Third Party Provision of
Energy Efficiency Programs

Introductory Analysis

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Alternative Approaches to DSM in Colorado:
Final Report to the National Association of Regulatory Utility Commissioners and the Colorado Public Utilities Commission

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SUMMARY

To provide support to the Colorado Public Utilities Commission (COPUC) in assessing the potential for developing alternatives to utility-administered demand-side management (DSM) in Colorado, the National Association of Regulatory Utility Commissioners (NARUC) contracted with Keith Hay (the consultant). The consultant conducted interviews with 17 of the state’s largest gas and electric utilities as well as with the Colorado Rural Electric Association and Tri-State Generation and Transmission to determine this potential (See Appendix I for a complete list of the utilities interviewed). This report integrates the information provided in these interviews with findings from research conducted by the consultant and the Regulatory Assistance Project (RAP) into the characteristics that make a DSM administrative model successful.

Does a Colorado Approach Exist?

No consensus around a single “Colorado Approach” emerged from the interviews conducted. However, the conversations revealed several possible paths forward by providing both a list concerns that any third-party model would have to overcome and a list of characteristics that it should meet. The most common concern expressed was that participating utilities would lose what they view as a positive interaction with and relationship to their customers to the new third-party administrator. For regulated entities, the second most prevalent set of concerns related to issues surrounding the transition from utility administration of DSM to the new administrator including delays in achieving DSM goals and additional costs associated with DSM programing. Unregulated entities feared losing local control under a statewide regime. Both groups expressed concerns about the potential for additional regulatory or other reporting requirements. In addition to expressing these concerns the utilities identified several characteristics that would make a third-party administrator potentially more acceptable to them including:

- Preference for an independent, non-governmental third-party administrator.
- Oversight and governance provided by a board composed of participating utilities and not by the COPUC.
- Control of setting the DSM budgets remains with the utilities.
- Determining the mission and programs is done by the entities providing financial support.
• Use of the utility’s funds provided to the third-party administrator should be spent in the utility service territory.

Of the 19 entities interviewed, all expressed some level of interest in continuing discussions about the possibility of moving toward an alternative administrative model that satisfies these criteria. Most agreed to participate in round-table discussions with other utilities and stakeholders. The consultant recommends that the Commission consider creating a limited-term working group to continue discussing these issues. The Commission may also wish to consider having the working group:

• Work toward agreement on a statewide goal or target for DSM savings;
• Discuss other policies that could support statewide DSM efforts;
• Develop a shared vision for how a process toward achieving these goals could be reached; and,
• Work toward standardizing (where possible) programs and metrics for evaluation.

Each of these represents an important step forward in developing a coherent statewide DSM plan and in moving toward a third-party administrator if that emerges as the preferred method of administering DSM in Colorado.

Evaluating a Colorado Approach

That the state’s utilities may find a particular approach or set of characteristics potentially more acceptable to them does not ensure the success of that administrator. Therefore, NARUC requested that the consultant work with RAP to assess how any Colorado approach meets current “best practices” for alternative, non-utility models for DSM administration.

RAP stated that its latest research confirms that there is not a single set of “best practices” that could easily be applied from one state another. This is consistent with RAP’s findings in its 2003 report *Who Should Deliver Ratepayer Funded Energy Efficiency?* and other reports that have examined administrative models for DSM. In their report RAP concluded that, “the more robust ratepayer funded efficiency programs are less the result of administrative structure *per se*, than the clear and consistent commitment of policy makers.” In his 2010 paper *Models for Administering Rate-Payer Funded Energy Efficiency Programs*, Matthew Brown concurs that there is no single “best” model for DSM.
“The structure most appropriate for a state depends largely on the situation of the state [.]” Brown goes on to suggest a set of criteria that can be used to determine if a particular structure would be appropriate for a state including:²

- Whether and to what extent political and regulatory support for DSM exists;
- The presence of other policies and structures to support DSM (such as funding and clear goals); and, 
- The presence (or absence) of procurement regulation.

Brown lists one additional condition that is especially relevant to this discussion, the availability of third-party entities that can assume administration duties. His review of states that have moved to non-utility DSM administration suggests that those states that have existing third-party entities are more quickly (and more successfully) able to make this transition. At present Colorado lacks a non-utility, non-governmental entity that could quickly ramp up oversight of the vast range of DSM programs being offered by the utilities in Colorado.³ Without a potential third-party administrator, Colorado may face a delay in achieving any statewide DSM goals as the new entity is created, develops programs and creates a market presence.

**INTRODUCTION**

**Background**

In its 2009 report *Energy Efficiency and Colorado Utilities: How Far We’ve Come; How Far We Need to Go* the Colorado Public Utilities Commission identified several factors influencing the development and integration of demand side management in Colorado. These include the development of energy efficiency programs by the Governor’s Energy Office (in response to opportunities presented by the American Recovery and Reinvestment Act), new federal laws (e.g., the federal lumen standard for light bulbs) and improved building efficiency codes. Even as these elements shift the marketplace toward more efficient homes and appliances, other challenges will continue to present a barrier to achieving robust, cost-effective DSM statewide including:

- A lack of a comprehensive statewide goal or target for energy reduction.
- An inconsistent commitment among the state’s utilities to pursue DSM.
- A patch of programs and offerings that is dependent on utility service territory.
Scope and Process of the Project
In August the Consultant developed an interview and process guide for the COPUC and NARUC. From August through early October the consultant conducted a series of interviews with executives and staff from a total of 16 regulated and unregulated electric service providers and five of the state’s regulated gas providers. In some cases more than one utility participated in a conversation. The interviews were intended to provide the consultant, NARUC and COPUC with information about each utility’s views regarding the potential for instituting a non-utility, third-party administrative model for delivering DSM in Colorado. Included in these interviews was a more general discussion of creating a statewide goal for DSM and the most appropriate administrative structure to achieve successful development and deployment of robust demand side management (DSM) on a statewide basis. In each case these discussions were guide by a document entitled “Determining a Structure for Delivering DSM in Colorado: Process Guide and Questions,” which the consultant provided to each utility prior to the first meeting. To assess the general possibility of using a third-party model, the consultant asked each utility to consider a non-specific, general administrative structure based on the model provided in Figure 1. Each utility was also asked explicitly about any preference for governmental versus non-governmental administrator models (see below for a description of each).

Figure 1: General Administrative Structure. Source Blumstein et. al. 2003
In addition to answering questions about characteristics of a preferred alternative for third-party administration, each utility was asked its interest in allowing a third-party to administer various segments of Colorado’s DSM market including each of the following:

- **Fuel** – A third-party administrator could be given responsibility for the gas and electricity markets, just gas or just electricity.
- **Market Segment** – A third-party administrator could be given responsibility for low-income programs, customer self-direct program so other market segment or customer class.
- **Strategy** – A third party administrator could be given responsibility for DSM programs that seek quantifiable reductions in kWh over a specified period of time, for market transformation activities or both.

The remainder of this report considers the possibility of developing a non-utility model for delivering demand-side management in Colorado. Because no consensus on a model arose, the consultant does not recommend a single model to the Commission. The report considers the an “all in” approach where all DSM is administered by a third-party as well as two different hybrid approach, including the benefits and challenges of instituting any of these models in Colorado. The report also considers aspects of Colorado’s utility sector that may prove especially challenging to creating a single statewide administrator. Finally, the report looks at three different possible “Colorado approaches” and evaluates them against the criteria suggested by RAP (Harrington 2003) and Matthew Brown (Brown 2010).

**The Need for a Non-Utility Model in Colorado**

This section of the reports answers three questions that were instrumental in determining if a non-utility model for DSM administration could be developed in Colorado:

- What are the existing models?
- What are the benefits of third-party administration?
- Would non-utility DSM help Colorado achieve robust energy savings?
Existing Models for Delivering DSM and Some Lesson for Colorado

In its 2003 report RAP identified four models for DSM administration including the following three, which were presented to Colorado utility executives for discussion:

- Utility Model – Distribution utilities (IOUs, municipal suppliers or rural coops) administer DSM programs. This model most closely approximates the existing structure in Colorado. As a result it was not presented as an alternative but was used as the business as usual mode in discussions.

- Third-party model – A non-governmental, non-utility entity administers DSM programs under a contract, MOU or similar relationship. Funding is provided by utilities through a system or public benefits charge. Vermont and Oregon use this model.

- Government model – A new or existing state agency administers DSM programs. New York uses this model.

Several other papers, including *Models for Administering Rate-Payer Funded Energy Efficiency Programs*, recognize additional hybrids models that have emerged since 2003. RAP is in the process of evaluating the characteristics of these models. Because many of these models are newer, are still working to hit initial goals and because RAP is just undertaking its analysis; it is difficult to tell if they will be successful. However, it is RAP’s view that the success of these models, like the success each of the others already introduced, will depend on strong state policy and regulatory support. That is, the model itself will not be the primary driver in achieving robust DSM in the state.

While the evaluation of these alternative models is ongoing, they can provide some instructive insights for Colorado. The Energy Center of Wisconsin recommended to the Indiana Regulatory Commission that it consider a DSM administrative model that builds on existing utility experience and expertise (Stratton and Cowan 2009) by allowing at least some utilities to maintain administration of some programs or markets sectors (Stratton and Cowan 2009). Other, less successful, programs could be put under third-party administration. The advantage of this, according to Stratton and Cowan, is that the state can more quickly achieve its overall DSM goals by allowing utilities that are doing well to continue running their DSM programs alongside a third-party administrator, especially in cases where the two entities have the same (or at least closely aligned) goals and are offering
similar programs. Cowman and Stratton also note that allowing utilities to retain responsibility for some programs or sectors while creating standardized programs in other sectors can also allow for some more flexibility in program design across different service territories. These two points are instructive for Colorado where some utilities have strong experience and expertise in administering DSM programs and where conversations with executives revealed a strong desire for flexibility to meet customer needs with the right programs.

This report recommends dropping the government model from any further consideration due to a lack of support among the utilities. The consultant offered the government model among the alternatives but the utilities expressed several concerns about moving in this direction. The primary concern was that the funds for DSM programs could be put at risk in a case where the state needed money to meet other budgetary needs. In addition, several utilities suggested that there would be little interest at the legislature for creating such an entity.

Why Use a Third-Party Administrator for DSM

RAP’s 2003 report identified several barriers at the individual utility level that can impede development and deployment of robust DSM within a utility, including: conflicting financial motives, a corporate culture that favors supply-side solutions to meeting energy needs with increased efficiency. In addition, at the state level multi-party delivery of DSM programs may lead to a lack of a coordinated approach that can be confusing to customers, create redundancies in programs and inefficiencies in overall administration.

The RAP report also found that, “The strength of the independent administration model is the ability to focus its mission and eliminate conflicting business objectives, therefore achieving a high degree of compatibility with broader public policy goals if utilities are to be motivated to acquire efficiency resources.”

COLORADO APPROACHES TO THIRD-PARTY ADMINISTRATION
This section outlines three possible approaches for delivering statewide demand-side management (DSM) in Colorado that are based on discussions with executives from several of the state’s utilities. Under the “all-in” scenario, a single third-party administrator would oversee the DSM programs for all of Colorado’s gas and electric utilities. The report also evaluates the possibility of moving toward each of two different hybrid approaches. In each case Xcel and Black Hills continue to administer their own DSM programs while a third-party administrator delivers programs for different subsets of the other entities. The report includes discussions of the challenges faced by developing each approach including the attitudes of the utilities toward them.

**Colorado’s Utility Sector**

This section provides a snapshot of Colorado’s electricity and natural gas sectors.

Colorado has a large and varied utility sector. Fifty-seven different utilities provide electricity (Navigant 2010). Nineteen utilities provide natural gas service, though some overlap exists with the electricity providers (Navigant 2010). Colorado regulates just six of these providers. Xcel and Black Hill, regulated investor owned utilities (IOUs), provide gas and electric service. The four additional regulated gas only utilities are: Atmos, SourceGas, Colorado Natural Gas and Eastern. Unregulated municipal providers and rural electric cooperatives serve the remainder of Colorado’s markets. In addition to the distribution utilities, Tri-State Generation and Transmission (Tri-State) serves a wholesale electric provider to 18 of the state’s rural cooperatives.

Despite the large number of providers, Colorado’s electricity and gas markets are highly concentrated. On the gas side, Xcel accounted for 73 percent of the customers and 70 percent of the therms sold in 2009 (Navigant 2010). Even the electricity sector is not as diverse as Figure 2 at first makes it appear. An analysis of the data in the 2010 *Colorado
Utilities Report reveals that Colorado Springs Utility accounted for 55.2 percent of the total municipal electricity sales in the state in 2009. Combined with Fort Collins and Longmont, just three municipal electric suppliers accounted for 77.7 percent of total sales that year. The picture among the rural cooperatives is only slightly less concentrated. Just three rural electric cooperatives account for 33.5 percent of total sales.6

The number (and diversity of interests) of the gas and electricity suppliers in Colorado’s market appears to present a hurdle for developing a third-party model in the state. However, on the electric side just six utilities represent 50.2 percent of the non-IOU electricity sales in the state.7 This suggests that it may be possible to develop a third-party model based on these six entities without having to appeal to the other 49 non-IOU providers. Based on the interviews conducted, if such an entity existed it is likely that some (if not several) of the smaller providers in the state would seek to participate on a voluntary basis. Several of these entities expressed the view that they might be willing to pay into such an entity in order to gain program experience and staffing that they could develop internally. There are several additional factors that could increase the likely of this participation including:

- Requiring the smaller entities to be subject to a statewide DSM goal or target.
- Ensuring that administrator provides the smaller providers with a menu of program options that can be easily adapted to meet local needs and respond to local conditions.
- Allowing utilities participating on a voluntary basis to retain full control of their programs budgets and to use local contractors for program implementation.

Colorado’s regulated gas sector appears to be moving in this direction. Four of the state’s regulated gas providers have begun working on a consortium under which they pool resource to jointly hire a contractor to help develop programs, help market programs and provide administrative support. At present, each utility retains control of its measurement and verification and is responsible for all regulatory filings.

**DSM Delivery in Colorado**

Currently, Colorado operates largely under the utility model with the state’s electric and gas utilities having responsibility for administering their own DSM programs.
Colorado has few mandated DSM targets, inconsistent spending on DSM and a patchwork of programs. These conditions result from several factors already discussed. First, primary responsibility for the administration of DSM program rests with the utilities under the existing legislative and regulatory frameworks in the state. Second, the utilities have an uneven interest in or commitment to pursuing DSM. While some, including some of the unregulated entities, are active in pursuing DSM, others have done little to develop DSM programs. Third, outside of the regulated utilities there is little policy support for DSM.

There is one exception to the utility administration model in Colorado. While Tri-State does not provide DSM programs directly to end-use customers, it does provide support to its member cooperatives including assistance with program design, marketing and financial support for augmenting rebates. In this sense Tri-State serves some part of the functions of a third-party for its members.

The Challenges
Based interviews conducted with the utilities— and without regard to the details of a particular approach— implementing a third-party DSM administrator in Colorado faces some significant barriers including:

- The number of participating entities.
- The need for legislation to ensure that municipal and rural electric providers participate.
- A strong commitment to local control, which is likely to manifest itself as opposition to legislation or to any attempt to have oversight by the PUC of not already regulated entities.
- An expressed desire among the entities for programs that meet local needs as opposed to generic, off-the-shelf programs that do not recognize local factors.

In addition, Colorado’s utilities serve a wide variety of different climate zones and customer types. This results in several additional challenges that any third-party administrator is likely to face including:

- Finding a single program that could well across all of the utility service territories in the state.
• Barriers to traditional marketing approaches. This is especially likely in rural Colorado where customers are more likely to look to other customers or local leaders (such as a local contractor) as resources to help them decide on energy efficiency related issues.

Discussions with utility executives revealed a tension between a desire to have support in developing and administering programs and ensuring sufficient flexibility to meeting local needs (both utility and customer). Having a statewide administrator is one approach to resolving this tension. The collaborative effort being put forward by the regulated natural gas providers is another. Finally, it may be possible to release some of this tension by creating a core set of programs that are provider across interested utility service areas.9

Several Roads Ahead
This section outlines possible approaches that Colorado could take to implementing third-party administration of DSM in the state.

As stated earlier, no single model best predicts the success of state-wide DSM efforts. The most appropriate structure for a state administrator depends on factors within the state including: having a clear and consistent policy framework, the presence of policies that augment or support this framework, effective administration of DSM programs and the availability of third-party entities that can assume administration duties (Brown 2010 and Stratton and Cowan 2009).

The “All In” Approach
Under this approach responsibility for all of Colorado’s gas and electric DSM rest with a single administrative entity. Based on interviews, the most likely scenario is that this is an independent, non-governmental entity. While this model would allow for the most direct alignment of state policy goals with the mission of the organization (a key factor in successfully hitting DSM targets), it is unclear that this should be the preferred model.

At least some of Colorado’s electric and gas providers have the expertise and the resources to consistently develop robust programs. To the extent that these entities are under
Commission jurisdiction clear oversight and a clear policy framework exists (each of which is a factor in having a successful statewide DSM program).

**Hybrid Models**

Colorado’s three types of power providers (IOUs, municipal and rural electric cooperatives) suggest an alternative model to the “all-in”. It may be desirable to leave out the regulated entities which meet several of the conditions for having a successful DSM program. In addition, the muni and REA providers share several characteristics that may make it sensible to work to find a single administrator for them. First, in both cases a handful of producers provide the majority of the gas or electricity. These larger providers often have staff dedicated to DSM programs and may have a long history or providing these programs. Second, there are a large number of small to very small entities that have no internal resources to complete a DSM study or to develop or manage DSM programs.

**The Collaborative Approach**

It is worth reconsidering whether the voluntary, collaborative approach being used by the gas utilities could provide a model for the state. An initial problem with the voluntary or collaborative approach is that it is unclear that enough utilities, especially enough of the larger utilities would be willing to participate. At least some of them already have staff dedicated to DSM and the utilities feel that they are able to create, manage and direct these programs as well as any outside entity could. In addition, the gas utilities that are already using this model moved in this direction as a result of a legislatively mandated energy reduction target and the PUC rules set in place to ensure the utilities meet these. Prior to this legislation few of these organizations had any substantial DSM program and they were not working together. This suggests that a “voluntary” approach might be possible if utilities not currently subject to legislation were requirement to meet these existing goals.

**Final Analysis**

In Colorado, achieving the goal of delivering consistent and comprehensive demand-side management need not depend on having a single entity administer DSM for all of the gas and electric utilities in the state. As noted, successful DSM depends on having clearly
articulated goals, a framework to support these goals and sufficient oversight (Stratton and Cowan 2009, Brown 2010). To a large extent these conditions exist for Colorado’s regulated gas and electric utilities. Therefore, it may be desirable to find an approach to DSM in Colorado that allows the regulated entities to administer their own programs while at the same time finding a third-party administrator model that is sensitive to the needs and interests of the rural electric cooperatives and municipal suppliers. With fewer entities (and more resources available to the smaller individual suppliers) it may be possible to develop a consistent set of goals and policies that would allow Colorado to move ahead with a robust, statewide DSM program.

1 The importance of clear regulatory and policy as factors in the success of DSM programs is supported by the Indiana Electric DSM Investigation: Phase II Report which states, “A recent study by the American Council for an Energy Efficient Economy (ACEEE) cited strong legislative and regulatory requirements in support of energy efficiency as two of the most important factors contributing to the success of top-performing utility sector energy efficiency initiatives. Without the guidance of clear policy objectives, utility-specific initiatives may pursue competing goals, or fail to accomplish the state’s greatest needs cost-effectively.”

2 See also Barbose 2009 and Stratton and Cowan 2009 for similar lists of criteria that could be used to evaluate DSM administrative models.

3 The exception to this is Energy Outreach Colorado, a non-profit that administers low-income energy efficiency programs in the state. While they do serve this market segment it is unclear that they have the capacity (or desire) to take over administration of all low-income DSM programs in the state.

4 For a fuller discussion of the various hybrid models see Brown 2010. For a complete explanation of the process and rationale for the hybrid approach in Indiana see Stratton and Cowan 2009.

5 In their 2009 report Stratton and Cowan suggest that building on existing utility expertise by retaining utility led administration can facilitate reaching state-wide goals.

6 According to the data in the 2010 Colorado Utilities Report, the rural electric cooperatives account for 21.8 percent of electricity sales in Colorado or 13,295,150,453 kWh. A review of the data in the report shows that Intermountain, United and Holy Cross accounted for 4,454,330,618 kWh of sales, or 33.5 percent of the total.

7 Together IREA, United, Holy Cross, Colorado Spring, Fort Collins and Longmont account for 11.8 million of the 22.6 million kWhs sold by the REAs and Munis in the state in 2009. For comparison sake, in 2008 Vermont had 5,741,204,000 kWh of sales (Source http://www.eia.doe.gov/cneaf/electricity/st_profiles/vermont.html).

8 A discussion of this framework is outside the scope of this report. However, Energy Efficiency and Colorado Utilities: How Far We’ve Come; How Far We Need to Go provides a good background.

9 Stratton and Cowan 2009.
REFERENCES


APPENDIX I: RESULTS OF INTERVIEWS WITH UTILITY EXECUTIVES

Introduction

Background and Process
This section provides original answers to questions asked during interviews conducted with utility executives to determine the possibility of developing a third-party model for delivering demand-side management (DSM) in Colorado. Discussions were held with executives from both regulated and unregulated gas and electric utilities as well as with outside experts. While the information and details have not been altered in respect to the information or views presented, the responses have had any characteristics that might identify a utility removed. This anonymity was provided to the utilities to encourage them to speak freely about factors influencing the current delivery of DSM in Colorado and factors that could be important to any alternative administrative structures.

As explained in the interview guide *Determining a Structure for Delivering DSM in Colorado* (see Appendix II), these meetings sought to:

- Identify barriers within the existing DSM structures in the state;
- Evaluate if existing barriers were internal (i.e., with the utility) or external (e.g., an issues in the market, a result of consumer preferences or the outcome of existing laws and regulations);
- Assess the level of interest in an alternative model for DSM program administration in Colorado; and,
- Determine the structure and characteristics of the third-party DSM model that would be most achievable and successful in Colorado.

In addition to providing insights into achieving these goals, the information below follows the outline of the questions asked in the interview guide. This was done to assist in providing anonymity to the utilities and to make it easier for readers to find information related to a particular topic. The guide divided the discussion into two broad areas: current demand-side management and determining a structure for delivering DSM in Colorado. In many cases, the discussions did not follow neatly the questions provided in the guide. To account for this fact, each section has a list of “raw” inputs that provides details related to
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each of the broader discussion areas (e.g., issues related to current DSM in Colorado). Following each of the sections of more general observations is a section listing specific questions and answers.

List of Participating Entities and Experts

In the electricity sector participating entities included: Xcel, Black Hills Corporation and the Colorado Rural Electric Association. In addition, interviews were conducted with the following municipal electric suppliers: the Colorado Association of Municipal Utilities, Municipal Energy Agency of Nebraska (MEAN), Fort Morgan, Colorado Springs Utility, Loveland, Las Animas, Burlington, Longmont, Fort Collins, Platte River Power Authority, Arkansas River Power Authority (ARPA). An interview was conducted Tri-State Generation & Transmission as well.

In the gas sector participating utilities included: SourceGas, Atmos Energy and Colorado Natural Gas. Meetings with Black Hills and Xcel included discussions of alternative DSM structures for gas as well. I did not discuss gas DSM with Colorado Springs or Fort Collins utilities though it is the recommendation of the consultant that they should be included in any future discussions of gas DSM programs or administration.

Responses Provided by Colorado Utilities

Current Demand-Side Management

The attitude of staff and executives within a utility toward DSM has been recognized as one of the factors in determining the success of DSM programs. The questions in this section were written to provide the consultant, the PUC and NARUC with a high-level picture of the utility's DSM program and the role that it plays within the organization. They were also intended to provide these groups with a view of how the utility integrates its DSM program goals of into its resource and business plans.

Question: How do you use the term demand-side management?

The most immediate observation that arose from this initial question was the diversity of ways utilities use the term “demand-side management”. From my discussion with staff at the Colorado PUC, they use DSM to refer to traditional customer-side energy
efficiency programs. In only one instance did a utility seem to share the board definition used by the Commission? According to the other utilities I spoke with, DSM was used in the following ways:

- Load control strategies
- Peak shaving
- Commercial retrofit programming
- Rate structures that encourage changes in energy use (e.g., time of use rate)

**Question:** What is the organizational view of the role of DSM? For example, it is seen as part of the organizational mission or as a requirement? Is this view shared by the board? By executives? By staff?

In response to inquiries about the role of DSM in the corporate culture and existing business model, I received a range of answers including the following:

- We have over a 20 year history of delivering DSM and staff dedicated to it. It is part of our mission.
- We are working to comply with state law. We understand the environmental and political realities in the state, but DSM is also an important part of what we want to deliver to our customers.
- Energy efficiency is a core value. We have expertise to deliver programs and the passion to do them. They are part of who we are.
- Efficiency programs are important to what we offer to our customers. We are the logical place for them to come to.
- It is in important part of our mission and how we relate to our customers.
- DSM enhances our relationships to our customers and we are concerned that we would lose that relationship if we give up DSM programming.
- As a result of the legislation we have hired additional staff to meet our requirements.
- We are interested in DSM because our customers want it, but we don’t have the resource for a large staff.
- We have not accepted DSM enough and as a result we do not have staff dedicated to running DSM programs.
- We have a strong brand and DSM is part of that. Giving up DSM would dilute that.
- We don’t have a staff position dedicated to DSM because it would eat up too much of the overall DSM budget.
• We’ve only been doing DSM for about 18 months.
• We received guidance from our local community and respond to their needs and interest.
• Energy efficiency may take a backseat to the financial interest in building new generation.
• Energy efficiency is ingrained in our culture. We’ve been doing it for 25 years. It is part of what we provide to our customers to help keep energy costs low.
• We began seeing energy efficiency as a mandate we have to comply with. However, that has shifted. In a new rate case (in other state this utilities serves), we have filed an energy efficiency plan (which is not required by that state).

**Question:** Are there any internal barriers (i.e., within the utility) to delivering energy efficiency in target markets (e.g., residential, commercial, industrial)? For a particular fuel?

“No,” was the prevailing response to this question. After repeated asking, most respondents replied that the economy had made it difficult to hit targets for DSM programs. In some cases utilities also identified not being able to recovery program costs in rates (or in some other way) as a significant barrier to developing more DSM.

• How do you cost-effectively implement efficiency in small (sparsely populated) jurisdictions where there is low customer density?
• Large industrial loads (in our service area) are thought of as a resource base for local income.
• The biggest barriers are financial. If we are able remove the cost disincentives to do more efficiency we can go harder at delivering more efficiency.
• Internally we are looking for more predictability (in terms of rates and requirements) and a limit to the financial risk in doing efficiency. If you remove these two barriers, we can move forward with more efficiency programs.
• We don’t have a big enough DSM budget for a sole DSM person. Hiring someone could take 30% of the total program budget.
• One of the benefits to a third-party provider is that they can deliver the same programs across the state, but in states with large rural areas like Colorado this may not be the case. In rural markets the saturation of appliances is different. There is also a difference in how people make decisions in rural markets. They want to buy local so the approach to selling efficiency will be different.
• There are three external barriers to delivering DSM to customers: education and awareness, capital and the issues involved with leasing versus owning. We need to make sure that customers have the information that they need to make a decision (and that they will use that information when they are making the decision) or we have to insert ourselves in to the process. It can be a challenge on the customer side to make sure that they have access to the capital that they need to do projects. (This was said in reference to all customer classes.) The issues of leasing versus owning come in in the industrial as well as the residential sectors.

• There is no consistent demand for services (and this is not because of the economy).

• We are struggling with our DSM plan. We are not getting uptake or interest from customers. At least some of this is the result of the economy, but we don’t think that all of it is. We are doing measurement, evaluation and verification on the programs right now to see if there are any conclusions that we can draw.

• We support DSM, but it is only a small portion of a couple of people’s jobs. It’s a resource issue in terms of administration and program development.

**Question:** Are you currently coordinating program development or deployment with other utilities or other entities?

• We are working with the Governors’ Energy Office (GEO). The relationship has been good and has been working. GEO is augmenting our efforts.

• We are working with Energy Outreach Colorado (EOC) and they are providing effective, cost-efficient programs.

• We’ve been working with GEO, but there has been a problem with consistency in delivering the programs. They seem to be overworked and lacking in focus. We are also concerned that if we turned over our DSM programs to GEO that its mission can change with a new governor.

• GEO approached us about working with us but there was strong concern about working with them and losing control of our programs.

• We’ve been working with EOC and GEO. EOC is the better partner. They are more proactive about getting projects established and completed. They are working to build new programs. We have no problem spending our low-income budget with EOC. GEO, however, has failed to hit its targets and deliver on its contracts.

**Question:** Broadly, we might assume at least two potential goals for DSM programs. Resource acquisition focuses on achieving quantified, short-term reductions in energy
demand. Market transformation focuses on the long-term removal of barriers to customer investments in efficiency. What role, if any, does each of these goals play in your current DSM program?

In most cases respondents did not recognize this distinction as existing within their DSM programs. In some cases this resulted from programs being focused only on quantifiable (i.e., resource) energy reductions such as rebates. In other cases utilities undertook more traditional market transformation activities (e.g., trade ally education) but since the costs for these programs were not in the DSM budget the utility did not count them as part of the DSM program.

- While we have a budget for marketing and promotion, about 80 to 90 percent of our DSM budget goes to incentives.

Determining a Structure for Delivering DSM in Colorado

These questions focused on issues related to establishing a third-party administration model for DSM in Colorado including the following areas: (1) the mission and governance of any new structure, (2) funding and finance, (3) the relationship of the new administrative structure to existing entities and processes such as utilities, the PUC, the legislature and the rule making process and (4) transitioning to the new structure.

Mission and Governance

Questions and discussion in this section focused on the structures of a possible third-party entity. As suggested above, for a list of the questions asked during the interviews see Determining a Structure for Delivering DSM in Colorado (Appendix II).

- The mission (or goal) for a third-party DSM administrator should be to deliver cost-effective DSM. Utilities will need to have a big say in developing those goals.
- Any third-party entity would have to be a not-for-profit. We cannot take move some of our funding to some other for-profit entity.
- Any third-party administrator has to guarantee resources for rural areas (including taking account of the cost differential for serving these less densely populated regions). There needs to be equity.
- Any new third-party administrator has to be state-wide if it is a matter of policy.
- A third-party administrator cannot be part of the state government. The state won't commit the resources to doing it.
• If you move the implementation of efficiency program away from the utilities then you have to take the requirement to hit mandates or goals away from the utilities as well.
• If you are going to take the money from utilities, the new administrator has to have a financial incentive.
• If there is a board, it makes sense to have participating utilities on the board directing the mission.
• A possible model is one where an outside entity compliments or supports what we are delivering in our DSM programs rather than takes them over.
• Any new administrative entity would have to do at least two things: be a benefit to ratepayers and reduce our regulatory burden.
• We need to look at the overall goal (or mission). If it is to achieve statewide reductions without regard to service territory then any system or service charge is a tax on ratepayers. If we are doing that then why not have a statewide energy tax and shift all the burdens to the new entity from the existing rate-regulated entities?
• If the reason to move forward toward an overall state goal of reducing energy demand, we are not achieving this because only the rate regulated entities are moving in that direction. It’s hard to envision achieving a state goal with a third-party entity if the non-regulated entities are not included.
• We have concerns about using a government entity for third-party administration because of a fear of program funds being raided.
• We are interested in a possible third-party entity because if it could provide consistency among programs, terms and expectations. There is less of a concern about program leakage.
• There will be least resistance to a model that we are comfortable with. Something like Vermont could be acceptable.
• Utilities need to keep control of the budgets, the mission and the kWh reductions, but we would be open to contracting out for services to hit those goals.
• There needs to be a long-term commitment (including financial) on behalf of the utilities as well as a long-term commitment from the state.
• We’d like to see funding at a percent of utility sales and where utilities have separate contracts (including funding levels and reduction goals) with the third-party.
• Using an energy efficiency utility in Colorado won’t happen because Xcel won’t be interested.
• An energy efficiency utility makes some sense if it is doing both gas and electric. But if a third-party administrator is doing gas only then it might not make sense to create a new utility.
• Any third-party entity needs to provide a cafeteria style plan where each utility can take programs A or B or C where they think that they can provide benefit to their customers.

**Question:** Are you interested in a third-party model? Would the choice of particular administrative model influence your level of interest?
• We are very interested.
• We have no interest in a third-party model.
• We are willing to participate and would be willing to cut the check.
• We have a general opposition to third-party administration, but we might be willing to consider it if we can see a cost benefit to us and our customers.
• There is something to an E-Service type model. It should be membership or subscription based where we would get either stock or semi-customized information on programs.
• Any third-party has to be a non-for-profit funded by some type of voluntary subscription fee (or potentially funded through energy savings).
• It has to be opt-in.
• Any attempt to introduce a rate-regulated energy efficiency utility will probably face resistance.
• We are not interested in a third-party model. We have the history and resource to deliver these programs.
• There is no model that we can see that would benefit us.
• We might be interested in an aggregator type model.
• We would be interested in a consortium where interested parties could pool their resources to deliver similar programs where it makes sense.
• There would be strong resistance to a model that uses GEO as the third-party administrator.
**Question:** To which market segments (e.g., residential versus commercial or industrial) should this organization be responsible for delivering DSM?

- What is the value to the utility of peeling off pieces of the DSM program? This does not change our regulatory burden on the overall DSM program.
- Maybe. We are looking at ways of lowering the administrative costs for program for low income individuals.
- There is no natural reason for us to give up delivering low income programs. We want to have a comprehensive set of offerings and this is part of that.
- We have possible interest in using a third-party to administer and deliver some programs and that could include our low income programs.

**Funding and Finance**

- There would have to be strong financial incentives. This would have to be more than recovery for lost revenue; it would have to include lost sales plus a percentage or mechanism like phantom rates.
- We are concerned that the startup costs would be prohibitive.
- It would be a mistake to give incentives to the new entity that you were not giving to existing utilities for their programs.
- A systems benefits charge is really an energy tax. In that case, should this come from the utilities or from the state?
- There needs to be clear financial oversight and this cannot come from the state.
- It needs to be affordable and there need to be incentives.
- We would want rate and performance incentives.
- We need to be able to cover our lost margins.
- We’d like to be able to use future test years to determine the level of recovery for the third-party administrator.

**Question:** How should funds be disbursed to achieve the mission and goals? What barriers do you foresee for this method of disbursement?

- We need to ensure that we received one dollar in programing for every dollar that we put in. (The respondent recognized that they would have to pay a percentage of the administrative costs.)
- How is this going to be paid for? We are going to reject it if funding goes out and does not come back dollar-for-dollar.
There has been a return on investment to each utility.

We have concerns about how the programs will be funded. If we are going to support something like this, we need to be assured a fair benefit (in terms of programs) and fair funding (although this does not have to mean the same funding).

We don’t see the need for all our money to be spent on our programs. We want to make sure that there is total resource cost return equal to our investment. Anything above the TRC could be put in to a state pot to deliver programs in other areas.

**Question:** Who or what entity should be responsible for ensuring appropriate use of funds and that program goals are achieved? What oversight mechanism(s) should be put in place?

- Any funding or finance should be in a contractual relationship that avoids any state control of funding.
- The Commission should set the budget for the third-party entity as a percent of sales revenue from each of the utilities. However, it shouldn’t be something that can be raised without oversight. We’d be open to keeping the budget as long as there is some ability to protect against raise in the percentage cost or in the rate built in to the contract.

**Relationships to Existing Structures**

These questions are intended to uncover how interviewees conceived of the possible relationships of a new third-party entity to existing market, political and regulatory structures in the state. Of the total number of 17 interviewees only five are under the jurisdiction of the Colorado Public Utilities Commission.

- Any third-party entity should have to file its own DSM plan with the Commission. We don’t want to have to do any more than file a report on our expenses related to that plan. If we have to do much more, this would be an increase in our regulatory burden and raise our program costs.

**Question:** How should the model for a new administrator be chosen? What process should be used for selecting the agency or entity (e.g., administrative determination, legislative action, competitive bidding)? What role do you see for the PUC? For the legislature?

- It has to be voluntary.
- We trust the Commission to do what is right by the utilities.
- There needs to be a stakeholder process of the interested utilities.
We are not sure if there is a non-legislative answer to this if it is to be state-wide. We would also need to address the existing mandates.

It would be easier to change rules at the PUC than at the legislature. We’d rather see a PUC rulemaking process on this.

It has to be a democratic, participatory process.

**Question:** What role do you foresee or would you want for your utility in deciding on the goals? The mission? The organizational structure?

- Each utility needs to be able to decide what is appropriate in its area.
- If there is a board, it needs to ensure a shared voice for all the utilities. If the board is only determined by load or customer count then it will be what Xcel wants.
- We’d like to see funding at a percent of utility sales and where utilities have separate contracts (including funding levels and reduction goals) with the third-party.

**Question:** What role should utilities, regulators or other stakeholders play in determining program design, how the programs are implemented and how they are measured and verified?

- If there is a third-party, it needs to be responsible for hitting the legislative mandates. We cannot give up control of the programs and still have responsibility for the mandates.
- You have to let existing utilities bid in to the programs to deliver them.
- The utility has to oversight although we could accept that oversight at a higher level (like a board).

**Transitioning to a new structure**

In all but a couple of interviews, we were not able to discuss the questions of how Colorado utilities could move from the existing model where they are delivering DSM programs to a third-party administrator model. In those interviews were we did touch on some of these questions, utilities generally expressed a preference for a voluntary, stakeholder based process.

- We have concerns about transitioning to a new model. Would utilities be responsible for delivering programs while the new administrative structure is being put in place? Would be have to pay for two sets of programs? Would be responsible for hitting our legislatively mandated targets even as we are handing off those requirements?
• How to we handle the start-up costs? Would we be required to cover those initial costs?

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DETERMING A STRUCTRE FOR DELIVERING DSM IN COLORADO
PROCESS GUIDE AND QUESTIONS

Purpose and Outline of the Process
This process is intended to engage Colorado’s utilities (investor owned, municipally owned and cooperatives) in a discussion about the most appropriate administrative structure to achieve successful development and deployment of robust demand side management (DSM) in the state. The following questions are intended to provide a starting point for identifying the most effective model for Colorado as well as the benefits and challenges of that model.

The questions are divided into two broad areas. The first section, “Current Demand Side Management” is intended to provide the consultant with a high-level picture of the utilities current DSM program including how DSM fits in to the utilities overall mission and business model and the role that DSM is expected to play going forward. The second section, “Determining a Structure for Delivering DSM in Colorado” provides an opportunity to discuss how DSM is being delivered and the possible merits and challenges of an alternative model of DSM delivery. This section is divided into several additional subheadings including Mission and Governance, Funding and Financing and Relationships, which will help focus the discussion on some of the key issues that might be expected to emerge. Time permitting, there is an additional section related to issues that could arise if Colorado were to move from the current model to an alternative structure.

Introduction
In Energy Efficiency and Colorado Utilities: How Far We've Come; How Far We Need to Go the Colorado Public Utilities Commission (PUC) identified several changes that are impacting the development and integration of demand side management state-wide in Colorado, including funds from the American Recovery and Reinvestment Act, new laws (e.g., the federal statute phasing out the use of existing incandescent bulbs) and improved building efficiency codes. Even as these elements shift the marketplace toward more efficient homes and appliances, other challenges remain for integrating cost-effective DSM.

Who Should Deliver Ratepayer Funded Energy Efficiency?, a 2003 report by the Regulatory Assistance Project (RAP), identified several additional barriers to DSM program development and delivery. At the level of the individual utility these can include conflicting financial motives or a corporate culture that favors supply-side solutions to meeting energy needs with increased efficiency. At the state level, multi-party delivery of DSM programs may lead to a lack of a coordinated approach that can be confusing to customers (or in the case of REAs to members) and create redundancies in program administration. While the RAP report examined programs in other states, similar challenges may exist here. This process is intended to provide the consultant and the PUC with a clear picture of whether and to what extent these challenges are present in Colorado’s utilities or in the existing models of DSM delivery.

While identifying issues facing traditional models of DSM delivery, the RAP report also considered several alternative administrative structures that could overcome some of these barriers. During this
interview, the Colorado PUC is interested primarily in understanding the utility’s interest in or concerns about two of these models: a third-party entity and governmental administration.

- **Third-party entity** – Administration of rate-payer funded energy efficiency programs is given to an entity with a single mission—to deliver DSM. This could be a regulated energy efficiency utility, a non-profit entity or perhaps some other model. In each case, the administrator can use its own staff or contract with outside agencies to perform necessary functions including program development and measurement and verification. As is done in Vermont, a separate fiscal agent may be used to administer program funds.

- **Governmental or quasi-governmental administration** (e.g., NYSERDA) – Administration for energy efficiency programs is done by either a new or existing state agency. As in the above case, the entity can use its own staff or work with contractors to meet its obligations.

These are not the only possible models for DSM delivery. In addition to the two models just outlined, RAP considered administration of DSM programs by a vertically integrated utility (which is the existing case in much of Colorado’s electricity sector) or by a designated distribution entity. Other hybrid models that combine aspects of these four approaches may also be possible though the RAP report did not identify any. Because this process is designed to assess the status of the current system’s ability to deliver DSM and the potential for deployment of an alternative structure, initial focus will be placed on issues established alternate models—a third-party entity and governmental administration.

Each of the alternative administrative structures can be implemented in a number of different ways. For example a third-party entity could a regulated energy efficiency utility responsible for gas DSM with oversight resting at the PUC. Three factors in addition to the governance structure will influence the size, shape and scope of any new entity.

- **Fuel** – Should a new entity be responsible for natural gas and electricity DSM or just one?
- **Market Segment** – Should a new entity be responsible for all market segments or just some?
- **Strategy** – Should a new DSM administrator oversee just market transformation strategies or also be responsible for delivering DSM as a resource?

Some of these issues are cross-cutting. A new entity might be tasked with delivering market transformation in gas DSM along with programs just for low-income consumers. As another example, Colorado’s electricity and gas providers may all agree to use a third-party administrator to provide programs to one customer class (e.g., low income customers) while each retaining individual existing programs in the other classes for their respective fuels. Alternatively, a new entity could be designated to handle all DSM for all market segments, all fuels and both strategies.

This list of topics and questions is intended to provide a guide for discussion of these issues as well as to provide the consultant with the utility’s view of current DSM programs and markets. Because Colorado’s utilities have widely varying characteristics and challenges in both their markets and in existing DSM programs, interviews may address additional issues or may address the following set of issues in different orders.
Current Demand Side Management

As noted above, the following questions are intended to provide the consultant with a high-level picture of the utility’s DSM program and the role that it plays within the organization. These questions are not aimed at getting detailed answers about all or any of the particular programs (e.g., rebated etc.) that are offered.

- To date, what role have regulatory or legislative influences, including incentive mechanisms, measurement and evaluation or state DSM policies played in the decision making regarding program design and implementation? What additional factors have played a role in this process?
- What is the organizational view of the role of DSM? For example, it is seen as part of the organizational mission or as a requirement? Is this view shared by the board? By executives? By staff?
- Based on customer surveys and other feedback, how is DSM perceived by the utility’s customers?
- Broadly, we might assume at least two potential goals for DSM programs. Resource acquisition focuses on achieving quantified, short-term reductions in energy demand. Market transformation focuses on the long-term removal of barriers to customer investments in efficiency. What role, if any, does each of these goals play in your current DSM program? What role should these goals play in the work or function of a new administrative structure? Would a new structure be more likely to succeed at one of these goals as compared with the current DSM model in the state?
- With respect to current program performance targets, what is the outlook for the current DSM structure to achieve these in two years? In five years?
- Are there any internal barriers (i.e., within the utility) to delivering energy efficiency in target markets (e.g., residential, commercial, industrial)? In a particular fuel?
- Are you currently coordinating program development or deployment with other utilities or other entities?
- To what extent has the current economic situation impacted DSM program participation in each customer class? What changes do you see in the market for DSM programs as a result of the current economic climate?

Determining a Structure for Delivering DSM in Colorado

The following set of questions is focused on issues related to alternative structures listed above for delivering DSM programs. These questions do not assume any of the models are preferable but are intended to frame a discussion of the various options including retaining the existing structures, using a state agency, creating a non-profit entity or creating an energy efficiency utility. The questions focus on several different areas that I would like to discuss including: (1) the mission and governance of any new structure, (2) funding and finance, (3) the relationship of the new administrative structure to existing entities and processes such as utilities, the PUC, the legislature and the rule making process and (4) transitioning to the new structure.

Mission and Governance
Within any of the possible administrative structures there are various options for determining the role that the DSM administrator has. These include focusing on a particular market segment, delivering DSM programs that are focused on market transformation versus more traditional resource acquisition or being tasked with delivering DSM for one or all fuels. The questions in this section are intended to provide a basis for a discussion of these issues as they related to both existing and potential models for delivering DSM in Colorado.

- What criteria do you currently use to assess the success of your DSM program?
- What criteria would you suggest be used to evaluate the administrative structures or to compare the different structures being discussed? How would you weight the importance of these criteria in your organization’s decision making?
- With both sets of criteria in mind, what is working well with the existing structure for delivering DSM? What challenges can you identify for the existing structure in satisfying these? Would structure satisfy these more easily?
- What do you see as the advantages and disadvantages of the various administrative structures with respect to the criteria, your existing administrative structure and your business model?
- What would be the appropriate mission and goal(s) a new administrative entity? Who should be responsible for establishing those goals?
- Who should have operational (or day-to-day) responsibility for the organization?
- To which market segments (e.g., residential versus commercial or industrial) should this organization be responsible for delivering DSM?
- Should a new administrator be tasked with providing DSM for gas, for electricity or for both?
- Broadly, we might assume at least two potential goals for DSM programs. Resource acquisition focuses on achieving quantified, short-term reductions in energy demand. What role, if any, should each of these goals have in a new entity’s mission?
- How would the choice of model influence your interest in participating in such a program? If the new entity focused on particular market segment or goal, would that influence your willingness to participate?
- Given your experience, please identity any internal or external barriers to the creation of the new organization?

Funding and Finance

- What do you view as the benefits to the current model of funding DSM? What would you change in this process or structure?
- Would altering DSM funding or financing require a change in your business model or structure?
- What would be the most appropriate mechanism for funding any alternative DSM entity? What are the advantages or disadvantages to this model of funding compared with the current model?
- How should funds be disbursed to achieve the mission and goals? What barriers do you foresee for this method of disbursement?
- How should the budget for these programs be set?
- Who should administer the funds?
- Where should the funds be held or deposited?
- Who or what entity should be responsible for ensuring appropriate use of funds and that program goals are achieved? What oversight mechanism(s) should be put in place?
Keith Hay  
Consultant for Colorado Public Utilities Commission

Relationships
- How should the model for a new administrator be chosen? What process should be used for selecting the agency or entity to run the administrator? What role do you see for the PUC? For the legislature?
- What role do you foresee or would you want for your utility in deciding on the goals? The mission? The organizational structure?
- What role do you see for other stakeholders (including the public, legislators or consumer advocacy groups) in determining the structure and mission for a new administrator? How would this be realized in the decision making process?
- What role should utilities, regulators or other stakeholders play in determining program design, how the programs are implemented and how they are measured and verified?
- What role would the new administrative structure play in your internal resource planning process?
- What role should the new administrative body have in PUC hearings or processes including rate making or resource planning docket?
- How would existing state statute or regulatory rulings regarding DSM apply to the new entity? Would utilities continue to be responsible for meeting those goals? Would transferring this responsibility require action by the legislature? By the PUC?
- Will a new entity hire its own staff or work with other on a contract basis? Who should establish those contracts?
- Should there be a contractual relationship between the utilities and the new DSM entity?

Transitioning to a New Structure
- If Colorado moves toward an alternative model of delivering DSM, how should responsibility be transferred from utilities to the new administrative entity?
- What do you foresee as your timetable for being able transition from the current model to an alternative delivery structure?
- What hurdles do you anticipate in transferring programs and program responsibility to a new organization?
- Would moving to a non-utility DSM provider lead to job loss or other impacts to the company? Would you anticipate seeking compensation to lessen the impacts of this transition?

Resources:


Discussion of Models for Third-Party DSM Administration in Colorado

Prepared by Keith Hay for the Colorado Public Utilities Commission with support from the National Association of Regulatory Utility Commissioners
What is the most effective and efficient administrative structure for delivering DSM in Colorado?
Getting to the Right Structure

Administrative Structure
- Continue with existing model
- Use existing state agency
- Create new 3rd party entity

Process
- Voluntary participation
- Requirement for utilities to participate (may require legislation in Colorado)
- PUC creation of a 3rd party administrator

Selecting the Administrator
- NGOs
- Existing Utilities
- State Agencies
- Other for-profit firms

Source: Charles Goodman, LBNL 2003
Administrative Structures

- Traditional distribution utility
- Governmental agency
- Energy Efficiency Utility
- Independent third-party entity
Scope of Administration

- Fuel
- Market Segment
- Strategy
Vermont’s Model

Source: Charles Goodman, LBNL 2003
Oregon’s Model

Governance/Over sight

Program Administration

Program Implementation

Board of Directors

PUC

Utilities

Energy Trust of Oregon
Administrator of State EE and Renewables Programs

Northwest Energy Efficiency Alliance
Regional Market Transformation Organization

Program Implementation Contractors

Competitive Solicitations

Unsolicited Proposals

Source: Charles Goodman, LBNL 2003
Additional States with Alternative Administrative Models for DSM

- Maine
- Illinois
- New York
- Delaware
- Indiana
Basic Outline

- **General Administrator**
  - Overall management of budget, contracts and program strategies

- **Program Administrator**
  - Establishes detailed program design, develops standards, staffing, review of spending

- **Program Implementers**
  - Delivers program services and conducts measurement and evaluation

Source: Blumstein et. al. 2003
Topics for Discussion

Current DSM

New Structure

Mission

Funding

Transitioning
Current DSM

What role does DSM play in your organization’s structures or business model?
Mission and Governance

What role should a third-party administrator play in Colorado?
Funding and Finance

How should a new entity be funded and what is the right fiscal structure?
Transitioning

How do we get to the right administrative structure?
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