

ECONOMIC OPPORTUNITY STUDIES

Starting From Scratch: Winning Utility Funding For Weatherization-Related Investments

Weatherization agencies face major issues when they begin to advocate for permanent utility financing of significant Weatherization investments coordinated with the delivery of the WAP services. They fall in three categories:

- I. The Goal:** What kind of a program or supplement to existing programs do Weatherizers want? How does their proposal meet utility and regulatory goals as well as those of the Weatherization organizations?
- II. The Resources:** What should the scale of the utility investment be and how will the funding be structured?
- III. The Process of Advocating and How to Pay for Advocacy:** What does the Agency or Association have to do to persuade the utilities and their regulators to invest in Weatherizing low- and moderate-income housing using an effective program design? How will the Weatherizers pay for the advocacy effort?

This paper addresses the major issues in each area in brief, and provides some additional material developed by successful leveragers and the EOS Weatherization Leveraged Partnerships Project. The Project has much more material, of which some is posted at www.weatherizationplus.org; we believe our job is to help you find the material and people you need to support your planning and advocacy work, so please call us to tell us exactly what resources would be useful – or just to brainstorm the issues you foresee.

I. The Goal

- o Weatherization-Plus coordinated utility initiatives (administratively compatible utility initiatives): Weatherizers prefer utility programs that they can deliver with the same personnel, the same technology and by using an accounting system very similar to the DOE Program's. The efficiency of "piggybacking" funding streams is a major factor in favor of this arrangement. The alternative, developing multiple client waiting lists, implementing more than one audit (or checklist) is a drag on delivery for all parties and adds administrative burden.

This does not mean that the utility money must be confined to the uses specified in the DOE regulations, nor even to the same homes where DOE funds are being spent. In most leveraged programs, utility funding provides other measures than the ones that would have been installed with DOE funds only or weatherizes additional homes. Additional homes are weatherized in one of two circumstances: new utility funds cover items formerly charged to DOE, freeing the DOE funds for other units as well as more work in the same home, or the utility funds may be used for the whole-house efficiency approach like WAP and can fund an entire job. Electric appliance replacement and lighting measures are expanded and/or installed in more homes when the electric utility

is contributing. Several leveraged programs allow much more flexible spending for repairs and safety.

- Cost effectiveness goals. Utilities may have energy conservation goals, either because efficiency is designed into their planned future supply mix and decreases the amount of energy that must be delivered, or more likely to comply with state commission rules. In either case, funds collected from ratepayers pay for the investment.
- There are three general ways to coordinate the utility contribution:
 1. The utility gives its funds to the state WAP office for use in its own service territory or perhaps statewide;
 2. The utility contracts directly with local Weatherizers for specific services or in, a simpler variant, has a contract that simply reimburses the local agency upon proof of expenditures on certain measures;
 3. The utility contracts with a single lead WAP agency that takes responsibility for subcontracts to cover all areas and for inspection and quality control.

Explaining Mixed Public-Private Programs to Utilities, or “Are Weatherization Agencies Double-Dipping?”

Federal grantees routinely manage their multiple activities through a formal and highly regulated system of cost allocation that is less familiar to the private sector. “Piggybacking” is the grantees’ jargon for delivering services funded by different funders by the same organization at essentially the same time.

Sometimes, potential private partners assume that the delivery (including selection, transportation, installation, and consumer education) of a contributed resource should be at no charge, like a piggyback ride on a favorite uncle, because the Weatherization services were already traveling to their appointed place in a building. Others may be convinced that if they fund activities permitted by the W.A.P. regulations, from baseload measures to repairs, that they will be wasting money supplanting publicly funded work.

When introducing a potential utility partner to a proposed coordinated or “piggybacked” program, it is important to prepare an explanation of the costs that will be covered by public funds and what difference it will make to add the partner’s resource(s) in terms of how much it costs per investment and what adding coordinated investments would mean in terms of energy savings (homes treated, measures installed per home, and also program-wide). In other words, show how more work, more services, and more homes will result. Include a simple presentation of the way cost allocation means that contributions to the indirect and administrative costs a) will be applied to the partner’s energy investments, and b) will not become part of a “slush fund” for federal program expenses or for unrelated overhead.

Consider offering a reference from your state W.A.P. or LIHEAP agency to answer questions about allocating costs of “piggybacked” activities and about your agency’s fiscal and delivery track record. Consider keeping the word “piggyback” out of the presentation.

Note that when utilities deliver conventional services directly, whether for fee or not, they typically run a bidding process and award to projects to private energy services companies, many with well-established industry history and relationships.

We have a reference guide 'Best Practices in Utility-WAP Programs' that introduces some do's and don'ts in detail, probably for later consideration:
<http://www.opportunitystudies.org/repository/File/weatherization/utility-wap-dos-donts.pdf>

II. How are the Utility Resources Organized and Delivered?

All significant Energy Efficiency investments made by utilities are approved to be collected as part of their rates. The costs are recovered the same way as their costs for maintenance, planning or meter-reading.

In many states, WAP programs began one utility at a time. The exception has been in the 20 or so states that "deregulated" and also set up a system benefit/public benefit fund for all the electric companies. A few included natural gas and municipal electric utilities in the funds as well.

The prototypes are:

Two kinds of Public Benefit System-Wide Programs

1. A Public Benefits Fund or System Benefits "Fund" - Charges paid by consumers, collected by the utility that, essentially, is an escrow fund, that is regularly transferred to one or more public agencies which implement programs. Examples would be:
 - An agency such as an energy authority, regulatory Commission, or a state department that manages the federal-state Weatherization program. (IA, IL, TX, and WI are examples of states whose Weatherization programs receive allocations from such SB Funds.)
 - Alternatively, a Fund Administrator who is responsible for planning and then contracting for services, as in the programs in MI, MN, and NY. There, the state agency managing the funds solicits plans; it is not the state WAP office.
2. A Utility-Directed Public Benefit Program, in some places called a Public Purpose or Public Benefit program. In this model, all utilities owe equivalent contributions (per unit of energy, customer, etc.), but they submit to their regulators plans for their low-income programs that follow guidelines. When approved, the activities are supported up to the amount they are obligated to collect and devoted to that purpose. This expenditure is credited against their Fund obligation. These Commissions have established fairly detailed guidelines and demand frequent public reports. (PA Customer Assistance Programs [CAP] and Low Income Energy-Efficiency Programs [LIEE] and CA LIEE programs are large examples.)
3. Utility-Directed Rate-Based Programs - The utility proposes the level and specific uses of low-income Weatherization funding as part of a rate case or another filing with broad

guidelines and implements a program with PUC approval. (This is the case for programs in AZ GA, KY, OH (gas), MD, MA, and IN).

- Not every utility has a program in these states, but in most, the expected utility contribution and the burden on ratepayers is essentially uniform among all utilities. Their programs are, therefore similar to Category #2, but the flexibility offered is broader, and there is less uniformity in defining the financial obligation.
- There is variation among the policies and offerings of the utilities and the delivery systems they choose. This is largely because in the '80s and '90s, there was a variety of Weatherization initiatives, and the PUCs were respectful of established practice. This model also requires close Commission supervision and transparent, detailed utility reports, although in some states, these are missing.

There are a variety of arrangements and subcontract structures in use in other states. We have some information on many at the Leveraging Partnership project. First, check out our site, www.weatherizationplus.org, then call with any additional questions (202-628-4900).

III. How do Weatherizers organize and pay for the advocacy time?

Successful leveraging does take a lot of time. From time to time outside help must be brought in to testify, respond to challenges or to produce a report. In the many states where the W.A.P. network has won partnered utility programs, there has been a lead agency or Association with a staff person assigned to follow the process and communicate as a major responsibility. Law students can be helpful, but a legal background is not necessary.

- Weatherization program funds may pay for the costs of this position. (At least one state W.A.P. office simply turned the funding over to the Legal Service state group which already had extensive energy rate advocacy expertise! It's that flexible.) Download the WAP leveraged funding law and regulation at:
<http://www.opportunitystudies.org/weatherization-plus/tools/>
- See our paper with additional options at:
<http://www.opportunitystudies.org/repository/File/weatherization/how-to-pay-for-leveraging.pdf>

Institutionalizing the leveraging advocacy for the long run: If a role is built into the new program for the lead agency, or a group of delivery agencies that includes quality control, monitoring and/or reporting to the utility partner(s), the advocacy work can be supported as part of the budget for these services.

Peer advice: Several experienced leveragers in our network have offered training on what to do first, and how to proceed once the initiative is underway. All of them are willing to advise their peers for free (by phone.) See some of the advice at <http://www.opportunitystudies.org/weatherization-plus/leveraging-resources/>. The

Leveraging Project has even more material and can network you with others who faced the same challenges.

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