

3rd Party Energy Efficiency Programs

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Traditional Municipal Utility Energy Efficiency Programs

- Hire internal staff to design and delivery programs or hire consulting companies to assist in the design and/or delivery of programs
- Problems:
 - Very rare to be allowed to hire new staff in a municipal setting.
 - Budget cycles are long and making changes to staff or programs outside of the cycle is next to impossible.
 - Typically, current staff have many different functions, as well as ongoing difficulties of their own in getting anything done or approved

Difficulties with Achieving High Energy Savings Goals Internally

- Utility/City marketing techniques are limited in their ability to reach customers and influence change.
 - Limited experience in marketing municipal services at senior management level.
 - Public scrutiny of marketing and training budgets is high.
 - Traditional government approaches at customer information tend to be heavy on facts, but light on persuasion.
- Setting high goals per employee is difficult in a municipal setting, as is rewarding employees based on achieving specific goals (no bonuses).

Pros and Cons of 3rd Party Programs

- Pro
 - Can bring on (and remove) program implementation staff reasonably quickly.
 - Can pay vendors based on actual performance.
 - Vendors can have experience with customer affinity groups and effective marketing for a specific industry.
- Con
 - Vendors can be expensive.
 - Managing contractors is as time consuming as managing staff.
 - Need to control the contractors' interactions with customers.
 - Requires RFP, contract negotiations, and going to Council for approval, which times time and effort.

How to Bring on 3rd Party Program Deliverers

- In Santa Clara, we issued an RFP and got six responses. Two were completely unacceptable and one did not fit the needs. Of the remaining three, contracts were negotiated and approved by the Council.
- In Palo Alto, we issued an RFP and also got six responses. Three look very good, and we are looking to contract with them.

Successes

- Two successful programs in Santa Clara, Compressed Air (CAMP) and Gasket Replacement for refrigeration systems, provided significant energy savings AND improved customer service. Key Account Reps were happy with the programs, as were customers.
- In Palo Alto, the programs are just beginning, so we do not know what the results will be. Talk to me next year 😊

Concerns/Issues

- RFPs and contract negotiation are time consuming.
- In Santa Clara, two vendors got to work right away and delivered savings with excellent customer service.
- One was a problem—delivery times were not met, communication was very poor, and the end product was not as expected. There were discussions about billing and delivery on a regular basis.

Lessons Learned for Other Publicly Owned Utilities

- Sufficient time should be spent prior to issuance of the RFP and approving the scope of work in a contract to ensure that the contract will meet the needs of the City, the customers, and of any 3rd party evaluators.
 - Customer expectations and satisfaction need to be closely managed. If customers do not get what they are expecting, there will be problem.
 - 3rd party programs need to have good record keeping to enable effective Measurement and Verification of the Programs' success.
 - You need to keep good records of costs and energy savings to determine if the program is cost-effective.

Summary

- 3rd party energy efficiency program delivery can be a good way to “expand limited staff” and deliver savings programs to customers while achieving reportable savings.
- The programs need to be carefully planned and managed.
- Contractors are not effortless to manage!
- Anything good takes time.