



The Nation's First Publicly
Established and Publicly Funded

"Efficiency Utility"

Differences from Other States

- No link to retail competition
- 100% non-utility administration
- No sunset on authorization
- Competitively-solicited,
Performance-based contract



Why did Vermont do it this way?

- Efficiency: 22 administrators ® 1
- Confusion in the marketplace
 - move to unified statewide programs
- Past performance of utilities
 - uneven
 - on the whole, not so good
- Perceived conflicts of mission
- Regulatory burden and cost

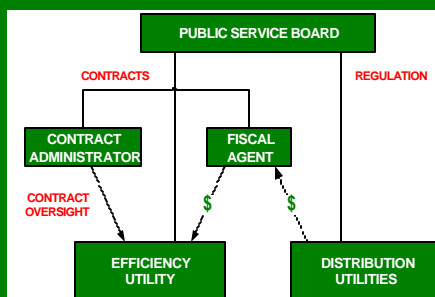


How did we do it?

- If it's a good idea under competition...
- A regulatory docket (1998-)
- A settlement among all parties (1999)
- Supporting legislation expanding State Energy Policy and establishing regulatory authority to set and collect the System Benefits Charge
- Rapid RFP & Contract Award (late 1999)



STRUCTURE



Key Contract Features

- 3-Year, competitively-bid, performance-based contract
- Starting with 7 statewide programs
- High degree of flexibility to modify or add programs - no pre-approval
- Need to balance multiple, sometimes conflicting objectives

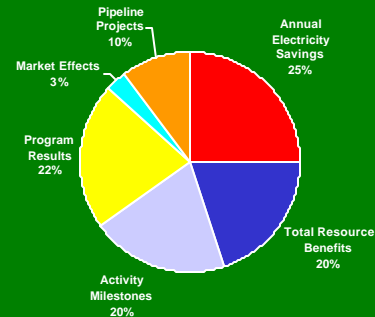


Contractual Performance Goals

- Savings Results:
 - Electricity Savings: 83,952 MWh
 - Total Resource Benefits: \$34.8 Million
 - Committed Projects on 12/31/2002: 4,700 MWh + \$1.95 Million Total Resource Benefits
- 19 Activity Milestones
- 9 Program Result Indicators
- 3 Market Effects Indicators



Balance of Performance Indicators



What's been learned so far?

- It seems to work!
- Customers love this approach
- Separately-stated charge is widely misunderstood and problematic
- Customer information transfer issues are important and difficult



What's been learned so far?

- Carryover projects at beginning and end of contract need careful consideration
- Setting and balancing performance indicators is really tough!
- The pull toward short-term perspective is very strong - and creates conflict
- Need separately-budgeted customer information and R&D components



Advice to other States

- Consider the Efficiency Utility model
- Beware of letting \$ become funds of the State
- Picking and balancing goals in this context is incredibly important
- Contract mechanism itself is a powerful performance incentive



www.efficiencyvermont.org
www.state.vt.us/psd/EEUhistory/HistHome