

# APPLYING EVALUATION PRINCIPLES TO ELECTRIC INDUSTRY RESTRUCTURING: A CRITICAL ANALYSIS

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## Abstract

This paper begins by discussing how the electricity industry is moving from an integrated resource planning based paradigm, where the evaluation profession played an important and integral role, to a new “competitive” paradigm where the principles and tools of evaluation have, thus far at least, been far less visible. Three key indications of this shift are presented, including the failure to use scientific methods of needs assessment in determining the need for restructuring; the weakening of the concept of a “pilot test”; and the trend toward making all information confidential. Suggestions for making better use of evaluation principles and tools are offered. Finally, results of numerous surveys are reviewed and the apparent conflicts between the stated preferences of average customers and the current path of electric industry restructuring are examined in some detail.

## Background: The Role of Evaluation To Date

The electric utility industry appears to be in the process of leaving behind an era in which the evaluation profession performed an integral and important role. From about the early 1980s through the early 1990s, the dominant paradigm in the industry was based on the concept of Integrated Resource Planning (IRP). At its core, IRP is grounded on two fundamental precepts: (1) that planning decisions should be based on careful empirical analysis; and (2) that the planning process should be conducted in an open forum, with quantitative results available for inspection and discussion by all interested parties. Evaluators were perfectly suited for this industry paradigm, with their ability to gather timely and accurate data; perform objective analyses; and present empirical information in a useful and understandable format. Not surprisingly, the role of evaluation flourished during the IRP era.

The crucial question for evaluators now is: what role will evaluation play in the emerging electric industry paradigm? Unfortunately, the early experience suggests that the role of objective empirical data; careful quantitative analysis; and open presentation of results; are all likely to be greatly diminished. As exhibit number one in this case, consider the manner in which the decision to restructure the electric industry is being made.

## Restructuring and Customer Choice: Vox Populi or Dictum Dictatorium?

Restructuring of the electric industry is either under way or under discussion in almost every state, with potentially profound impacts on average customers. Proponents of restructuring present the idea of “customer choice” as a central argument for changing the electric industry. Yet despite all the rhetoric about customer choice, amazingly little effort has been made to actually determine the opinions and preferences of average customers. Is electric industry restructuring really the “voice of the people”? Or is it just being dictated to them from above?

The evaluation profession is very experienced in the methods necessary to conduct a “needs assessment” of utility customers, and well suited to provide data to inform policy-makers of the needs and preferences of the public. Nevertheless, a survey of the state regulatory commissions in all fifty states, conducted in March of 1997 by this author, revealed that only two states (Maine and Vermont) had conducted a statistically based survey of utility customers to determine their opinions regarding utility restructuring. In spite of this, as of the writing of this paper, a total of six states had already signed legislation mandating utility deregulation and restructuring (California, New Hampshire, Pennsylvania, Rhode Island, Montana and Oklahoma). Of those, none had conducted an actual quantitative assessment of public opinion on the issue.

It is true that many of those states have held some type of “public hearings”. However, those have generally been organized to obtain comments about preconceived restructuring proposals, not to solicit baseline information about consumer needs and preferences regarding electric service. Furthermore, anyone familiar with the legislative or regulatory process knows that while those forums can be fine avenues for organized interest groups of one type or another, they hardly result in a “representative” sample of utility customers or the public at large.

To those who would argue that public policy is often developed with such limited public input, there are two responses: (1) unlike most policy issues, this one involves an essential public commodity and will impact virtually every home and business; and (2) the primary positive outcome promised by the proponents of the new policy is “customer choice”. Wouldn't it be rather inappropriate to make major regulatory changes in the name of customer choice without first having carefully examined the needs and preferences of the vast majority of customers?

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<sup>1</sup> Affiliation is given for identification purposes only. This paper is not intended to represent the opinions or policy of the MPSC.

In the evaluation tradition of providing information for public consideration, this paper will later on present some of the highlights from the few scientifically sound and reasonably unbiased public surveys on restructuring related issues which this reviewer was able to locate. Meanwhile, consider exhibit number two in the decline of the role of evaluation: the re-definition of what it means to conduct a pilot test.

### **The Cart Before the Horse: The Case of the Non-Pilot Pilots**

Evaluation professionals are very experienced with the concept and methodology of a pilot test. Under the IRP paradigm, pilot tests have been used countless times. The basic logic is as follows: a program concept is developed; the concept is tested on a small scale and carefully evaluated; results are presented to public policymakers and the concept is then expanded, changed or discarded, depending on the evaluation results; and a next generation concept is implemented and evaluated. This is indeed how the whole concept of demand side management (DSM) was introduced and painstakingly tested and modified over many years.

“Retail Wheeling” pilots have become a popular approach in the electric industry restructuring movement. On the face of it, that would seem to be a useful step in testing the concept of moving to “competition” in utility restructuring. However, thus far there have been some fundamental flaws in the manner in which pilots have been utilized which call into question the whole pilot concept. First, of the six states which reported having initiated retail wheeling pilots at the time of the survey (Illinois, Massachusetts, Michigan, New Hampshire, New York and Pennsylvania), none of the state regulatory commissions reported that they were conducting any formal “evaluation” of the pilot projects (although most have some basic informational filing requirements). This is a far cry from the mandated, formal and very public evaluations of DSM programs which have been the norm in the utility industry.

One of the earliest and most egregious examples is with the ambitious New Hampshire retail wheeling pilot. There was no regulatory or public “evaluation” of the pilot designed into the process (although the New Hampshire PUC did ultimately request the University of New Hampshire to conduct an after the fact customer satisfaction survey). Instead (perhaps in the spirit of deregulation), several private consulting firms conducted their own proprietary evaluations of certain aspects of the pilot and proceeded to sell the confidential results to various private clients. That’s an interesting approach to stimulating the commercial movement of information, but hardly fits the presumed public policy needs of a state-mandated pilot test of the retail wheeling concept.

Finally, and most tellingly, of the six states which had authorized retail wheeling pilots, five had already made the decision (either through legislation or regulatory proposals)

to proceed with electric industry restructuring and full-scale retail wheeling, before the “pilots” were even conducted! (Illinois is the lone exception.) These were in fact not public policy “pilots” at all, they were essentially scheduled “practice runs” for electricity marketers and vendors. That distinction has major implications for the nature, scope, and significance of the role of evaluation. (See also Landon & Kahn, 1996, for an insightful critique of the early retail wheeling pilots and their unsuitability for answering key public policy questions.)

### **What Public Interest? Everything is Confidential**

Exhibit three in the decline of the role of evaluation is the increasingly prevalent tendency for utilities to seek to make virtually all information confidential. This obviously has significant ramifications for the role of evaluators and the potential use of evaluation information. However, another author (Vine, 1997) has extensively examined this issue, so there is little need for further elaboration here. The only additional point that is especially pertinent to this paper is that the growing tactic of seeking to treat all IRP related information as proprietary and confidential will make it much more difficult for public policymakers to ever be able to actually objectively evaluate the “results” of restructuring the electric industry. (For example, it may well become impossible to access the data necessary to calculate total system costs -- the primary outcome variable of the IRP process.)

### **Areas Where Evaluation Should Be Applied**

After examining some of the major faults with the current trend toward electricity restructuring, as viewed from the evaluation perspective, this paper will now discuss how the tools of the evaluation profession could and should be incorporated into the determination of public policy regarding the electric industry.

#### **Identifying the Problem**

As briefly mentioned previously, the evaluation profession is well suited to provide structured empirical data regarding the perceived needs of customers. Rather than rely on anecdotes, self-interested pleas from various special interests, and simplistic economic assumptions, policymakers should employ established evaluation techniques to gather objective and representative data on customer needs and preferences regarding electrical services. In this manner, information could be gathered to document whether and to what extent customers feel that there are problems with the current system, and what their preferences might be for any proposed remedies. Does the current system need radical restructuring? Or is this a case of “if it ain’t broke, don’t fix it”? Those questions should not be answered solely on the

basis of claims by certain interests who stand to benefit financially from the proposed change (e.g., large industrial customers, independent power producers, brokers and financiers, etc.) and/or by assertions from those with an ideological agenda to pursue (e.g., the various “free market” advocacy groups).

Specific tools which the evaluation profession could bring to bear on these issues include such things as statistically representative and reliable survey methodologies; scientifically sound focus groups and panels; and careful and objective application of integrated resource planning and modeling analysis of potential costs and benefits. (After reviewing a substantial amount of documents and policy reports and proposals from the leading “restructuring” states, this author has been unable to find much evidence that such sound research and evaluation techniques have been utilized to guide restructuring policy.)

### **Specifying Measurable Objectives**

Any good evaluator knows that in order to conduct a proper evaluation, it is important to clearly specify measurable objectives for the program or policy being examined. Simply accomplishing “restructuring” or “customer choice” should not be regarded as ends unto themselves, they should be considered as means to achieve certain ends. Examples of such measurable objectives for electric utility deregulation could include: reductions in electricity rates (for each customer class); reductions in total costs for electrical service (similar to the IRP objective specified in the 1992 National Energy Policy Act); maintenance or improvement in various indices of reliability of electric service; maintenance or improvement in environmental emissions; etc.

It should be incumbent upon policymakers seeking to promote electric industry restructuring to clearly identify their measurable objectives (and clearly explain how the proposed policy is expected to achieve those objectives). Fortunately, hordes of well-trained evaluators stand ready to assist policymakers in the identification and specification of those measurable objectives.

### **Conducting Careful and Unbiased Evaluations**

Having clearly identified measurable objectives, it would naturally be further incumbent upon policymakers to arrange for careful and unbiased evaluation to assess the extent to which those objectives are actually achieved by the policy changes implemented. This effort should of course include an appropriate analysis of outcomes relative to what would have happened in the absence of the policy change. Thus far, there has been a notable failure on the part of deregulation advocates to address the issue of a proper “baseline” for expected rate trends without deregulation. Virtually without exception, promised (or hoped for) rate reductions have been expressed as reductions from current rates. There has been little or no acknowledgment of the fact that in most jurisdictions, electricity rates are already

declining and are projected to continue that trend under current regulations.

In the case of DSM (which was a minor policy issue compared to complete restructuring), relatively large sums were spent, with careful regulatory oversight, to thoroughly evaluate program performance -- including particularly the issue of “net” program impact versus what would have otherwise occurred. One might think that state policymakers would place at least as much emphasis on evaluating the impacts of electric restructuring. Unfortunately, the previously mentioned survey of state regulatory commissions revealed virtually no plans for formal evaluations of the results of restructuring policy.

Another tactic used in the DSM area was to set up a mechanism for collaborative oversight of the evaluation process by a variety of interested parties, in order to assure objective evaluation results (e.g., see Kushler, 1993). How about having a nationally sponsored collaborative evaluation of the effects of electric industry restructuring -- focusing on those states that have already decided to proceed with restructuring -- prior to passing any national legislation mandating restructuring for all states? Once again, a plethora of experienced evaluators are ready and willing to serve in such an endeavor.

### **Public Opinion on Restructuring**

While no-one should argue that public policy should be made solely on the basis of opinion polls, it is instructive to at least consider the stated needs and preferences of the public when major policy changes are being pondered. The aforementioned survey of states conducted by this author was able to identify a total of two states which had conducted statistically based surveys of public opinion (Maine and Vermont); one which conducted a reasonably well designed “shopping mall survey” (New York); and one which conducted a scientifically designed set of focus groups (in Wisconsin). In addition, this author supervised two Michigan surveys on some related issues, and reviewed a survey conducted on behalf of electric cooperatives in Michigan and another conducted on behalf of the Consumer Advocate’s office in Washington State. Finally, two national surveys (one by a well-known survey firm for the Sustainable Energy Coalition and one by a Washington D.C. based consulting firm which surveyed utility executives) were obtained and reviewed. All of the surveys included in this paper featured large, randomly selected samples (at least 300, and in most cases 500 or more respondents) and were conducted by professional survey research organizations. The following material summarizes pertinent information gleaned from those various surveys. (Note: not all surveys addressed each of the following topics. Those that did are included in the summaries.)

### **Public Awareness of Restructuring**

A threshold concern for policymakers to address before making a major public policy change should be the extent to which the public is aware and informed about the change being considered. The available evidence suggests that the public knows very little about the electric industry restructuring issue.

In Michigan, after a publicly released proposal, some press coverage, and several public hearings, two-thirds of the respondents surveyed had still never heard of the issue. Of the 32% who had heard something, 9 out of 10 rated their level of knowledge as “only a little”. In Vermont, 39% of respondents were aware of the issue and another 18% recalled it after some prompting. However, over half of all respondents who had any awareness indicated that they knew little or nothing about it. Maine reported a ‘prompted’ name awareness of 55%, but no indication of level of knowledge. Wisconsin summarized their results by stating “most residential participants had heard nothing about the issue prior to the focus group” (Energy Center of Wisconsin, 1995).

### **Public Favorability Toward Restructuring**

Survey results regarding the public’s level of support for restructuring should be used with extreme caution for two reasons. First, the public’s level of knowledge about the issue is very low, thus necessitating expressions of opinion about a subject upon which they are usually not well-informed. Second, the level of support expressed appears to be highly susceptible to differences in how the issue question is phrased.

For example, in Vermont respondents were asked whether legislation to “give customers a choice” in who supplies their electricity would be a positive change. Fifty-two percent felt it would be positive, 15% negative, 15% felt it would make no difference and 18% were unsure. On the other hand, in Michigan the item was phrased as a proposal to “deregulate and restructure” the electric utility industry. There, only 25% were in favor, 27% opposed and 48% were undecided. In the state of Washington, respondents were asked “Do you favor or oppose deregulation of the electric industry?” Only 28% were in favor, 44% opposed and 29% undecided.

Not surprisingly, the term “competition” typically appears to elicit positive emotions. When respondents in Maine were asked the simple question of whether they believed they “would benefit from competition among providers of electric power”, 68% agreed. However, when those same respondents were asked to state their preference between having utilities “deregulated to allow greater competition and possibly lower rates” or “continue to be closely regulated in an effort to protect consumers and the environment”, 41% preferred the former and 54% the latter.

As the contrasting Maine responses indicate, with further inspection, it is possible to get beyond simplistic reactions to buzzwords and begin to examine public attitudes

about certain key aspects of the restructuring issue. One of the most important of those aspects is clearly the factor of price.

### **The Role of Price**

The role of electricity price in affecting public attitudes about restructuring was clearly demonstrated in the Maine survey, which asked a series of questions on the issue. When asked if they would like to choose their electric supplier if their rate under competition was likely to decrease by 10%, three-quarters of the respondents said yes. If rates were likely to stay approximately the same, 56% said yes; and if rates were likely to increase by 10%, only 33% were in favor of choice. In Michigan, when respondents were read a basically neutral description of the current restructuring proposal, but with a comment that “supporters of the plan claim that customers will save money, but others say that while large industrial and commercial users could pay less, residential users could pay more”, opposition to restructuring nearly doubled.

However, although consumers understandably desire lower rates, the issue of rates does not appear to be their dominant concern regarding electric service. The Maine survey explored a number of potential trade-offs to examine the relative importance of a rate cut. When asked if they would be willing to accept a 10% increase in the number and duration of power outages in order to achieve a 10% decrease in their electric bill, only 31% of residential customers (and only 20% of small business customers) said yes. When asked if they would “purchase electricity from less clean sources if your rates were 10 percent lower”, only 20% of residential (and 20% of small business) customers said yes. In New York, both the residential and the small business survey participants rated “reliability” and “quick restoration of service in an emergency” as their most important concerns out of a list of 15 factors regarding electricity service. Those concerns were notably ahead of “lower rates” (which ranked 6th in each group).

As for customer expectations about the effects of restructuring on prices, it appears that the public is somewhat skeptical. At the high end, in the Vermont survey, 51% believed that restructuring would lead to lower prices, 40% disagreed, and 9% didn’t know. In contrast, in Michigan only 22% felt deregulation would lead to lower prices, 36% to higher prices, 19% to no change, and 23% didn’t know. In Washington, 19% felt deregulation would lead to lower prices, 53% to higher prices, 12% no impact and 16% didn’t know.

Interestingly, this public skepticism receives some validation from other sectors. The summary of the Wisconsin focus groups stated: “many participants think that reduced rates to larger customers will be at the expense of smaller customers. Most small and medium business participants think that residential customers would end up paying higher prices after deregulation”. Similarly, a

national survey of utility executives and independent power producers, conducted by the Washington International Energy Group, found that only 12% of those business executives believed that the average family would realize a significant reduction in their electric bill from restructuring (WIEG, 1997).

### **The Importance of Customer Choice**

While “customer choice” is a phrase which elicits almost automatic positive reaction (it has somewhat of a “motherhood and apple pie” type of symbolic value), a closer inspection suggests that it is not a dominant concern for the general public in connection with electricity. In Michigan, the subset of respondents who said they supported deregulation and restructuring were asked for the primary reason for their support. Nearly 60 percent indicated it was because they believed that their rates would go down, while only 10 percent cited the ability to choose their own supplier.

Interestingly, a very similar result was observed in the New Hampshire survey of participants in their retail wheeling pilot. Two-thirds of respondents (66%) who volunteered for the pilot program said that they did so to save money on their electricity bill, versus only 5 percent who volunteered to participate because they dislike their old utility. Furthermore, even among those wheeling pilot participants, 54% agreed with a statement that “more regulation of the power suppliers is needed to protect the interests of consumers” (versus only 30% who disagreed), and one-third said that at least some of the advertising they had received in the pilot was unfair or deceptive (University of New Hampshire Survey Center, 1997).

In Maine, respondents were asked to rate the relative importance of 9 different aspects of electric service, ranging from low rates to protection for low income customers. The item “ability to choose power supplier” ranked eighth out of nine (30% cited as very important), well behind items such as “rates don’t change very much or very often” (56% rated as very important), and “rate changes are predictable in amount and timing” (46% rated as very important). Interestingly, Maine’s companion survey of small businesses produced almost identical results: “choice” ranked 8th out of the nine factors, well behind the rate stability and predictability factors. By far the highest rated attribute in both samples (as in the New York surveys) was reliability of service (88% rated as very important by residential customers, 91% by small businesses).

Together, these results raise substantial doubt about the degree of public support for switching from stable electricity regulation to the “rough and tumble” competitive industry paradigm. It would appear that the “ability to choose” a power provider is not as highly valued as the reliability, price stability, and consumer protection which may be jeopardized in a deregulated industry.

### **Broader Economic Issues**

One common concern in the debate over restructuring is whether moving from a regulated to a “competitive” industry is going to have inequitable results, i.e., providing economic savings to large industrial and commercial customers but no savings, or even higher bills, to residential and small commercial customers. The Maine survey took this issue on directly by asking: “Would you be willing to pay 10% more for residential rates if this would lower business and industry rates, possibly helping improve Maine’s economy?” Despite that qualifying statement about the economy, only forty-one percent said yes versus 56% who said no. Even more opposition was observed in the small business survey, where the same question was asked (except it was phrased as pay 10% more for “residential and small business rates”). For those small business respondents, only 16% said yes and 81% said no. In New York, the possibility of a restructuring that “raises rates for smaller customers while reducing rates for larger customers” was rated as the least desirable restructuring outcome out of 12 items, by both the residential and small business samples. Clearly, if the end result of “competition” is just to give a break to large businesses, the general public (and the small business community) are not going to be happy.

Another concern raised by restructuring is the issue of buying power from distant sources rather than utilities within one’s own state. It is almost axiomatic that moving to competition will mean that people will end up buying power from distant generating companies. Here again, the survey results indicate that the public has serious concerns about the direction restructuring appears to be heading.

In the Maine survey, right after the survey item which elicited 75% support for customer choice if it reduced rates by 10%, respondents were asked: “Would you like to be able to choose your electric power provider if it meant the possibility of losing Maine-based utility companies to New England-based and nationally-based companies?” With that condition raised, support for choice dropped by half, to 38%, with 56% saying no. In Michigan, customers were asked to rate their level of support for their utility spending more money on each of seven different options, ranging from energy efficiency programs to renewables, to building a traditional coal or gas power plant. The option “buying additional power from another state or Canada” ranked dead last at just 19% support, even lower than “building a nuclear power plant” (which had 21% support)!

### **Stranded Costs**

Undoubtedly the most contentious issue in the restructuring debate is the problem of stranded costs. Interestingly, only one of the state regulatory commission surveys addressed that issue directly (perhaps the others didn’t want to hear the likely results). In New York, both the residential and small business survey respondents expressed strong opposition to the idea that utilities and their shareholders

would be protected and would recover their costs for non-competitive powerplants. Out of 12 possible outcomes from restructuring, only the scenario of rate increases for small customers while industrial rates are reduced was more negatively perceived than the stranded cost recovery concept.

In addition, the previously cited national survey did cover that issue, and received the type of response one might expect. When asked: "Who should be most responsible for paying the debt on the existing power plants that may not be able to compete for business because of the higher cost of the energy they produce?", 70% of the public chose "utilities and their shareholders", 14% chose "consumers through surcharges on the energy they use", and 8% chose "the general public through taxes".

### **Energy Efficiency**

Energy efficiency is an important issue in the restructuring debate because, as many observers have noted, moving to an unregulated competitive market is likely to extinguish most utility energy efficiency efforts (absent some specific regulatory mechanism to assure their continuance). However, like many prior opinion polls, the surveys reviewed for this paper also demonstrated very strong public support for utility energy efficiency programs. In the Maine survey, "utilities develop programs to improve energy efficiency" was the third ranked item (64% rated as "very important") out of nine factors regarding electric service, well ahead of "ability to choose power supplier" (which ranked 8th, with only 30% rating it as very important). Notably, the survey of small business customers produced almost identical results (62% rated energy efficiency programs as very important, vs. 29% for the eighth ranked "choice" factor).

In Michigan, 93% of residential customers responded 'yes' to a question about whether they felt their utility company should offer energy conservation programs to help customers save energy. When asked "if the costs were the same", would they prefer that their utility pursue energy conservation programs or build more power plants", conservation programs were favored by 75% to 7%. When asked to rate 7 different options for where their utility should spend more money, energy efficiency programs ranked a close second (83% support) to "controls to reduce air and water pollution" (86% support). By comparison, the items "building a traditional coal or gas burning power plant" received only 30% support; "building a nuclear plant received 21% support; and "buying additional power from another state or Canada" received 19% support.

A Michigan survey of business customers (all sizes of businesses) replicated the first two of the residential items above. The results indicated that 85% of business customers felt that their utility company "should offer programs to help companies use energy more efficiently"; and businesses supported pursuing energy efficiency programs over building more power plants by a 68% to 17% margin.

Finally, a December 1996 nation-wide residential survey by a highly experienced national polling firm found 69% of the public in favor of a federal requirement for utilities to provide energy efficiency programs, versus only 29% opposed (Sustainable Energy Coalition, 1996).

### **Summary and Implications For Policy**

Overall, it is striking to note the extent to which the prevailing trends in electricity restructuring seem to be out of sync with what these surveys indicate are the needs and preferences of the general public. Whereas residential and small business ratepayers in these surveys indicated their strongest interest in high reliability and stable, predictable rates, restructuring is heading toward a paradigm which features complexity, market uncertainty, price volatility and at least the risk of diminished reliability for many customers. Whereas the public expressed support for in-state utilities and power supply, restructuring promises regional and national markets. Whereas residential and small business customers strongly opposed the idea of giving rate breaks to large business at the expense of smaller customers, moving to a "competitive" electricity industry has a serious risk of resulting in just that outcome (as even executives in the electricity industry acknowledged).

Whereas residential and even business customers have demonstrated a strong preference for pursuing energy efficiency over new power generation and have overwhelmingly supported the idea that utilities should provide energy efficiency programs, preparing for the expected restructuring to competition is already leading to the demise of these programs at many utilities. (Although some states have created specific mechanisms to sustain energy efficiency in the short term, other states have explicitly removed energy efficiency programs from their restructuring proposals.) Whereas the public overwhelmingly opposes the idea that ratepayers or taxpayers should pick up the tab for stranded costs, full or nearly full recovery of stranded costs by utilities is the cornerstone of virtually all restructuring proposals adopted to date.

In summary, it is quite ironic that a policy change being pursued in the name of "customer choice" seems to ignore (and in many cases contradict) the apparent needs and preferences of the vast majority of ratepayers.

### **Conclusion**

The electric industry in the U.S. is leaving behind an era in which the evaluation profession performed a significant role. The industry is now moving toward a paradigm which, early experience suggests, will feature much less public policy reliance on such evaluation strengths as objective empirical data; careful quantitative analysis; and open presentation of results. Thus far, the movement toward restructuring has seen (1) little use of scientific means to determine the public's needs and preferences regarding

electric service; (2) a distortion of the concept of using “pilots” to empirically test public policy changes; and (3) a rapidly accelerating trend toward denying public access to information, due to claims of confidentiality and proprietary information.

Such neglect of basic principles can lead to bad policy. At the least, as this paper’s review of the few available scientific surveys produced by state regulatory agencies makes clear, electric industry restructuring policy appears to be proceeding in a direction that is at variance with several key needs and preferences of the general public (including both residential and small commercial ratepayers).

In the hope of improving the prospects for the future, this paper has identified several areas where the principles and methodologies of the evaluation profession could contribute toward informed public policy decisions regarding the electric industry. Two such areas in particular would be: (1) performing scientifically designed needs assessments to help guide initial decisions about electric industry structure, and (2) performing appropriate evaluation and analysis of the results of any policy changes that are implemented.

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