Getting Beyond the Fear Factor:
Process Evaluation in the Public Benefits World

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ABSTRACT

This paper describes some of the challenges in using process evaluation for energy efficiency programs and discusses how process evaluation can be used to improve public benefits funded energy efficiency programs in a manner comparable to how process evaluation was used for demand-side management programs.

THE CONTEXT

Beginning in the late 1970s and continuing through to 1993, many investor-owned utilities were required by their regulatory agencies to invest in the development and implementation of energy conservation, demand-side management (DSM) or energy efficiency programs. The goal of these ventures was to offset investment in new generation by using energy efficiency solutions to reduce demand, thereby slowing or eliminating the need for new generation. The regulatory agencies initially required the utility companies to provide evidence that they had delivered programs to their end-use customers. By the mid-1980s, program evaluation had emerged as a tool for assessing progress in these efforts.

Program evaluation has a great deal to offer as a method for addressing accountability concerns such as whether or not savings result from energy efficiency program efforts. Accountability first surfaced as a concern for public schools in the 1970s and has over the past 40 years grown to affect many facets of public policy. Evaluation emerged as a primary means of assessment for accountability in the 1970s, when evaluators were trained by education departments in universities and school districts conducted assessments of their efforts.

Sunset clauses and other requirements for accountability also affect public policy endeavors now. As Watson and McLaughlin noted in a presentation at the 2005 AEA conference, environmental programs, which have often been thought to be best judged by the scientists involved, are even beginning to hear politicians ask whether or not the environmental efforts have actually achieved the goals that were initially established.[7]

Program evaluation for energy efficiency programs was first introduced to measure the effectiveness of federally supported efforts through work done by Oak Ridge National Laboratory and the Bonneville Power Administration in the 1970s and 1980s. In the mid-1980s and early 1990s evaluation began to be required by some regulatory commissions in order to have utilities go beyond descriptions of what services had been delivered to provide reliable estimates of the amount of savings obtained from the programs. Process evaluations were also conducted by some utilities to identify opportunities to improve their efforts and as a means for understanding the savings estimates, especially when these estimates or participation rates were lower or higher than anticipated.

Investment in energy efficiency programs peaked in 1994; the following years saw a reduction in support as utilities and regulatory agencies focused their efforts on restructuring.[a] In 2000, Kushler and Witte described the emergence of public benefits funds in states that had pursued restructuring.[3] In their 2004 paper, Kushler, York and Witte identify public benefits funds that have emerged from the restructuring process in 18 states.[4] Each of these states have followed their own approaches to implementation. Some have allocated public benefits funds to renewable energy and/or low-income services, along with energy efficiency programs; some states only include low-income services. Some states have formed non-profit organizations to implement the programs, others use their own agencies, and one has hired a single contractor to act as their efficiency utility.

While the process of restructuring began in the public utility regulatory agencies, the majority of public benefits funds emerged as the result of state legislation to restructure the utility industry; although in some cases, the restructuring process occurred completely within the public utility commission proceedings. As a result, in most cases the public benefits funds have landed in a more public environment than with the earlier DSM and energy conservation efforts. For an example, one need only look to the situation several states faced in 2002 and 2003 as state legislatures raided public benefits funds to offset large deficits resulting from the 2001 recession. Kushler, York and Witte note that raiding occurred whether or not the state had the funds administered by a state agency, a nonprofit, or utilities.[4] They conclude: "Any funding policy the legislature and executive branch had a hand in creating seems to be considered fair game as a target for a funding raid when a state faces a budget crisis (p18)."

This environment has, not surprisingly, made many public benefits administrators a bit nervous about the possibility of "bad press" regarding their activities. This author has heard staff in several public benefits administrations comment on how it is important to ensure that the legislature or governor has a positive perception of the programs and activities of the public benefits organization. This situation is somewhat analogous to the concerns staff in regulated utilities have at times conveyed to this author regarding their concerns about how programs and activities are perceived by the regulatory agency and the interveners to regulatory proceedings.

THE PROBLEM

As a process evaluator, the author frequently finds herself in the middle of these types of concerns. Getting beyond the fear factor is my reflection on how to address these types of situations experienced by public benefits organizations and regulated utilities.

It is clear that there are good reasons to have some fear. Clearly, as discussed, funding raids can, and do, occur. At the time of this writing in late 2005, Wisconsin is still struggling to return to the funding levels of 2001. As energy services professionals, we may believe that the public benefits funds are after all paid by the rate payers and thus should be spent directly on services to address their needs. But it is clear that politicians sometimes do not see it the same way. They see that these are funds that have already been collected (no new taxes) and the services the politicians consider most important to support with the funds may not necessarily be energy efficiency.

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[a] Restructuring emerged following the release of the "Blue Book" in California in 1994, which outlined opportunities to deregulate the regulated utility industry and led to many state regulatory agencies throughout the country exploring how to restructure the electric utility industry in their state to gain efficiencies and increase access to lower cost power to more end users.

In the case of regulated utilities, the risk of funding loss for their energy efficiency programs is quite different. In some cases, utilities make these investments only because they are required to, thus a loss of funding would not be a major concern and they would just stop offering the services. For those utilities that offer these services, and then receive some sort of recovery, there is a clear concern that the regulators and interveners not block or reduce the amount of funds to be recovered.

So, although it can be established that some fear is warranted, there is also the common saying, that *information is power*, so increased information – from evaluations – could have the potential for public benefits organizations and utilities to demonstrate the value of the programs to the politicians, the regulators and the interveners.

SOLUTIONS

So how do we get beyond the fear factor?

One simple way is to avoid process evaluation, especially those by a third-party, or to only do them when asked. This approach unfortunately will result in a paucity of information being available to program management about their program's operation and is not recommended. Additionally, when someone does ask for a process evaluation, the organization will have limited experience dealing with process evaluations, which may make it more difficult to know how to structure requests so they will be useful without being harmful.

Another approach, not often used in the energy efficiency world, is to do process evaluations internally using a competent internal evaluator as part of the monitoring process for program design and implementation. The evaluation literature contains many examples of the benefits and challenges of internal versus external evaluation. A key advantage of using an internal evaluator is that findings can be readily incorporated as part of the every day activities of the organization. Such a person has access to program staff and can present findings to design teams as they are considering future evolutions of a program. The risk, of course, is that the internal evaluator may fail to ask the hard questions or might lack the skills to conduct a full scale process evaluation. However, internal process evaluation, in particular, does not face the same conflict of interest issues impact evaluation faces and thus may be a reasonable strategy. Of course, evaluation for regulated utilities is always subject to discovery, which can affect internal acceptance and buy-in if program managers are concerned about comparison of their program results to other utility offerings.

Another approach that has been used in some jurisdictions is to have third-party process evaluation reports be retained within the utility as confidential. During the 1980s and 1990s many organizations conducted process evaluations and did not provide these reports to regulators or to the public. This was true in California where the reports were rarely made public, though might be reviewed by commission staff. During this same time period the Bonneville Power Administration would provide reports to the public when requested, but primarily conducted process evaluations to provide information to program management. In this author's experience this approach to process evaluation resulted in the most open environment for discussion and use of process evaluations by the organization who followed this approach.

A recent approach in a similar vein is occurring in California. The California Public Utility Commission (CPUC) has determined that for the 2006-2008 program years, impact evaluations will be conducted by contractors to the CPUC and process evaluations will be conducted by contractors to the utilities (CPUC, 2005). The CPUC, while not requiring that the process evaluations be made public through

filings, will be informed when process evaluations are occurring and will review the findings. The key distinction is that the reports will not be confidential to the utilities.

Another solution that is important for all process evaluations is to be conscientious about the choice of wording. External and internal evaluators need to think carefully about how the findings and recommendations are presented. To be effective as a management tool, the report needs to be able to read and absorbed by those who manage the program. Most process evaluators therefore are careful in how they present the findings and the recommendations, making sure that the words used do not get in the way of the information so it will be useful to the organization. At the same time, it is important to not be wishy-washy. Recommendations can be framed to avoid saying that something "should" be done, but there must be recommendations or suggestions for action or the report will have limited value.

A solution that seems to be rarer today than it was in the 1990s is boldness. This is somewhat the opposite of conscientiousness in wording. Some process evaluators have been known for being willing to boldly state their opinions and to make strong recommendations. Some utilities have been known to prefer this sort of evaluation as it causes the program staff to think about new ideas and generate more valid reasons if they do not pursue the suggested changes. An organization that seeks such boldness in its evaluations probably has less to fear because they are used to the bold approach and can demonstrate that they are really working to improve their programs. The person who has to be bold is first and foremost, however, the *internal lead* for evaluation, because the evaluation contractor or the internal evaluator's report may be bold, but only if the internal lead for evaluation has similar courage will the report see the light of day.

As a corollary to the above two approaches and one this author has found quite effective, many evaluators feel it is important to be bold in the draft report and then to willingly make changes to the wording for the final report. This is done on the presumption that the first readers are the ones who need the detailed information so they can actually make changes to their programs, while the readers of the final version are usually in a policy position and need to primarily know the overall direction of progress rather than the specific nuances of program processes.

With the current rebirth and growth of energy efficiency efforts through public benefits funds, new people and new organizations have entered the arena. A key way to address the fear factor therefore must be education on the meaning, goals and value of process evaluation. While the energy efficiency community has always placed more value on impact evaluation efforts, the wider evaluation community, as represented by the American Evaluation Association (AEA), has shifted toward qualitative methods and process evaluation as the dominant paradigm during the 1990s and into the 21st century. This reflects both a frustration with the ability of impact evaluation to be used to improve programs and the advancement of skills and capabilities of qualitative methods and process evaluation to illuminate the issues behind the impacts.

For example, in schools or in health care while it is important to know the grades or the health status of the participants at the end of a study, it is even more important to know what *caused* the grades or health status to change so that the effective approaches can be replicated in other settings. Process evaluation assumes that there is no perfect solution, but that better processes and approaches will emerge through the evaluation process.

The AEA *Guiding Principals for Evaluation* provides another approach for addressing the *fear factor*. This approach, like boldness, requires that the internal lead for evaluation has a commitment to the process. The *Guiding Principals for Evaluation* lays out five principals that, if adhered to by energy agencies and utilities, as well as their evaluators, provide a means for all to go beyond the fear factor.

These principals are:

A) Systematic Inquiry,

B) Competence,

C) Integrity/Honesty,

D) Respect for People, and

E) Responsibilities for General and Public Welfare.

Together, they provide a structure for the process of conducting evaluations that are ethically sound and technically principled. These principals can be used as the framework for judging the quality of evaluations and conducting meta-evaluations, thus providing a means for objective assessment of evaluation quality.[6]

CONCLUSION

All of these approaches to overcoming fear also have the potential to improve the quality of the evaluation environment for the organization. Given the increased funding for energy efficiency and the associated addition of new and inexperienced staff to energy organizations and to the field of evaluation, such efforts can only improve the overall ability to deliver more energy efficiency savings.

If an organization has doubts about the quality and effectiveness of its efforts, it is not surprising that evaluation can be perceived as risky. Yet, energy efficiency programs have been demonstrated to generate savings in energy and demand through countless evaluation efforts. What remains to be learned and understood, however, is which approaches work better than others, what conditions affect program success, and what it takes to do more with less. Process evaluation is the tool best capable of addressing these types of questions.

In Mohr's 1992 book on impact analysis for program evaluation[5] he includes many examples of evaluations of energy efficiency programs and discusses the links between impact and formative evaluations. It is clear that the energy community has more to offer on accountability than do many public policy efforts. Process evaluations in particular can uncover problems and these problems might be disturbing. But at the same time, there are usually solutions to the problems and issues that emerge in the course of the evaluation, and process evaluation is therefore an important tool for making sure that the public policy is well implemented.

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