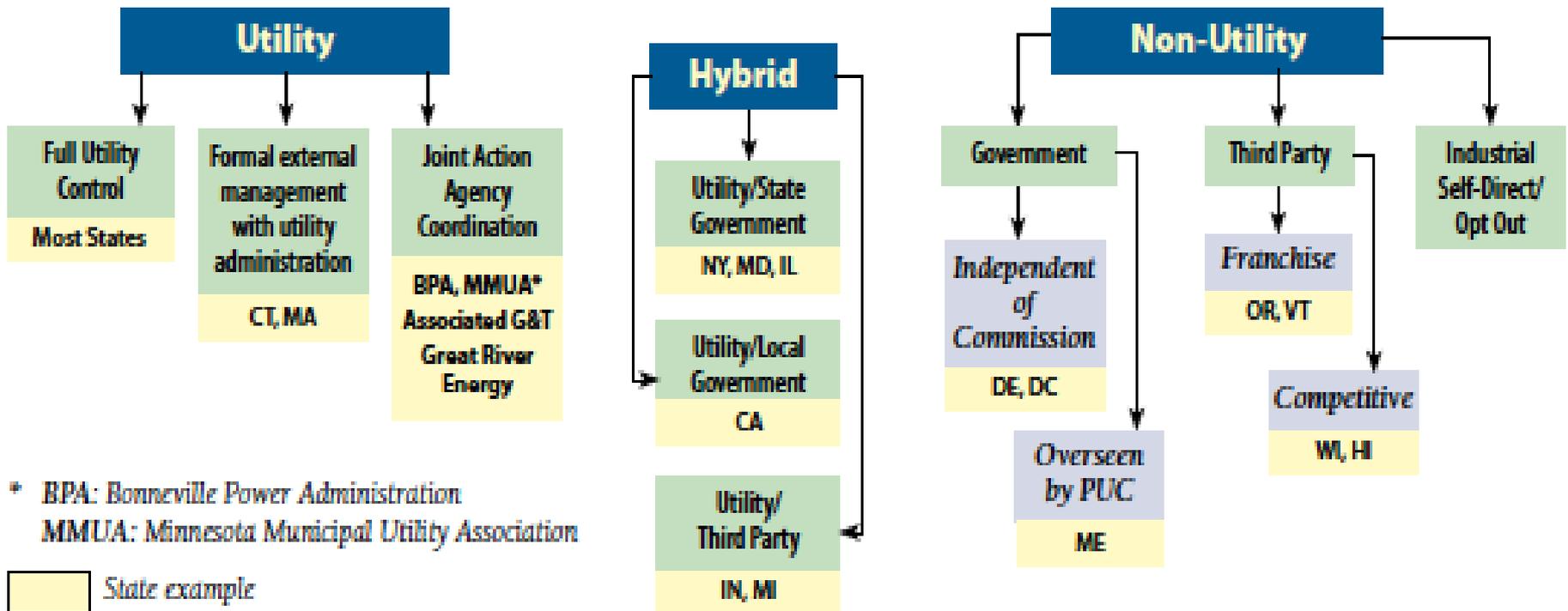
- Targeted markets for energy offices in Maryland and Illinois
- Some governments have exited (WI)

Exceptions

- Industrial opt out essentially gives qualifying customers the right to administer their own programs
- Some advocate to allocate ratepayer dollars directly to private entities (retailers, ESCOs, others) who commit to delivering savings

See <http://www.raonline.org/document/download/id/4707>

Types of Energy Efficiency Administrative Structures With State Examples



NY REV

- Contemplating significant changes
 - Questioning value of savings mandates
- Would be replaced by
 - Utility Performance Incentives
 - Enhanced Distribution Plans
 - Dynamic Rates
 - Longer Term Focus
 - Recast programs with NYSERDA focusing on market transformation and utilities acquiring resources, supported by Green Bank

Other Clean Energy Administration

- RPS point of regulation
 - Most states assign to load serving entity
 - NY acquires RECs centrally
 - Wires charge on all customers
 - This may change along with NYREV
- Renewable Development Funds
- Green Banks – mind the gaps
 - Seed funding comes from utility customers in many (not all) cases
- Accountability a perpetual issue

Discussion

About RAP

The Regulatory Assistance Project (RAP) is a global, non-profit team of experts that focuses on the long-term economic and environmental sustainability of the power sector. RAP has deep expertise in regulatory and market policies that:

- Promote economic efficiency
- Protect the environment
- Ensure system reliability
- Allocate system benefits fairly among all consumers

Learn more about RAP at www.raonline.org

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