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# **Energy Efficiency Program Administration**

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Colorado DSM Informational Workshop  
**Colorado Public Utilities Commission**  
**February 8, 2007**



# Overview of Talk

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- **Key functions in administering and delivering EE**
- **Summary of State experience with alternative approaches to administering energy efficiency**
- **Pros and cons of alternative approaches**
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# What does it take to administer and deliver Energy Efficiency programs?

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- **General Administration and Coordination**
  - Propose & manage budget for portfolio of programs; maintain contracts with primary contractors; maintain IT system for reports to PUC, legislature
- **Program Development, Planning, and Budgeting**
  - Facilitate public planning and input process; propose general program descriptions and budgets
- **Program Administration and Management**
  - Manage budget and sub-contracts for individual programs; provide detailed program design; propose program changes based on experience and market response
- **Program Delivery and Implementation**
  - Market individual programs; provide program delivery services (e.g., energy audits, tech. assistance, rebates); develop M&V guidelines; develop individual projects
- **Program/Market Assessment and Evaluation**

**KEY QUESTION: What functions are done by Energy Efficiency Administrator (EEA) and/or Third Parties?**

# Energy Efficiency Program Administration (and Governance) Models

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## Selection Process

Administrative  
Determination



- 1) Continue Utility Administration
- 2) Use Existing State Agency (and Expand their Scope)
- 3) Create New Non-Profit Corporation with Board of Directors

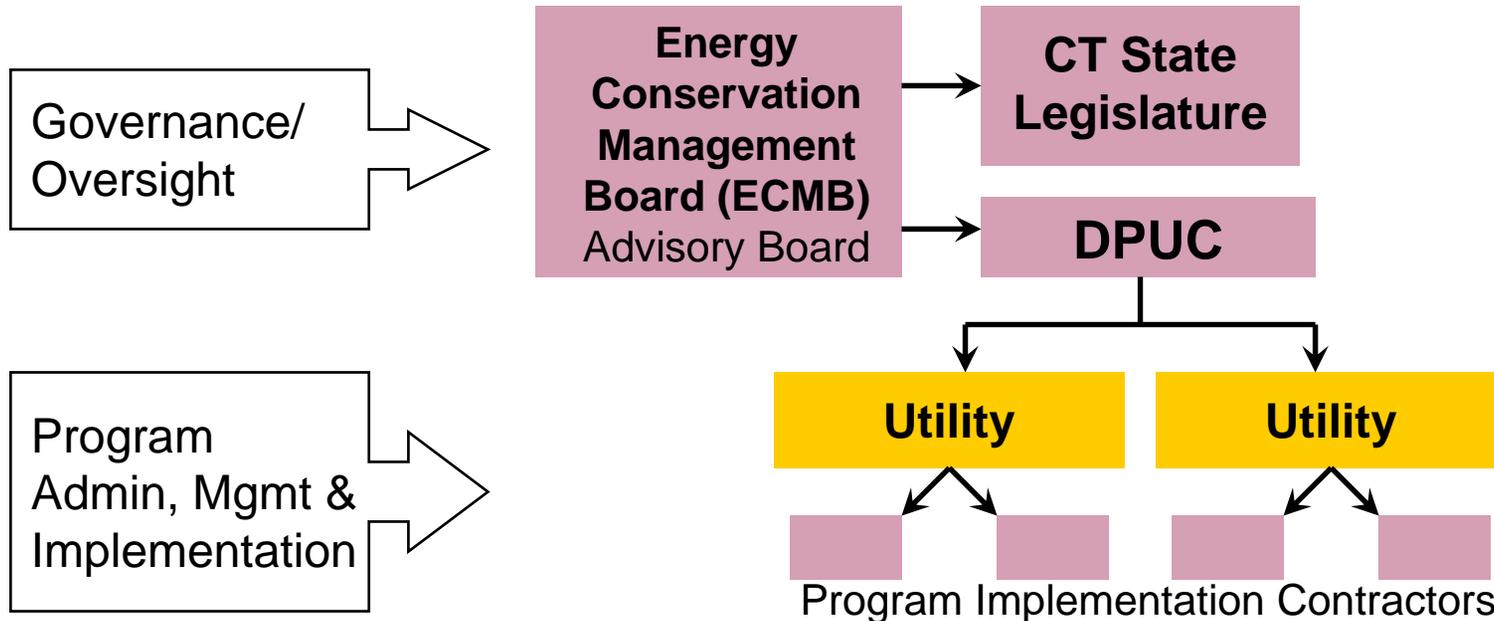
Competitive  
Process



### Eligible Bidders

- Non-profit organizations
- For-profit firms
- Utilities (?)
- State agencies (?)

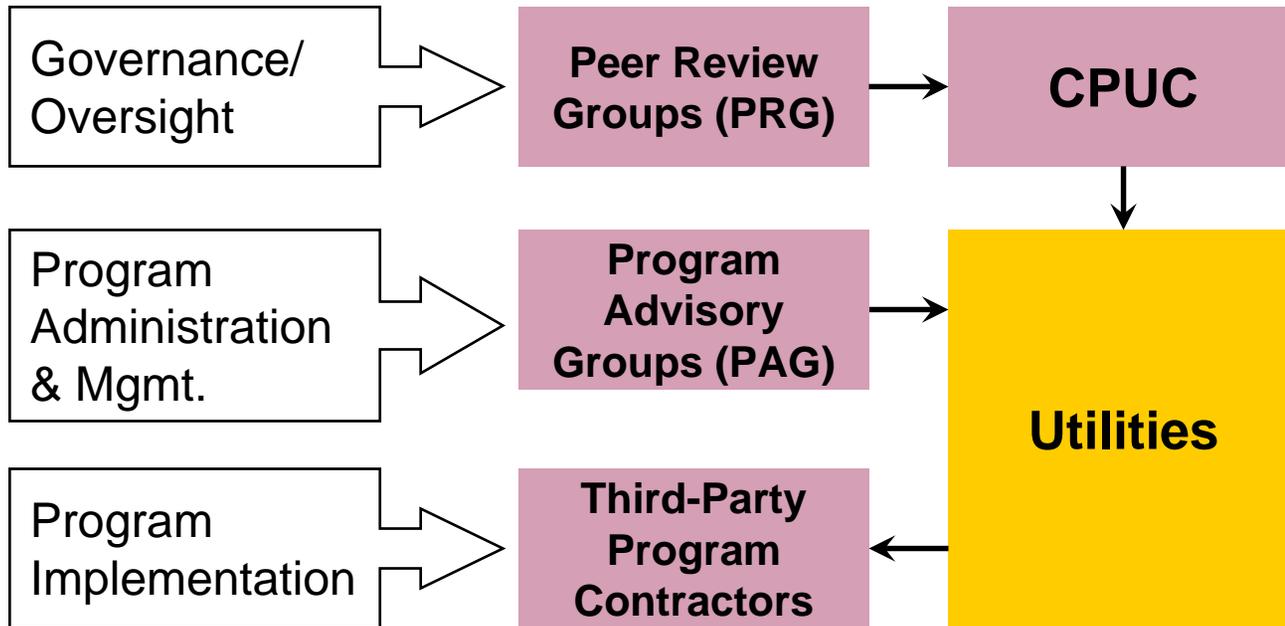
# Energy Efficiency Administration: Connecticut



- **Utility administration with a public/stakeholder advisory board (ECMB)**
- **Accomplishments**
  - facilitates DPUC regulatory approval of C&LM programs, budgets, goals, incentives, M&V
  - coordinated statewide programs

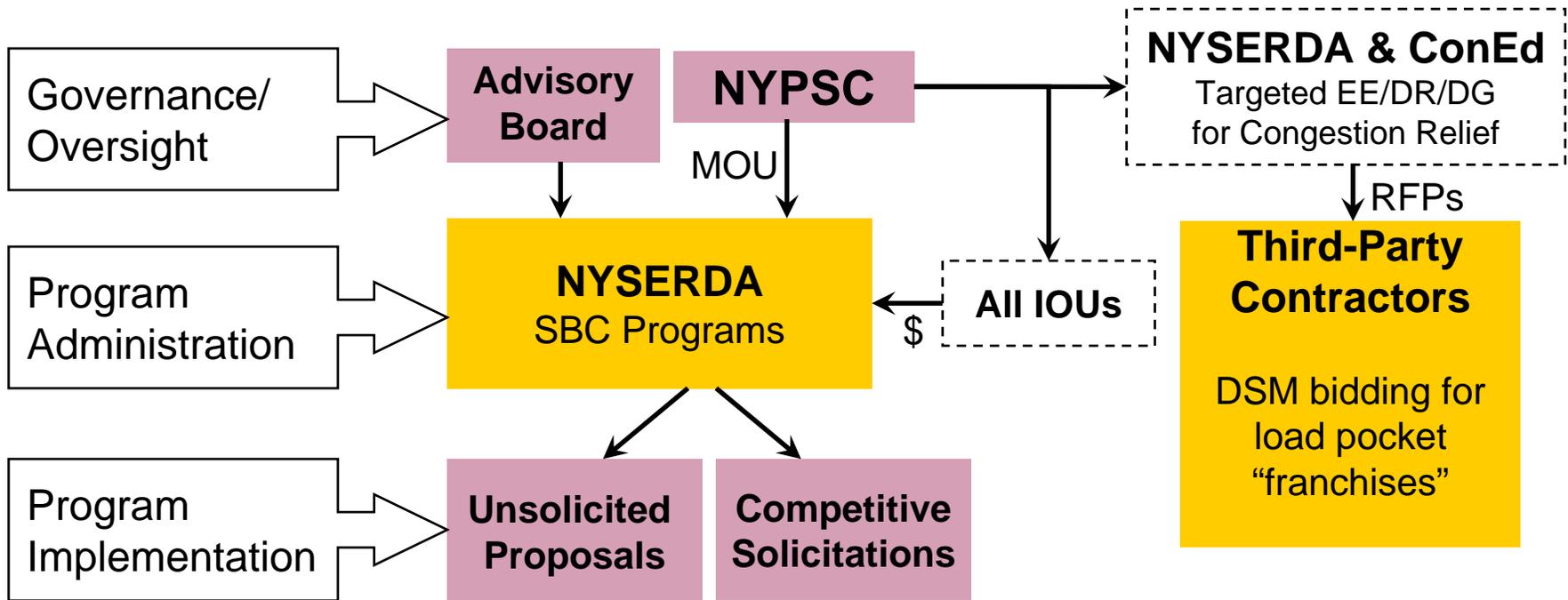
# Energy Efficiency Administration: California

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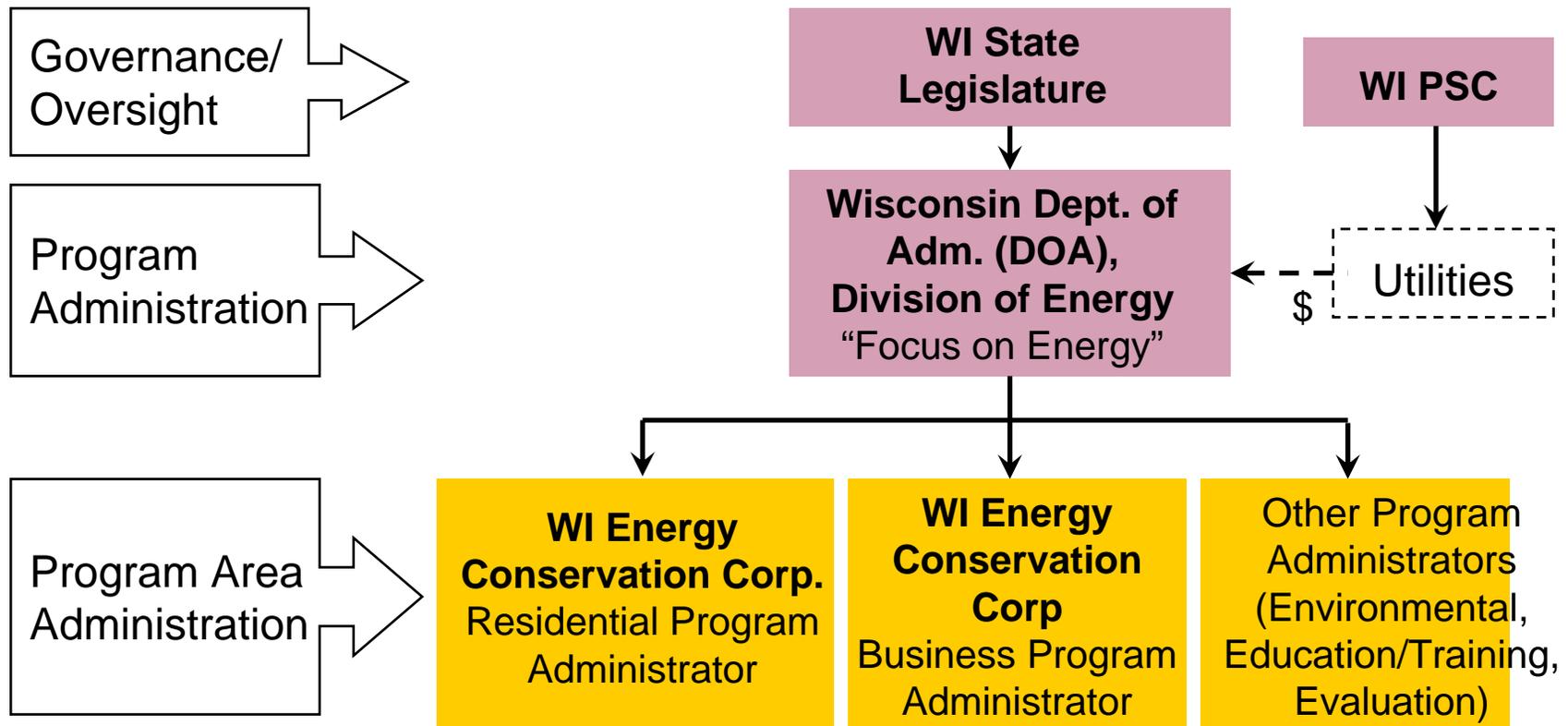
- **Utility Administration with informal advisory groups**
  - PRG: sub-set of non-financially interested PAG members who assess utility portfolio plans and solicitations
  - PAG: provide input on program design
- **Third-Party Program Contractors:**
  - 20% of EE budget reserved for programs designed & administered by third-parties

# Energy Efficiency Administration: New York



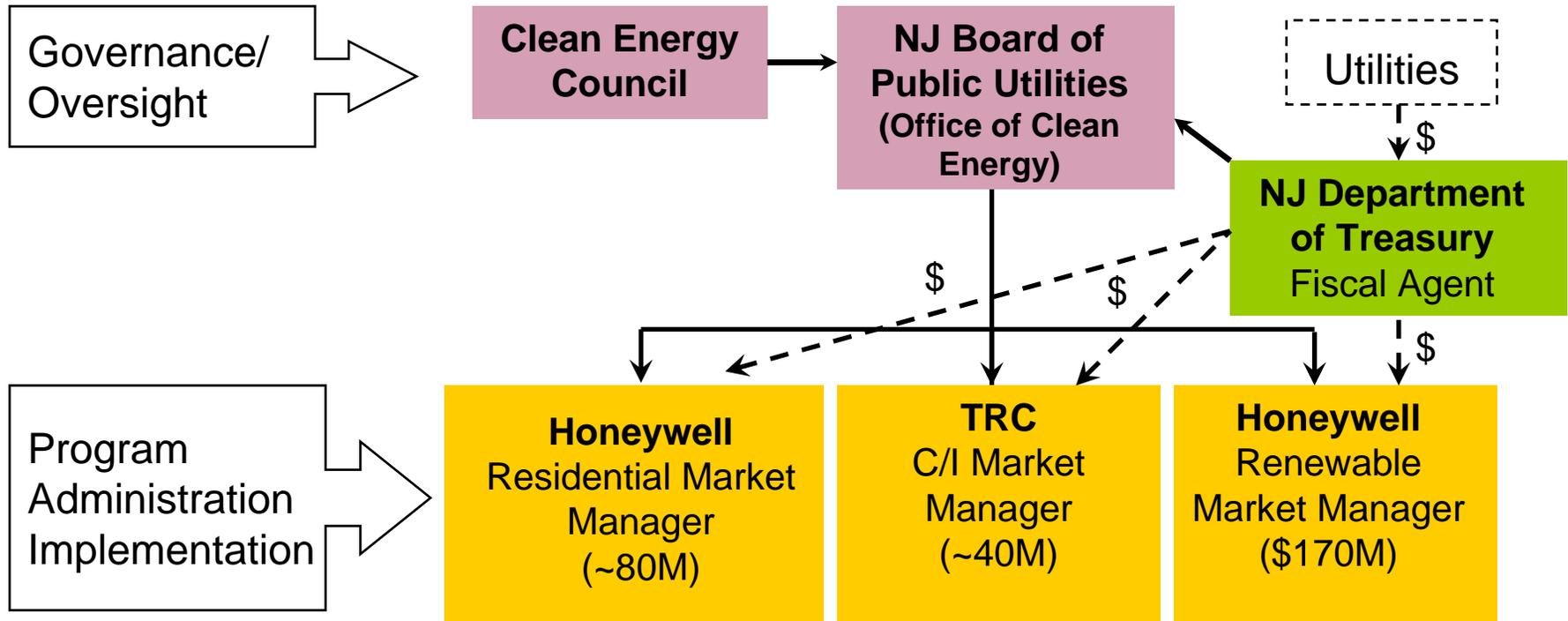
- **Expanded Scope for Existing State Agency (NYSERDA)**
  - MOU between NYPSC and NYSERDA; NYPSC approves 5 year Operating Plan
  - 5-yr SBC Funding is \$1.1B thru 2011: EE (\$547M), LI (\$232M) and R&D (\$279M)
- **In NYC, utility also administers programs**
  - 2-yr Funding for targeted congestion relief: NYSERDA (\$112M) and ConEd (\$112M)

# Energy Efficiency Administration: Wisconsin



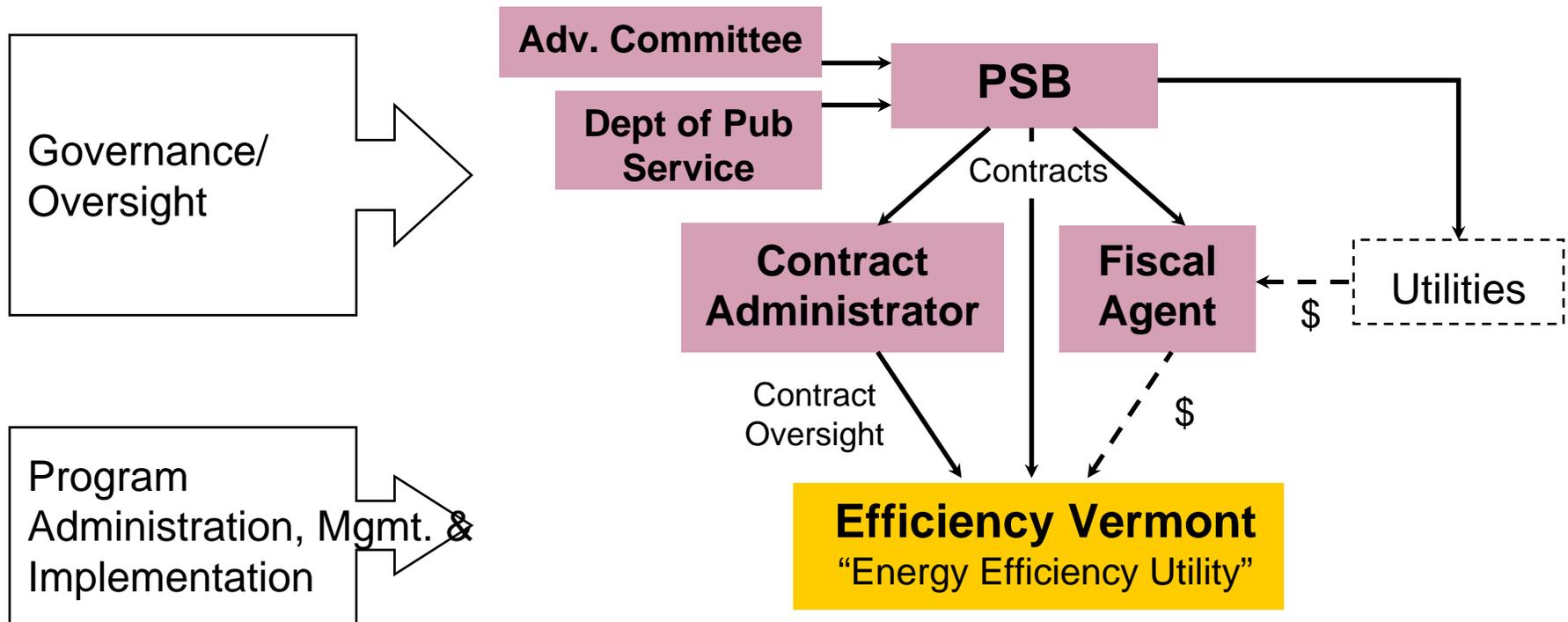
- **Existing State Agency model (2002 to July 2007)**
  - 3-yr. contract between DOA and Program Area Administrators (+ 1-yr. extensions); Budget = \$40M/year in 2005
- **Significant "raiding" by state legislature and Governor has led to new approach**

# Energy Efficiency Administration: New Jersey



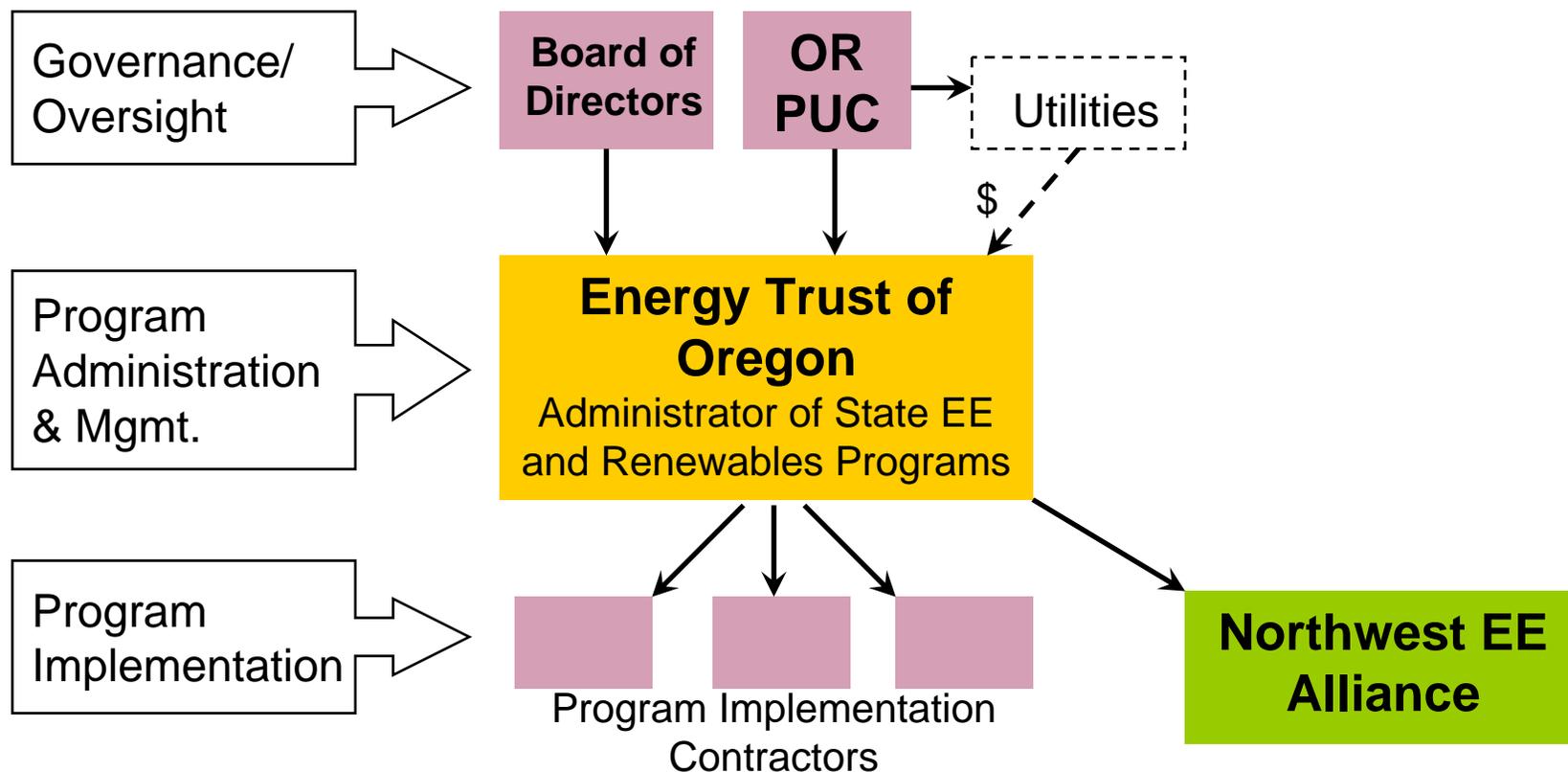
- **NJ BPU provides regulatory oversight of EE and renewables programs; and appointed a Clean Energy Council to provide advice and input**
- **New Jersey issued RFP to select Market Managers to administer EE and renewable public benefit programs; Few bidders responded**

# Energy Efficiency Administration: Vermont



- **RFP Process: 3-yr contract with Efficiency Vermont (+3 yr extension)**
- **Evolved from prescribed core programs to program area targets**
- **“One-stop shopping”**

# Energy Efficiency Administration: Oregon



- **Energy Trust is non-profit corporation; grant agreement with OR PUC**
- **~40 staff: \$62M/year budget**

# Continued Utility Administration

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- **Pros**

- Technical and administrative experience on utility staff
- Well-developed regulatory channels for oversight and accountability
- Often have established infrastructure and network with market participants (e.g., vendors)

- **Cons**

- Financial disincentives to pursue energy efficiency
- Potential and perceived (by market participants) conflicts of interest
- Service territory boundaries may lead to market and administrative inefficiencies

- **Suggestion**

- Establish Advisory Committee process to facilitate stakeholder input

# Existing State Agency Model

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- **Pros:**

- Statewide scope can harness economies of scale
- Agency objectives/mission are potentially compatible with EE goals

- **Cons:**

- State procurement requirements may limit ability to select “best-value” programs/proposals
- Lack of experience and ability to attract qualified staff
- Potentially greater political exposure of program funds

# Third-Party Administration: Create New Non-Profit Organization

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- **Pros:**
  - **Structure and mission can be strongly aligned with policy goals**
  - **Ability to create lean, efficient administration**
  - **High probability of attracting qualified administrative and technical staff**
- **Cons:**
  - **Institution building takes long time and significant political will and resources (e.g. typically requires enabling legislation)**
  - **Warranted only if funding duration is sufficiently long**

# Lessons Learned: Changing Administration

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- **Regulatory vs. Contract model?**

- Expect high switching costs if move toward contract model (CA, NJ)
- Contract model: Min. 3 year term with option to renew for multi-year period (VT, WI)
- Be creative: inter-agency (NY) or grant (OR) agreement

- **Plan for transition**

- Prepare for unexpected (e.g., how to transfer \$\$ from utility, potential lawsuits)
- Longer than expected (~2-3 years minimum)
- Minimize disruption in program offerings to customers and loss of EE services infrastructure and capability

# Lessons Learned: Changing Administration (cont.)

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- **Require New EE Administrator to develop a long-term strategic plan (and ST action plan)**
  - Energy Trust of Oregon is good example
- **Non-profit corporation model needs:**
  - Broad political/legislative support
  - “Independent” Board of Directors
  - Accountability/oversight (strategic plan, budget, annual report, advance notice of LT contracts, indpt. mgmt review)
  - Procurement guidelines

# Lessons Learned: Utility Administration with Advisory Process

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- **Advisory committees can facilitate and broaden stakeholder input and enhance EE portfolio and programs**
- **Advisory Boards to PUCs**
  - Act like an Exec. Board not a “staff” Board (CT ECMB vs. CA CBEE)
  - Hire technical consultants; plan to spend ~1-2% of EE budget
  - Establish processes (e.g. bylaws, members, officers, voting rules, public notice)