

# Changes in State Regulatory Frameworks for Utility Administered Energy Efficiency Programs

*November 2007 - April 2010*



INSTITUTE FOR  
**Electric Efficiency**

*Advancing energy-efficiency and demand response among electric utilities.*

**CHANGES IN STATE REGULATORY FRAMEWORKS FOR UTILITY-ADMINISTERED  
ENERGY EFFICIENCY PROGRAMS:**

**NOVEMBER 2007 – APRIL 2010**

In states where utilities administer energy efficient programs, the utility is able to recover its direct expenditures on the programs. This is “direct cost recovery.” However, two other mechanisms either remove the disincentive to invest in energy efficiency programs through some type of fixed cost recovery mechanism or create an incentive to make such investments either through performance incentives or a virtual power plant. Over the past two years State regulatory commissions have made significant progress in aligning utility incentives to invest in energy efficiency. As a result, budgets for electric energy efficiency programs have increased significantly over the past few years from \$2.7 billion in 2007 to \$3.2 billion in 2008 to \$4.4 billion in 2009. This document summarizes the status of state regulatory frameworks for utility administered energy efficiency programs in the U.S. and highlights the changes between 2007 and the present.

**Table 1. Status of Energy Efficiency Fixed-Cost Recovery & Incentive Mechanisms for Investor-Owned Utilities (March 2010)**

State	Direct Cost Recovery			Fixed Cost Recovery		Performance Incentives	Virtual Power Plant
	Rate Case	System Benefits Charge	Tariff Rider/Surcharge	Decoupling	Lost Revenue Recovery Mechanism		
Alabama	Yes						
Alaska							
Arizona	Yes	Yes				Yes	
Arkansas			Yes				
California	Yes	Yes		Yes		Yes	
Colorado	Yes		Yes		Yes	Yes	
Connecticut		Yes		Yes		Yes	
Delaware	Yes			Pending			
District of Columbia	Yes			Yes			
Florida			Yes				
Georgia	Yes					Yes (one program)	
Hawaii	Yes			Yes		Yes	
Idaho			Yes	Yes		Pending	
Illinois			Yes				
Indiana	Yes			Pending			Pending
Iowa	Yes		Yes				
Kansas	Yes					Pending	
Kentucky			Yes		Yes	Yes	Pending
Louisiana							
Maine		Yes					
Maryland			Yes	Yes			
Massachusetts		Yes		Yes		Yes	
Michigan			Yes	Yes		Yes	
Minnesota	Yes			Yes		Yes	
Mississippi	Yes						
Missouri	Yes						
Montana		Yes				Pending	
Nebraska							
Nevada	Yes					Yes	
New Hampshire		Yes		Pending		Yes	
New Jersey		Yes		Pending			
New Mexico			Yes	Pending		Pending	
New York		Yes		Yes		Pending	
North Carolina			Yes		Yes	Yes	Yes
North Dakota							
Ohio			Yes		Yes	Yes	Yes
Oklahoma		Yes			Yes	Yes	
Oregon		Yes		Yes			
Pennsylvania	Yes						
Rhode Island		Yes				Yes	
South Carolina		Yes			Yes	Yes	Yes
South Dakota							
Tennessee							

Texas	Yes					Yes	
Utah	Yes		Yes	Pending	Pending	Pending	
Vermont		Yes		Yes		Yes	
Virginia							
Washington		Yes	Yes			Yes	
West Virginia							
Wisconsin	Yes	Yes		Yes		Yes	
Wyoming					Yes		

Sources: Relevant cases and dockets from state utility commission websites, public resources, communication with IEE member utility staff, and "Aligning Utility Incentives with Investment in Energy Efficiency," prepared by Val R. Jensen for NAPEE.

Note: Highlighted rows indicate change in status since 2007.

**Table 2. Summary of Changes in State Regulatory Frameworks: 2007 – 2010**

Summary of Changes in State Regulatory Frameworks: November 2007 to March 2010				
Energy Efficiency Incentive Mechanism		Number of states	Pending	Change since November 2007
Fixed-cost recovery mechanisms	Lost revenue recovery	7	1	4 (1 pending)
	Revenue decoupling	13	6	7 (4 pending)
Performance incentives		21	6	9 (3 pending)
Virtual power plant		3	2	3 (2 pending)

**Table 3. Status of Energy Efficiency Fixed-Cost Recovery & Incentive Mechanisms for Investor-Owned Utilities (Nov 2007)**

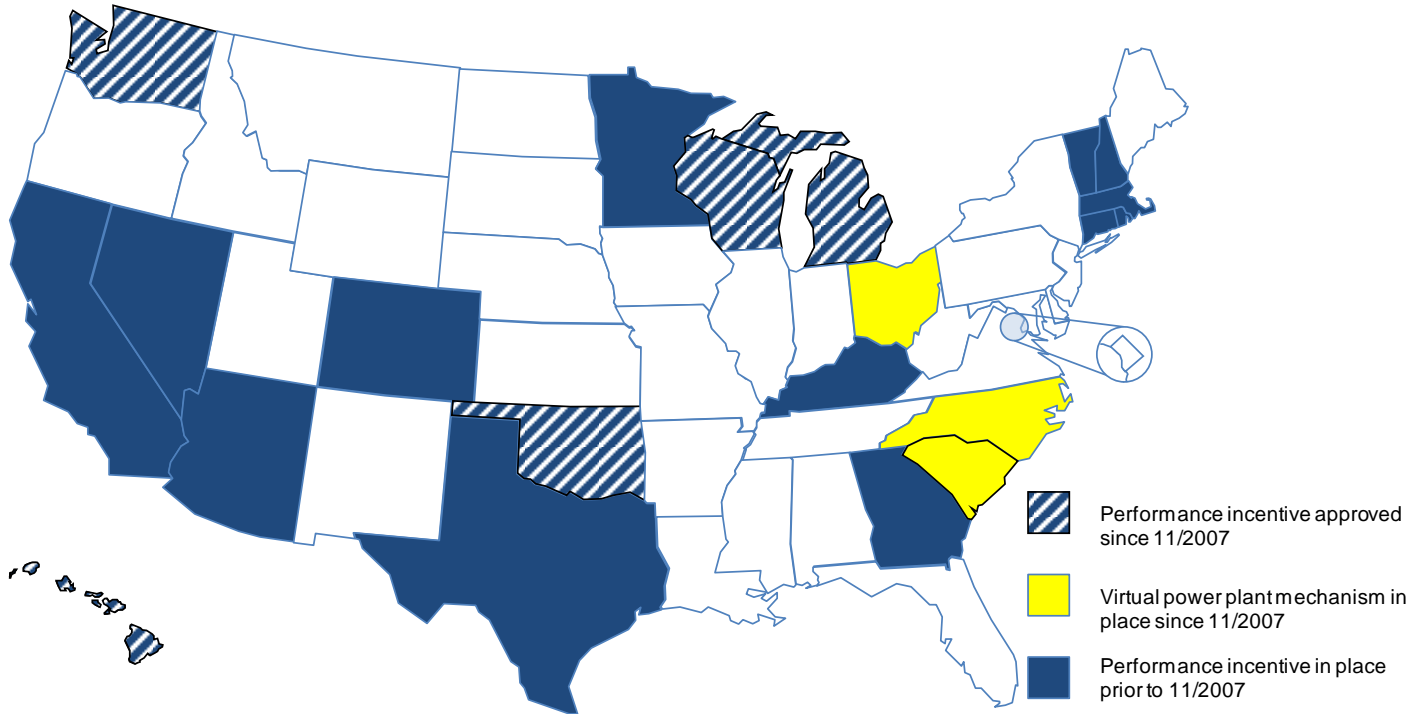
State	Direct Cost Recovery			Fixed Cost Recovery		Performance Incentives	Virtual Power Plant
	Rate Case	System Benefits Charge	Tariff Rider/Surcharge	Decoupling	Lost Revenue Recovery Mechanism		
Alabama	Yes						
Alaska							
Arizona	Yes	Yes				Yes	
Arkansas							
California	Yes	Yes		Yes		Yes	
Colorado	Yes		Yes	Pending		Yes	
Connecticut		Yes			Yes	Yes	
Delaware	Yes			Pending			
District of Columbia	Yes						
Florida			Yes			Pending	
Georgia	Yes					Yes (one program)	
Hawaii				Pending			
Idaho	Yes			Yes		Pending	
Illinois	Yes						
Indiana	Yes						
Iowa	Yes		Yes				
Kansas						Pending	
Kentucky			Yes		Yes	Pending	
Louisiana							
Maine		Yes					
Maryland				Pending			
Massachusetts		Yes		Pending		Yes	
Michigan					Pending		
Minnesota	Yes			Yes		Yes	
Mississippi	Yes						
Missouri							
Montana		Yes				Pending	
Nebraska							
Nevada	Yes					Yes	
New Hampshire		Yes		Pending		Yes	
New Jersey		Yes		Yes			
New Mexico	Yes						
New York		Yes		Yes			
North Carolina							
North Dakota							
Ohio			Yes		Yes	Yes	
Oklahoma							
Oregon		Yes					
Pennsylvania	Yes						

<b>Rhode Island</b>		Yes				Yes	
<b>South Carolina</b>						Pending	
<b>South Dakota</b>							
<b>Tennessee</b>							
<b>Texas</b>	Yes					Yes	
<b>Utah</b>	Yes		Yes				
<b>Vermont</b>		Yes		Yes			
<b>Virginia</b>							
<b>Washington</b>	Yes		Yes				
<b>West Virginia</b>							
<b>Wisconsin</b>	Yes	Yes		Pending			
<b>Wyoming</b>							

Source: National Action Plan for Energy Efficiency (2007). "Aligning Utility Incentives with Investment in Energy Efficiency." Prepared by Val R. Jensen.



**Figure 2: Approved Performance Incentive Mechanisms by State: 2007 – 2010**



Sources: Relevant cases and dockets from state utility commission websites, public resources, communication with IEE member utility staff, and "Aligning Utility Incentives with Investment in Energy Efficiency," prepared by Val R. Jensen for NAPEE.



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