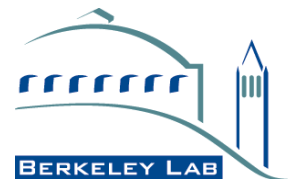


Energy Efficiency Programs: Administration and Governance Options

Charles Goldman
E. O. Lawrence Berkeley National Laboratory
CAGoldman@lbl.gov

New Jersey Clean Energy Council
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Overview of Talk

- Developing a Common Language
 - Understanding Functions: Administration & Implementation/Delivery
- Alternative Models for EE Program Administration
- Case Studies of State Experience
- Lessons Learned

What does it take to administer and deliver Energy Efficiency programs?

- **General Administration and Coordination**
 - Propose & manage budget for portfolio of programs; maintain contracts with primary contractors; maintain IT system for reports to regulators, legislature, advisory groups
- **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 and provide proposals for changes based on experience
- **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 Assessment and Evaluation**

Models for Public Purpose Program Administration and Governance

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

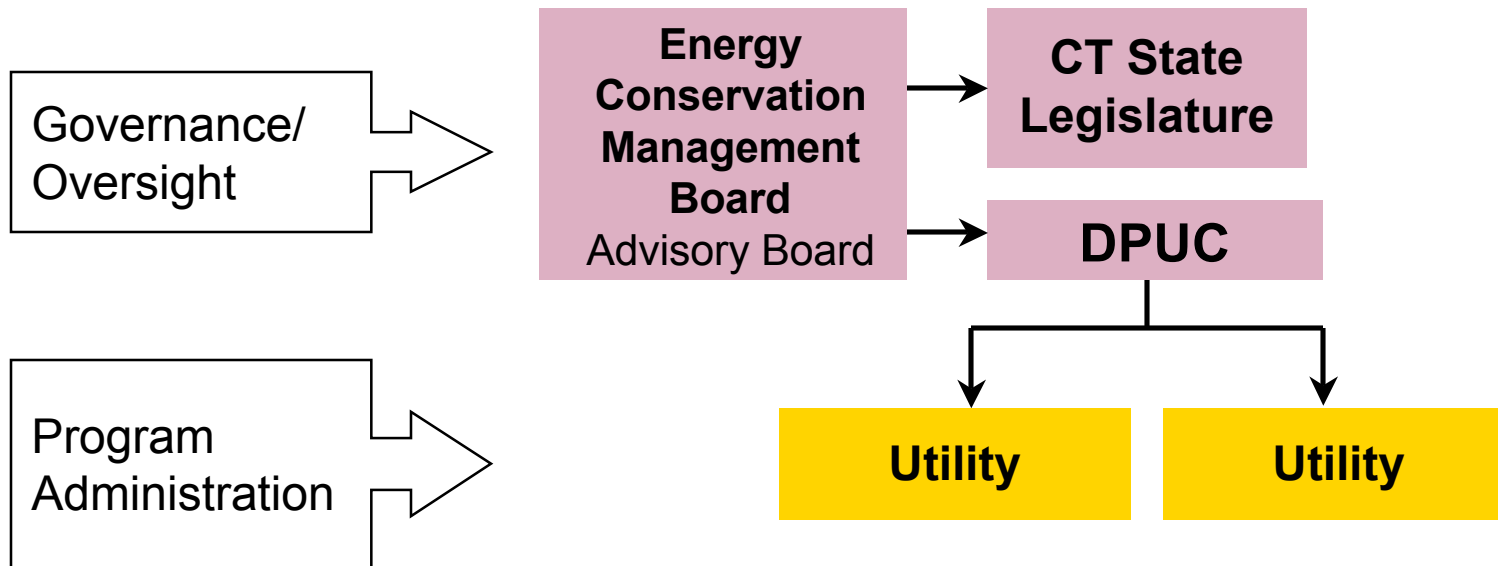
Competitive Process



Eligible Bidders

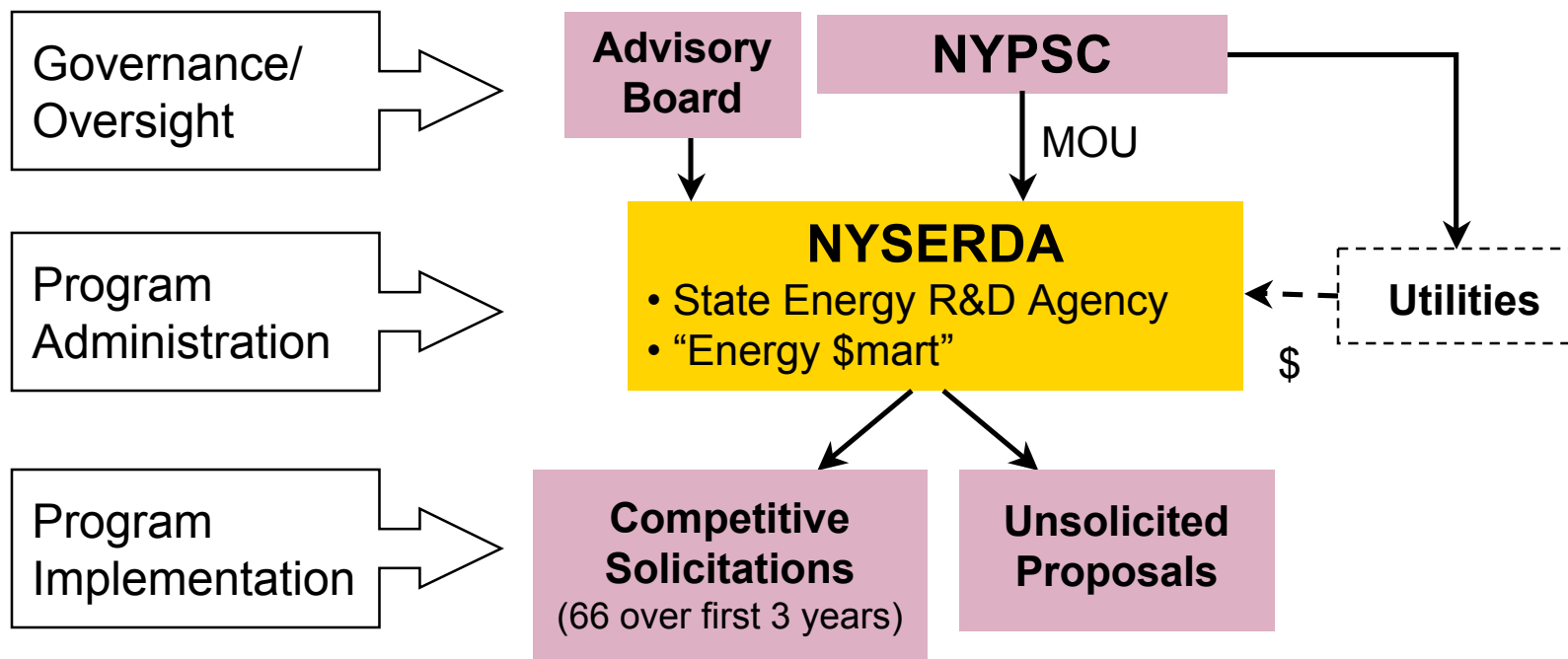
- Non-profit organizations
- For-profit firms
- Utilities (?)
- State agencies (?)

Connecticut Administrative and Governance Model



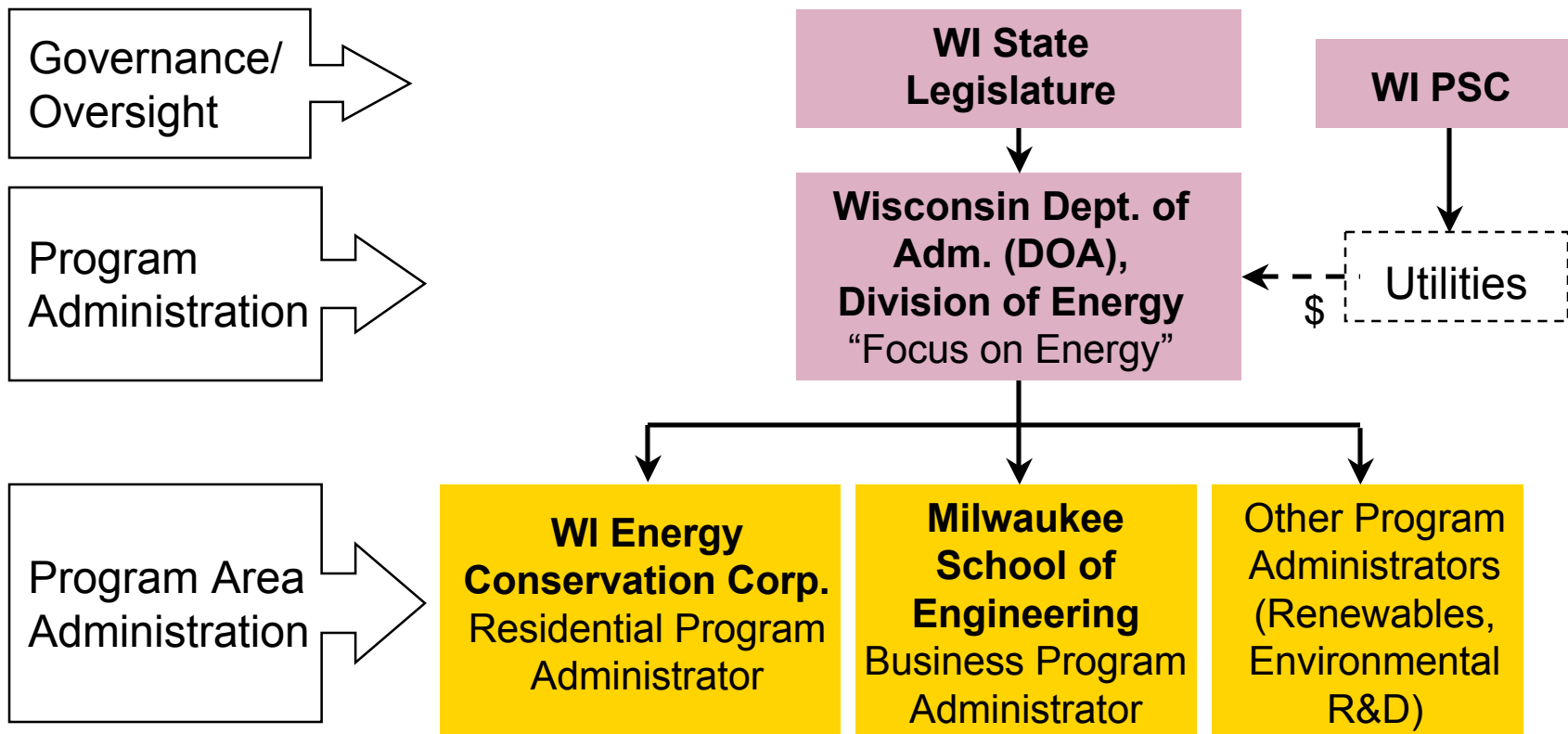
- ECMB spurred move toward similar statewide programs

New York Administrative and Governance Model



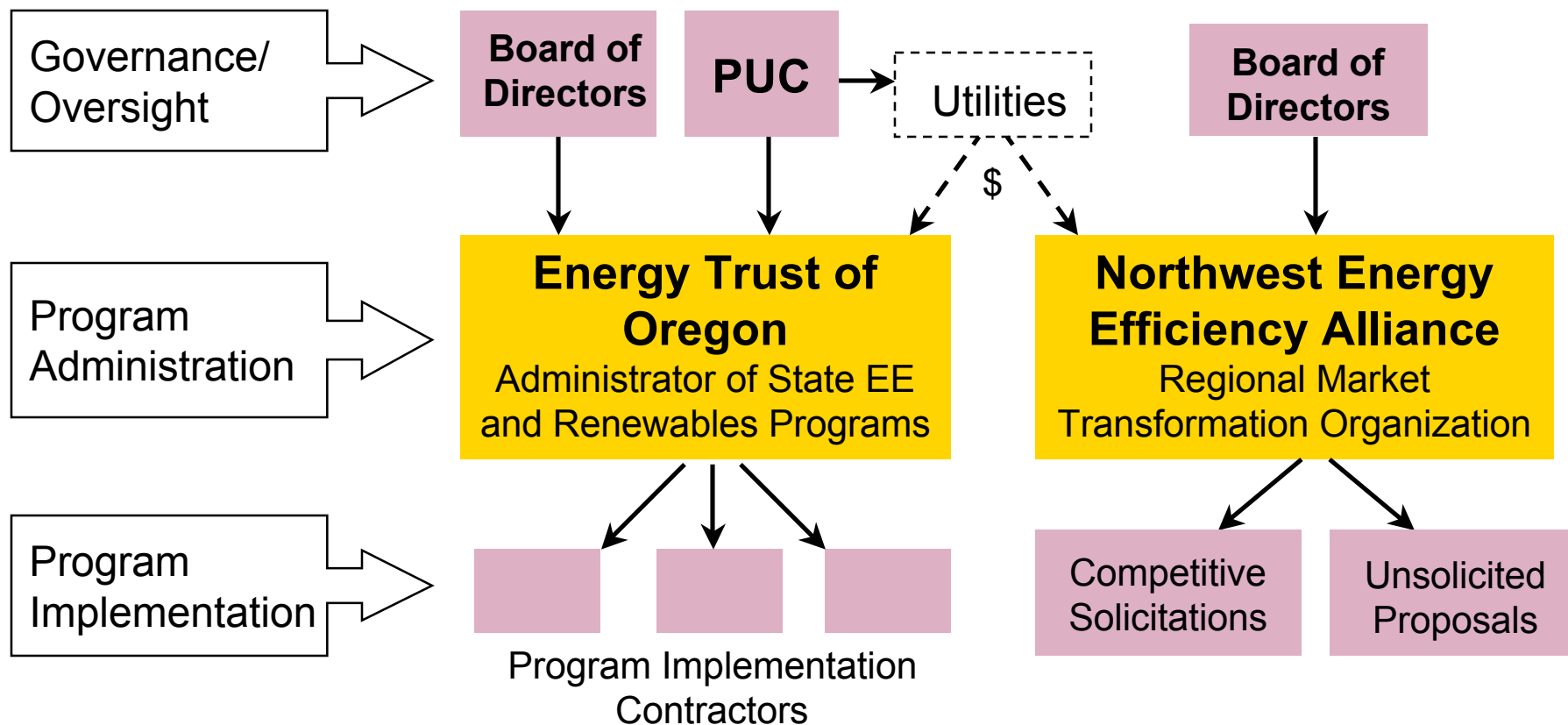
- MOU between NYPSC and NYSERDA; NYPSC approves 5 year Operating Plan
- Cumulative 6-yr Funding: EE (\$436M), LI (\$114M) and R&D (\$200M)

Wisconsin Administrative and Governance Model



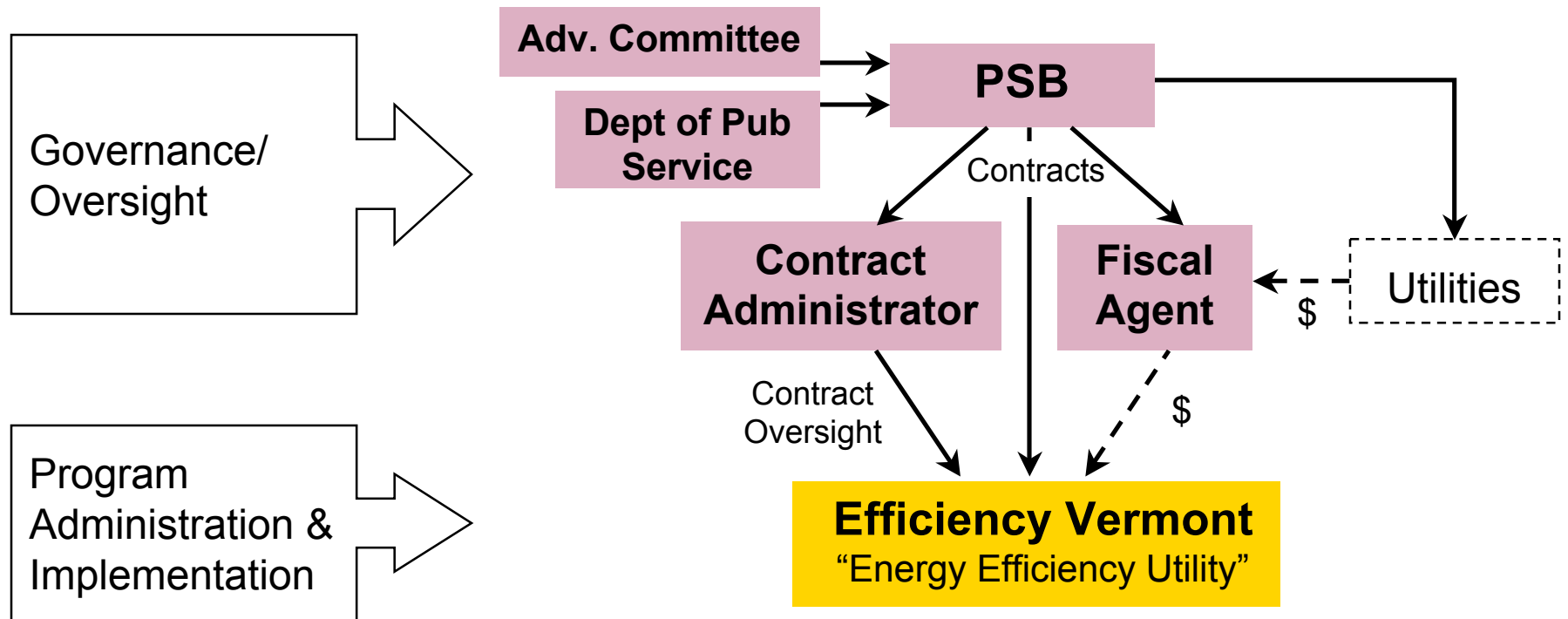
- 3-yr. contract between DOA and Program Area Administrators (+ 1-yr. extension)
- Budget = \$63M/year in 2003

Oregon Administrative and Governance Model



- NEEA has strong track record of success, which increased support for non-profit model (Energy Trust of OR)

Vermont Administrative and Governance Model



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

Existing State Agency Model

- **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

Creating a New Non-Profit Organization

- **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 time and significant political will and resources
- Warranted only if funding duration is sufficiently long

Continued Utility Administration

- **Pros:**

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

- **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

Lessons Learned from Other States

- Sustained PUC leadership and involvement can make BIG difference
 - Regulatory vs. Contract model?
 - High switching costs
 - 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., lawsuits, how to transfer \$\$ from utility)
 - Longer than expected; minimize disruption in program offerings to customers
 - Minimize loss of EE services infrastructure and capability
-

Lessons Learned (cont.)

- State agencies (e.g., PUC) should strongly consider impact of SBC funds on their overall budget & staffing
 - Do you want SBC funds to be viewed as “general funds”?
 - Fiscal Agent can help
 - Hire/select good program administrator and avoid micro-management
 - Ensure accountability (e.g., mgmt audits, advisory groups); minimize exposure to legislative pork-barreling

Lessons Learned (Cont.)

- Require EE Administrator to develop a LT strategic plan (and ST action plan)
 - Energy Trust of Oregon
- 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

Advisory Committees to PUCs: Lessons Learned

- Act like an Exec. Board not a “staff” Board
 - CT ECMB vs. CA CBEE
- Hire technical consultants/facilitator and insist on sufficient, experienced staff
 - Plan to spend ~2-3% of budget on consultants with some front-loading of costs
- Bylaws, officers, members, voting rules, committees, public notice
 - Be clear on internal processes
 - Rely on sub-committees and informal approaches to decision-making/recommendation if possible