Energy Efficiency Programs: Administration and Governance Options

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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

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

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
• 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