

Anatomy of a Collaborative (Times 15)

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The paper will categorize different collaborative efforts, drawing upon experience derived from fifteen different collaboratives, beginning with New England. There are several categories, each with a different genesis, direction, organization and outcome. All parties say they want to add cost-effective DSM resources to the utility's resource mix without engaging in the traditional thrust-and-parry of the regulatory process. But how do they get there from here; where do they start, where and when do they finish, and what is left after the dust (or smoke) clears? From its particular perspective, the paper will attempt to answer these questions.

The authors will tell all (delicacy permitting), based on personal experience and interviews with utility parties, intervenors, stakeholders and commission staff. They will assess the strengths and weaknesses of the different categories, identifying common elements that lead to success or failure. Additionally, they will comment on the intangibles of a successful collaborative, describing roles that contribute to a sense of mutual accomplishments.

Although the scope and the resolutions may differ, each collaborative must deal with many of the same issues — deriving an avoided cost, evaluating DSM and supply resource in an equitable fashion, determining the savings potential in a service territory, staffing and verification of the acquired resource, to name a few. The presenter will identify the main issues, then describe common misconceptions and institutional barriers and share a few guiding principles behind their organization's approach to program development.

Introduction

In Table 1, we categorize the fifteen collaboratives in which PECE has been involved over the last four years into three phases. As part of this evolution, we have seen the role of the DSM consultant change from that of being at the table, helping to make decisions, to one of providing the decision makers with options and recommendations. From our perspective, the collaborative performs the critical function of "getting the ball rolling;" where the ball lands depends on the policies and resource needs of the utility and the dynamics of the decision-making process.

Because the collaborative typically is part of a regulatory process or litigation and many of the players represent established institutions, a collaborative may suggest more substance and momentum than exists. Despite its institutional nature, the collaborative process is delicate. We think it is strengthened by the following circumstances: 1) the participants put all their information and issues on the table and are willing to compromise, 2) the commission staff have some form of direct involvement in the process, and 3) the program designers for all parties have program implementation experience and can deal directly with one another on program design issues. It is our opinion that, at

the policy and oversight level, fewer players contribute to quicker decision-making, and that a situation with more players is ameliorated if all the players are committed to maintaining a good working relationship.

Common Elements of a Collaborative

A collaborative includes, typically, a state energy office, a state-appointed consumer advocate, utilities and other stakeholders. These stakeholders, or interest groups, are primarily ratepayers, environmental and industry organizations. They all share an interest in the acquisition of cost-effective demand side energy management resource and all, traditionally, have been rate case adversaries. In California, the collaborative included commission staff, which allowed the commission to maintain its involvement without compromising its traditional role of disinterested regulator.

Collaboratives provide a negotiation process for all the participants to air concerns without the formality of a utility commission hearing room. Different parties develop links that did not exist prior to formation, and which often

Table 1. Portland Energy Conservation, Inc. Involvement in Collaboratives

Collaborative	State	Phase I Conceptual Program Design	Phase II Utility-Specific Program Design	Phase III Implementation Support & Review
Connecticut Light and Power	CT	Apr 88 - May 88	Jul 88 - Oct 88	Aug 90 - Present
New England Electric System Conservation Project	CT	Jul 88 - Dec 88	Dec 88 - May 89	Jan 90 - Dec 90
Massachusetts Collaborative DSM Design Process	MA	Apr 88 - May 88		
Boston Edison			Apr 89 - Feb 90	May 90 - Dec 90
Western Massachusetts Electric			May 89 - Sep 89	Jan 90 - Oct 90
Eastern Utilities Associates			Apr 89 - Apr 90	Jun 90 - Dec 90
Commonwealth Electric			Mar 89 - Apr 90	May 90 - Dec 90
Fitchburg Gas and Electric				
Nantucket Electric			Aug 89 - Aug 90	
United Illuminating	CT	Feb 89 - Aug 89		
Central Vermont Public Service	VT	Mar 89 - Oct 89		
New York State Gas and Electric	NY	May 90 - Oct 90		
The California Collaborative	CA	Oct 89	Jan 90 - Dec 90	Jan 91 - Present
Potomac Electric Power Company	MD	Jun 90 - Mar 91		
Puget Power	WA	Apr 91 - Oct 91		
Baltimore Gas and Electric	MD	Jul 91 - Dec 91	Jan 92 - Jun 92	

continue past the actual program plan filing date, providing continuity and commitment to cost-effective resource planning. That said, moving from adversary to collaborator has not always been easy.

What distinguishes DSM collaboratives from traditional planning processes? Sabrina Birner, a research analyst for Resource Insight, Inc. in Boston, says, "Collaboratives are designed with the ambitious goal of obtaining *all* cost-effective savings, from *all* customers, from *each* end use...utilities identify opportunities for conservation, analyze why the conservation does not occur naturally, and develop DSM plans that can thoroughly mine customers' efficiency resources." (Birner, S. 1992) In other words, collaboratives lead to a broad-scale commitment to DSM on the part of the utility.

Where does this commitment come from? In 1988, collaboratives were formed for the purpose of resolving differences, or at least narrowing the margin of disagreement, before coming to litigation. Increasingly, utilities see the collaborative as a means of support for the changes they must implement in order to remain competitive. We now see utilities collaborate with interested parties to design DSM programs without pending litigation. Among these utilities are Los Angeles Department of Water and Power and Consolidated Edison.

That process, the development of programs through negotiation, is the essence of the collaborative. Its life-blood is to provide both a stage and a pattern for consensus among entities who may have different agendas, but who share the same goal of achieving maximum energy efficiency at minimum cost to everyone. Perhaps less obvious but equally critical is the importance of putting all salient information on the table prior to program planning. Some

do not agree that this process saves time or money. But the solidarity of purpose achieved by resolving conflict before filing results in a stronger program and a long-lasting coalition of former adversaries.

The Three Types of Collaborative

We categorize collaboratives as having three chronological phases, with corresponding models. The early CLF (Conservation Law Foundation) Model is the first. Because this model begins as part of litigation or regulatory investigation, we shall refer to it as "the stick." The other characteristics of this model are that there are few intervenors at the table, consultants are centrally involved and are directly involved with utility staff in program design. The result is that at the policy and oversight level, decisions involving system financial issues are made quickly and allow program design to proceed in a vigorous manner. The whole process is like riding a good horse — you get on it and gallop off.

The second model, which originated in California as a result of an En Banc hearing, we nonetheless shall call "the carrot." The tenor of the process was far more congenial than in New England, as evidenced by the commission staff joining at the table. There were no intervenors but "stakeholders," consultants were almost not present in the process, and the utilities had long-established capability and wanted to reassert an aggressive posture that had recently declined. The result was much the same as the early CLF model.

Over the past four years, the CLF model has evolved. After some initial difficulties due to the increasing scope of the work and institutional/policy barriers that we discuss later, a third model is emerging that combines aspects of the early CLF and the California models. We call this "the hybrid."

"The Stick"

The first collaborative to actively pursue program planning, established in early 1988, resulted from the Connecticut DPUC's order for Connecticut Light and Power, the Office of Consumer Counsel, the Conservation Law Foundation, and the Office of Policy and Management to negotiate agreement on demand-side management programs to be implemented by the utility. This collaborative ground was broken by using independent technical experts to consult where necessary in the negotiations. The purpose of these consultants was to work with all parties to outline progressive energy efficiency programs, to assist in the development of a workable plan for Connecticut Light and Power, and to

help avoid disagreements that could lead to arbitration and delays caused by legal proceedings.

The Massachusetts collaborative began in May 1988. The DPU, on its own motion, was conducting an investigation into pricing and ratemaking. The Conservation Law Foundation, observing the efforts of the Department and the utilities, asked the DPU to require electric utilities in Massachusetts to design and implement demand-side management programs coordinated with the interests of consumers, environmental organizations, and related public interest groups. Before the order was issued, NEES and CLF agreed to form a collaborative. Within several months, the first phase - development of a "template" for conservation among the participating utilities - was completed.

NEES formed its own collaborative separately from other Massachusetts utilities, because it felt it would not be able to move quickly enough through the process if the other Massachusetts utilities were involved. NEES' total efforts resulted in an investment by the utility in DSM of over \$150 million in the first three years. The energy savings in that period from all their conservation programs amounted to over 300 megawatts in contracted peak load reduction and 175 megawatts of installed capacity. Joe Chaisson, a CLF consultant who was involved in this as well as many other collaborative efforts, believes, "NEES is the best example of going beyond demand-side management to supply-side issues." The measurable success of these programs can be credited in part to the initial collaborative process and the utility's willingness to take bold steps into demand-side negotiations.

"The Carrot"

In the midst of the CLF model's evolution, California investor-owned utilities renewed their commitment to broad-scale implementation of DSM programs. Possessing a mature DSM infrastructure and not to be outdone by any other region, these utilities were galvanized through the efforts of Ralph Cavanagh of the Natural Resources Defense Council (NRDC) and other intervenors to form the California Collaborative, our second model. The hallmarks of this collaborative were that the utilities had relatively intact and experienced conservation organizations and the collaborative members used consultants on an ad hoc basis to provide more definition to the collaborative process. Few consultants were used, and they were used for specific, short-term tasks. To carry out the imagery used earlier, these California folks jumped on well-trained horses and went racing off.

The California collaborative came about as a result of political and social pressure to develop a plan for greater energy efficiency and to reduce reliance on fossil fuel supply. As the result of a July 1990 En Banc hearing by the Public Utility Commission, the California Energy Commission, along with all the investor-owned utilities, the Natural Resources Defense Council (NRDC) and other interest groups, adopted by consensus a set of guiding policy principles to direct the statewide effort. The principles were written to support the collaborative's goals to provide utility shareholder incentive mechanisms, to expand utility performance in demand side management, and to integrate DSM programs into resource planning and regulatory processes. The collaborative's efforts over ten months of discussion resulted in the "Energy Efficiency Blueprint for California" and subsequent negotiated filings.

Ralph Cavanagh of NRDC feels the California collaborative was successful because of the "excellence of its members and their commitment to tangible results on a fast track with a hard deadline," and because of the strong support of the Public Utility Commission. (Most commissions, he says, are hesitant about up-front encouragement.) The investment by the utilities in demand side management doubled immediately and continues to grow.

Unlike previous collaboratives, sufficient expertise existed among the stakeholders to develop programs without long-term participation by technical consultants. Because the members were considered adversarial prior to collaboration, the first step was getting to know each other. Disagreements existed about collaborative structure, program design, funding and the speed of ramping up programs. Outside experts like PECI were called in at certain points to consult and, according to Cavanagh, "helped the group identify itself as a group."

The California collaborative requested specific commitments by utilities to continue to test and incorporate new conservation technologies as they evolve, even after program implementation. After April 1990, when the collaborative's initial goals were met, specialized advisory groups were created which still function in the roles of needs research and development, utility advising, and continuing efforts to bring new technologies into the mainstream. Cavanagh believes the advisory groups should "become an institutionalized fixture" which, he expects, "will continue as long as there's a California."

Caught Up in the Horse Race

A brief digression is called for to discuss an interesting by-product of the California collaborative. The Los

Angeles Department of Water and Power (LADWP), ably assisted by Mr. Cavanagh and a committed board of commissioners, decided it would not be left in the dust and set about building a conservation organization almost from the ground. The Sacramento Municipal Utility District (SMUD), newly under the guidance of David Freeman, also plunged headlong into the future. According to Cavanagh, these two major utilities were "swept along in the wake of the collaborative's momentum" and are instituting strong DSM programs. However, he points out, "with David Freeman as General Manager (of SMUD) you don't need a collaborative." Management at LADWP and SMUD are committed to implementing programs that surpass regulatory requirements. Although a hiring freeze and rate increase difficulties with City Hall have slowed progress somewhat, LADWP has begun delivering DSM services to their residential and commercial customers. It forecasts acquiring almost 1,000 MW of DSM resource by 2011. SMUD announced in 1991 plans to acquire 600 MW of DSM resource within ten years. It has recently completed program designs for commercial and residential new construction programs and has begun to implement them.

Because they have no formal regulatory relationship with the California Public Utility Commission, neither of these municipal utilities were members of the California Collaborative, but they share with the collaborative the characteristic of having undertaken broad-scale conservation activity without regulatory pressure. Because both utilities had less-developed conservation organizations, they must develop their conservation organizations at the same time as they develop comprehensive DSM programs. Consequently, they both are using consultants for program design.

The "Hybrid"

The second phase of the CLF Collaborative's evolution began in 1989, about the time United Illuminating in Connecticut began its collaborative activity; the model has since evolved into a hybrid form, typified by the Baltimore Gas and Electric and Puget Power collaboratives. In this model, more intervenors come to the table, the consultants are less involved in actual negotiations and intervenors join the consultants and utility staff in designing programs. The consultants work directly for the intervenors, who then negotiate program design decisions among themselves. This chronological phase is also complicated by the fact that some of the utilities involved had strongly held policies that called for program designs establishing a less aggressive approach than that recommended by intervenors or their consultants. There were also certain institutional barriers, which we shall discuss

later. At times, it was like watching two riders on the same horse; sometimes it felt like not only were there two riders, but the *horse* had a head at each end.

In 1991, Puget Power, which has long had an experienced and relatively comprehensive conservation staff, proposed a collaborative to the Washington Utility and Transportation Commission in a joint letter with the Northwest Conservation Act Coalition and NRDC. The WUTC had declined to continue the equivalent of a fuel adjustment mechanism for Puget, there was a notice of inquiry before the Commission regarding decoupling, and a collaborative made sense to all involved. Puget gathered notable DSM consultants in a series of meetings to discuss all the aspects of designing, delivering and evaluating DSM programs. It used the information generated in those meetings as a strategic reference as they continue to pursue aggressive implementation of DSM programs. This form of collaborative had aspects of the CLF Collaborative in its genesis and the California Collaborative in the way it used DSM consultants.

Baltimore Gas and Electric is another example of the hybrid collaborative. The Maryland Public Service Commission set out specific goals: to exchange information and perspectives among collaborative members; to plan program implementation; and to resolve resulting issues of program design, resource allocation and regulatory practice. The Commission subsequently issued a description of requirements for both gas and electric companies to develop and implement energy conservation programs and services. The collaborative committed to produce and approve a work plan to develop a comprehensive demand-side program portfolio in a short period.

Included in the collaborative were Bethlehem Steel Corporation and the Maryland Industrial Group. The participation of the Building Operators and Managers Association (BOMA) and industrial groups was a significant departure from previous practice. We could not determine why this was not done previously. When asked what he would do differently, one of the items Armond Cohen listed was to include industry groups.

Unlike previous collaboratives, technical consultants were hired by each participant to represent its respective interests. In another departure from common practice, and with the support of the intervenors, the utility hired PECI. Our role is to provide direction, signal pitfalls and help enhance their significant internal capabilities. For example, Bob Light of Baltimore Gas and Electric had extensive knowledge of program design issues, market research and measure screening, and Rich Hobson had worked with AXCESS building energy simulation soft-

ware. Working with a utility which has in-house capability to perform analysis allows us to swiftly transfer knowledge about program and technical design strategies.

Over the course of this collaborative, the team members became enmeshed in a lot of programmatic detail. Some planning data was missing and team members cooperated to devise workable approaches that would result in the generation of the necessary planning data. The extent to which the team members cooperated on this level sets this collaborative apart from others. As a result of the process, team members generally agree they have come away with greater knowledge, a sense of ownership and expanded capabilities.

Whether the Baltimore Gas and Electric collaborative process has gone smoothly is a matter of opinion, several of which we present below. We encountered a number of large and small problems and did not solve all of them. The most difficult problems to solve have been related to avoided cost. Also, during the course of collaboration, litigation proceedings were conducted which involved members of the collaborative. The resulting defensiveness presented barriers in communication which, according to one collaborative member, "poisoned" the process. Another member advises, "never litigate and collaborate at the same time - you can't slam a company and then try to put together a program."

However, the Baltimore Gas and Electric collaborative members generally feel the process has been worthwhile, and has resulted in a strong program. There seems to be consensus about what has worked well at Baltimore Gas and Electric. According to Sheldon Switzer, Supervisor of Demand-Side Management, "there was an overall honest exchange of ideas, and we solved a lot of problems. The cost recovery issue has been settled, the cost allocation problem has been solved. There was a lot of input from customers and I think the process has worked exceedingly well." Bob Light found that bringing adversarial parties closer together was critical to "better understand each other's issues on a personal level with real discussions on sensitive issues, points of contention. We have designed a program everyone is aware of both in parameter and design."

John Plunkett of Resource Insight, Inc., who is representing the Office of the People's Counsel of Maryland, believes that the Baltimore Gas and Electric New Commercial Program design is more comprehensive than others, and that it is "more flexible with greater room for design". A special characteristic of this team that fostered that flexibility was the inclusion of industry and industry groups to explain their complex design and technology

requirements. John feels that having the Company hire a non-utility consultant with experience greased the wheels so that "more got done more quickly". George Owens of the Rouse Company, representing BOMA, says he developed a "better understanding of who the players are and how programs are implemented. I have worked, or am working, with 45 electric utilities and countless gas and water companies. I will get involved with other, different programs like this. I have used my involvement here to understand the process on a national level."

Strengths and Weaknesses of the Collaborative Types

The common strength of all collaboratives is that all the stakeholders ultimately agree on an approach to financing, designing and implementing DSM programs. As more people sit at the table, the negotiations become more complicated and potentially more time-consuming. Consequently, the CLF model of separating the policy and oversight function from the program design function was a strength. From the program developer's perspective, the issues that the policy bodies typically decide determine what kinds of measures and delivery mechanisms are implemented at the program level, so it is imperative that these issues be decided quickly. This model enables that sort of dispatch. Another strength of this model was that there was a certain imperative about the process of negotiation. Although we have characterized this model as "The Stick" primarily for story-telling purposes, it was nonetheless helpful at certain points of negotiating with utilities to refer to a higher authority not in attendance.

The collaborative must take care in employing consultants. "The Stick" use fewer consultants than did the later collaboratives, and the consultants worked together with the DSM staff of the utility. As the issues and programmatic options became more clearly defined, more stakeholders became involved. The stakeholders in general became more involved in negotiations over program designs, relegating their consultants to a support role. CLF added a middle level of consultants to cope with the increasing scope of program activities. In general, these additional players and levels added to the difficulty of achieving a workable program design within the deadline.

The strength of the stick collaborative was that at the beginning, the consultants were more directly involved in the decision making. This worked because they were experienced in program delivery as well as design. The consultants worked well with the utility staff and helped move things along. In the carrot collaborative, consultants were used sparingly, in support roles around specific issues or approaches. This worked because the carrot

model had an experienced infrastructure and the benefit of previous collaboratives. The two hybrid collaboratives used consultants both ways in an appropriate fashion, which made for an expeditious undertaking. On the basis of this experience, we recommend that consultants should be used according to their skills and experience.

Issues

The issues addressed in virtually any collaborative fall into the following groups: financial, programmatic and policy. Financial issues include lost revenue adjustment and allocating DSM expenditures to rate classes; program issues include identifying or screening technologies and designing comprehensive programs for specific market segments. The policy issues bridge the financial and programmatic areas and include whether to capitalize or expense DSM expenditures, environmental externalities and fuel switching. Although most of the financial and policy issues were decided at the policy level by a body separate from the program design teams, the issues impacted directly on program design. The utility's avoided cost determined what energy conservation measures were cost-effective and either supported or made more difficult the packaging of technologies in a comprehensive program. Expensing DSM program design costs increases the cost-effectiveness of the DSM program.

Institutional Barriers

The difficulty of siting generation facilities to meet forecast load, industrial customers going off-line with cogeneration, increasing competition from independent power producers, the difficulty of building or negotiating transmission, least-cost planning and the need to account for the impact of utility business on the environment, all have redefined the utility/commission relationship. This constant change over the past ten years has introduced a great deal of uncertainty in the regulatory process from the utility perspective. The addition of collaborative negotiation over how the utility does business, especially when the impact on shareholder profits of doing business in that manner is unclear, causes a great deal of stress for the utility. Although by the time a collaborative has formed this issue has been somewhat resolved, it is wise for the stakeholders to remain aware of this dynamic as it may manifest in some way during negotiations. In addition to this potential barrier, there are three major institutional barriers to getting a DSM program on the street. These are the discontinuity of the commission's involvement throughout the collaborative process, unresolved turf issues among state agencies, and utility organization.

The role of the public utility commission has traditionally been that of a disinterested regulatory body whose mandate is to ensure the utility provides ratepayers the best possible deal, while the utility is guaranteed a specific rate of return. Consistent with this traditional role, the commission is typically disinclined to involve itself in the actual negotiations of the collaborative parties. Our experience is that those collaboratives where commission staff have been involved, or where commissions have participated without actively contributing, agree on more issues more quickly.

In many collaboratives, several state agencies are involved as intervenors, sometimes leading to turf issues. State agencies have had disagreements over what agency represents the interests of the ratepayer (is this the commission, the Attorney General, or the Department of the Advocate?) or what agency is responsible for resource planning (is it the commission or the energy office?). Sometimes these turf battles prevent the state from contributing fully to the collaborative process. We have seen this situation in New England, in the Atlantic states and in California. As with the collaborative body at large, the solution to this situation is for the parties to agree initially on their respective roles and responsibilities for this process.

The organization of the utility can often present barriers to the quick and comprehensive implementation of DSM programs. Sometimes senior management commits fully to aggressive implementation, while middle management resists in the belief that conservation doesn't work or is a passing phase. We have seen that in New England and in California. Sometimes senior management is enthusiastic, middle management is willing and staff is confused, overworked or antagonistic toward consultants. We have seen that in California. Only rarely have senior management had policies that caused them to resist the direction of the collaborative. We encountered this resistance with United Illuminating. With Central Vermont and NYSEG, management was protective of their relationship with their customers; they were reluctant to change what they felt was a unique way of approaching customers and felt they could reach penetration targets with lower incentives.

These organizational barriers, and the other barriers mentioned before, are markers on the map of the collaborative process, not evidence of failure or bad faith. NYSEG pursued objectives due to policies that were different from what the intervenors wanted, but they were one of the few utilities to establish a value for environmental externalities. LADWP has had organizational difficulties, but resolved most of their DSM resource-related financial issues in two months' time. Both of these

utilities are implementing DSM programs and are enthusiastic about the process.

Common Misconceptions

- *The collaboration process is strong.* Although there is always a sense of momentum and, in some cases, mandate about the process, it is nonetheless a delicate affair. Pete Morante of NU said, "We came close to calling an end to it four or five times."
- *The "sides" are almost the same.* In many instances, traditional allies found themselves on opposite sides of the fence, and traditional adversaries have found themselves on the same horse, riding in the same direction. Imagine, if you will, John Rowe and Doug Foy riding a horse.
- *Collaboration doesn't work unless the utility needs more capacity.* CL&P had a surplus; so did all the California utilities.
- *Collaboration doesn't occur until the utility is forced to collaborate.* It's just not that simple. Indeed, we can argue that no utility has ever been ordered to collaborate. Many of the utilities negotiated collaboration to settle litigation. NEES and NYSEG voluntarily undertook a collaboration. LADWP and SMUD are basically following the California Blueprint on their own initiative.

Guiding Principles and Essential Ingredients

Guiding Principles

- *Design comprehensive programs.* Each market segment will be addressed. Any cost-effective measure will be eligible for incentives. Technical analysis, service delivery, referral and marketing are integrated into programs to increase efficiency and add value to the customer service.
- *Integrate DSM operations.* The program planning and development phases are the points at which an evaluation plan is properly developed. The evaluation process should include market and end-use surveys and other data acquisition to increase the effectiveness of the planning and development phases. All of these activities can be designed to support load research, forecasting and resource evaluation functions within the utility.

- *First capture all lost opportunities.* So-called lost opportunities typically are the most cost-effective resources. They include conservation in new construction or at the time a major renovation or replacement is scheduled. Revisiting the site to add efficiency measures later will be more expensive and less productive of energy savings. A design assistance approach often can shepherd in more energy savings than aggressive codes. Furthermore, as energy-efficient building techniques are incorporated into typical building practice and an informed population begins to create more demand for energy-efficient buildings it becomes easier to make further advances in energy-efficient building codes.
- *Offer incremental cost for incentives.* Offering incentives is the most effective strategy to overcome market barriers and establish efficiency as a market consideration. Incentives will not only increase customer participation, but also will materially support the development of a competitive efficiency market. If the utility is first capturing lost opportunities, there is no need to pay incentives beyond the cost difference between what measure commonly is installed and the replacement efficiency measure.

Essential Ingredients

- *The PUC must be involved in the collaborative process.* In the early cases, collaboratives were established at the recommendation of the state utility regulatory agency. The utility commissions, concerned about remaining objective and disinterested, now have begun to participate more positively with collaborative efforts because comprehensive filings are being written through a collective consensus process in which the commissions themselves take part.

The commission must carefully consider how this involvement occurs because it must guard against a conflict of interest situation. However, in those situations where the commission has had involvement through staff or attendance at negotiations, the quality and substance of the product has improved.

- *Deadlines work.* They can be extended, they may result in incomplete "fast track" programs, and everybody (especially consultants) may complain about the insanity of working that way. However, a deadline achieves results and facilitates agreements. A good DSM program is designed to incorporate the lessons learned during program operation to constantly improve the level of service and achievement, so the

most important thing is to get going. A deadline gets people going.

- *Collaboration requires clarity of purpose.* An important part of successful collaboration, according to Armond Cohen of the Conservation Law Foundation in Boston, Massachusetts, is to ensure at the beginning that the scope of the cooperative agreement among collaborative members is very clean and clear, that the terms are defined. In other words, how much of the planning process is under consideration? Is total resource planning included or excluded? Cohen also feels that agreement should come from as many constituencies as possible in business, industry and other consumer groups.
- *Include all interest groups, including industry groups.* Over time, collaboratives began to differ in focus, in part due to the involvement of local interest groups. For example, in a manufacturing area the shape of the market is driven largely by core customers' processing requirements. Without consensus of industry groups which share a stake in low-cost energy efficiency, successful DSM program implementation would be greatly hampered. The same principle applies to high demand commercial and residential customers. For maximum market penetration, the needs of each member of the collaborative must be addressed.

The inclusion of industry representatives in the Baltimore Gas and Electric collaborative made this a particularly effective process. For instance, George Owens, representing industry groups, developed an approach to calculating incremental costs that was consistent with bid practices in the building industry and applicable to the calculation of incremental costs for demand side management measures. We also learned how important it is to include implementation staff in the planning process from the start. The implementers must buy off on concepts of the program, and contribute invaluable experience to developing the plan.

- *Program designers should have program implementation experience.* Lack of program implementation and management experience makes it more difficult for a consultant representing an intervenor to determine whether a timeline, budget, or job description is truly adequate for a program. Consultants without implementation experience don't know first hand what doesn't work or why.

- *Utility staff and consultants involved in program design should work directly with each other.* Program development intrinsically depends on a lot of variables. To place program development in a collaborative environment further complicates the development process; program components and design strategies must reflect not only the needs and characteristics of the service territory but the agreements made during negotiations. Even though program development is often subordinate to the negotiating process, those professionals who know most about DSM program development should be allowed to work together as a separate group. We think that this approach results in superior program design delivered in a shorter period of time.
- *Make sure you have a cheerleader and a trail blazer.* In the final analysis, the collaborative process is a human one. In the best of times, the group proceeds effortlessly down the trail to program completion and self-actualization. During the other 95 percent of the time, someone has to provide direction and someone has to make everything ok.

Conclusions

PECI believes, even after the fifteenth time, that collaboratives are dynamic and still evolving. Not all agree on when the collaborative relationship is over. Some say never, some say as soon as the filing is complete. We expect that the ongoing relationship will never really be finished, because the partnership manifested by the exchange of ideas among the parties has created a platform for discussion and disclosure that did not exist before. As technologies and philosophies toward conservation change, and they will, the door will be open and big enough for us all to gallop through, on whatever horse we came in on.

Endnote

1. Figure 1 combines information from a January 1992 memo from Ralph Cavanagh to the California Public Utility Commission and a paper by Birner, S. 1992. "Postcards from the Cutting Edge: Perspectives on Collaboratively Designed Demand-Side Management Programs." *Proceedings for the International Association of Energy Economists*. (Tours, France)

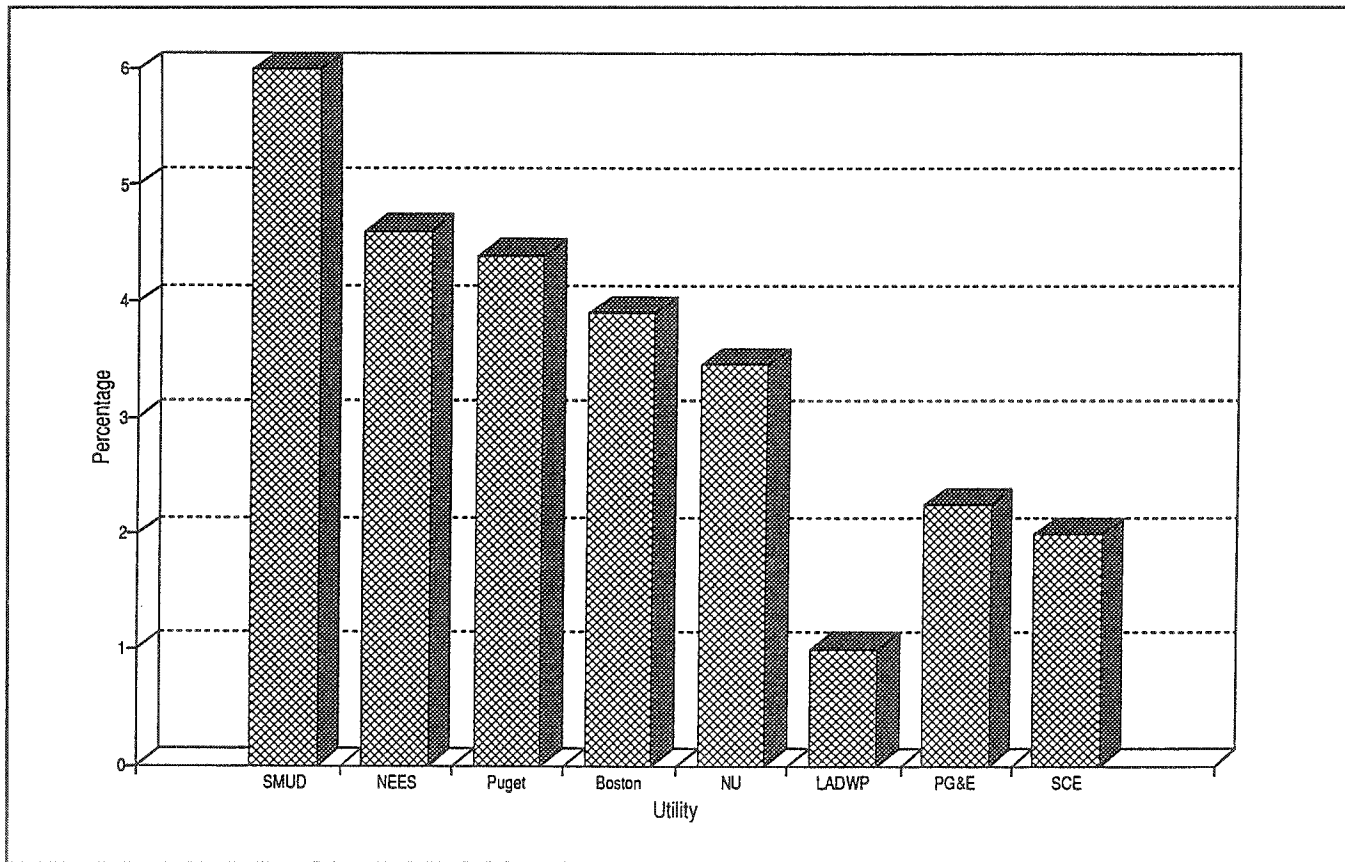


Figure 1. Percentage of Gross Revenues Invested in Energy Efficiency - 1991