

# ***“Free” Money from Electric Deregulation:***

## ***Getting Your Share of Public Benefit Funds***

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### ***ABSTRACT***

Amidst the ballyhoo and confusion surrounding deregulation, there is an opportunity missed by many of those who have complained the loudest about what a bust utility competition has been so far. As part of that restructuring, money is now available for energy efficiency studies, upgrades, and R&D—but energy users should move swiftly before it's gone.

### ***SHOW ME THE MONEY***

Nearly all of the two dozen dereg laws already on the books include a provision that levies a small “system benefit charge” (SBC) in electric bills received from utilities. Also called a “universal service fee” or “non-bypassable wires charge, “ that money is allocated for a grab bag of energy and social programs that might otherwise have been gutted when utilities were no longer (as part of deregulation) required to support them. Such programs were previously funded through general electricity rates so their cost was not apparent to end users. It now typically shows up as a separate line item on deregulated utility bills (but not on bills from power marketers) and ranges from \$.001 to about \$.003/kWh.

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## ***WHAT'S GETTING FUNDED?***

Most SBC funding falls into four basic categories:

- low-income energy assistance (e.g., to help the needy pay their bills)
- energy efficiency grants (for both studies and upgrades)
- development and installation of renewable energy sources
- R&D on clean and/or efficient energy technologies.

Most energy customers are interested mainly in the second category: such assistance may be just what's needed to make an otherwise underfunded project finally get off the ground.

## ***BRIEF HISTORY OF EARLIER PROGRAMS***

In the past, grants and/or other forms of financial assistance for energy efficiency upgrades were available from state energy offices for schools, hospitals, and nonprofit institutions. Such funding was supported from the late '70s to the late '80s through the disbursement to states of oil price overcharges collected by the U.S. Department of Energy and its predecessor agencies.

That money dried up in the early '90s, but was followed by demand-side management (DSM) incentives (open to all electric customers) fostered by public utility commissions through additions to electric rates. Various social programs (such as low-income assistance) and some R&D funding were similarly supported. Rebates from utilities in the U.S. crested in 1994 at about \$2.7 billion a year, but have now dropped below \$1 billion a year in those states that have not yet deregulated their electric utilities (mostly in the South, Midwest, and Northwest).

The lesson here is that such programs are never around very long, so the time to pursue them is now—not when they are about to disappear.

## ***THE USUAL PROCESS***

SBC funding is similar to past programs, with state energy offices and some utilities involved in setting them up and doling out the

money. Since program money is limited, there is never a guarantee that all applicants will be funded. In general, each funding category (e.g., efficiency, R&D) is ensured of some funding, with winners being those who can best configure their applications to fit the programs' aims.

For consultants and contractors, it pays to learn the ropes of SBC funding programs. Just as utility rebates were often the trick to getting an otherwise slow customer to commit to an upgrade, SBC grants may provide the leverage to bring about a decision to move forward on a new chiller, energy audit, or other efficiency measure. Pointing out that the money may be gone tomorrow is often one of the best ways to get action **today**.

Like all government-controlled programs, the money does not arrive overnight. Funding is typically provided in 6-12 month cycles and, after applying, several months may pass before one is notified that a grant will be received. Such programs are presently funded for only 2-3 years, so smart customers should be filling out applications now—before the cash disappears (again).

## ***WHO'S GETTING FUNDED?***

Funding of energy efficiency upgrades is focused primarily on commercial, institutional (both for-profit and nonprofit), and industrial customers. Funding for programs aimed at residential is primarily educational in nature (e.g., how to choose an efficient A/C unit for the home). Unlike some prior efforts, SBC funding is generally oriented more toward reducing peak electric demand and summer consumption, and less toward saving other forms of energy (e.g., oil and natural gas).

But that limit is really quite broad, since funding may also be available for fuel switching (e.g., from an electric to a gas-fired chiller) and possibly even distributed generation. Those options were often not covered by prior programs that were more interested in cutting annual energy consumption instead of peak demand.

As with earlier programs, SBC funding covers only a portion of a study or installation project (typically 25%-50%) and may involve some form of measurement and verification (M&V) to ensure that the funded work is indeed yielding energy savings. Within those limits, however, it is not uncommon to find excellent opportunities for cutting the payback period of a project by several years, thus making it much more viable for

support from a firm's capital budget.

In New York State, membership in either ClimateWise or the Energy Star Buildings program (both sponsored by the US EPA) may boost the state's contribution to 75%. As a result, a customer that could only afford a \$25,000 upgrade can now spend that money and instead get a \$100,000 upgrade. **Not bad for a little paperwork and a simple pledge to actually complete a project!**

## **GETTING TO FIRST BASE**

Each deregulating state's program is different from that of others, so a bit of homework is needed before counting the money. Start by getting an overview of what your state is up to. The quickest way (especially if you have facilities in several states) is to go to <http://www.aceee.org/briefs/mktabi.htm> where the American Council for an Energy Efficient Economy (ACEEE) has compiled the best (and most regularly updated) overview of each state's SBC funding by category. Under the "EE" column, one finds the funding available for energy efficiency grants. In the "admin" row, find the state agency controlling the money.

To quickly reach state energy offices for more details, go to <http://www.naseo.org/links/states.htm> and choose your state office. Search it to find the necessary details. Many have downloadable forms that make applications easy to complete. If a different state agency is running the show, check with your state or its public utility commission by clicking on <http://home.ptd.net/~sjrubin/state.htm>. If a utility is handling the program, find its home page at <http://www.digiserve.com/cpreecs/miue/files/Utilities.html>.

## **GET MOVING!**

If you don't act before this money is gone, you have no one to blame but yourself. Next time you see "system benefit charge" on your electric bill, realize that you are paying money into these programs. Why not get some back while you can?

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This article appeared as one of Mr. Audin's "Tips of the Month" commentaries. More can be found at [www.EnergyBuyer.org](http://www.EnergyBuyer.org). They are brief excerpts from the Energywiz seminar "Profiting From Deregulation: Power Techniques for Power Purchasing," the only seminar focused on training customers and consultants to handle retail power procurement. For those interested in taking this course, more information is available at [www.energywiz.com](http://www.energywiz.com) and [www.energyseminars.com](http://www.energyseminars.com)

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### **ABOUT THE AUTHOR**

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Audin has been named Energy Manager of the Year by three different national or regional organizations, most recently by the Association of Professional Energy Managers in 1995. In 1993, the Association of Energy Engineers (AEE) named him their International Energy Manager of the Year, and in 1996 inducted him into its Energy Manager's Hall of Fame, the highest recognition in that field.

He served on the board of the New York Designer's Lighting Forum, the *Energy User News* Technical Advisory Board, and an ASHRAE 90.1 technical committee. His column on lighting and energy issues has appeared quarterly in *Architectural Record* magazine since 1991, and his work appears frequently in energy-related publications and on such Web-based magazines as E-Source's *Power Tools*.

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