

## 3.3 UTILITY PROGRAM ADMINISTRATOR BUSINESS MODEL

### 3.3.1 Introduction

A utility is a public and/or investor-owned entity that is in the business of generating and disseminating energy to a range of customers. Utility program administrators offer a range of efficiency services to customers in addition to providing energy. Utilities can also partner with other actors in the efficiency value chain. Below is a brief overview of the characteristics of a utility.

Summary of Utility Program Administrator Characteristics	
<b>Size</b>	In 2010, total utility sector revenue was approximately \$350 billion. <sup>38</sup>
<b>Market Role</b>	<p>Services include:</p> <ul style="list-style-type: none"> <li>■ Generation and distribution of electricity to residential, industrial, and commercial customers</li> <li>■ Investment in electricity infrastructure throughout the value chain: <ul style="list-style-type: none"> <li>– Generation</li> <li>– Transmission (grid)</li> <li>– Distribution (residential, industrial, and commercial)</li> </ul> </li> </ul> <p>Services for residential customers in the energy efficiency market may include:</p> <ul style="list-style-type: none"> <li>■ Demand side management (DSM)</li> <li>■ Customer services (rebates, home energy upgrades, loans, and education)</li> </ul>
<b>Operating Environment</b>	<p>Operate in a market with regulations that impact programs, including:</p> <ul style="list-style-type: none"> <li>■ The 2005 Energy Policy Act, which regulates the electric power industry's generation, distribution, metering, and taxation</li> <li>■ State public utility commissions (PUCs) regulate utilities including rates, cost-recovery, and competition</li> <li>■ State energy efficiency portfolio standards</li> <li>■ Federal and/or state implementation of Clean Air Act regulations</li> </ul>
<b>Competitive Landscape</b>	<ul style="list-style-type: none"> <li>■ 70 percent of U.S. power is distributed by IOUs, 11 percent by municipal utilities, and the remainder by cooperative and federally owned utilities</li> <li>■ Utilities typically have a local monopoly for residential customers (competition from independent power producers is mainly at the wholesale level)</li> <li>■ Utility energy efficiency programs may compete with state and local energy efficiency programs</li> </ul>
<b>Collaborative Landscape</b>	<p>Collaborate with any of the following, depending on their local market demographics:</p> <ul style="list-style-type: none"> <li>■ Remodelers (provision of incentives and training, demand generation, and quality assurance)</li> <li>■ HVAC contractors (provision of incentives and training, demand generation, and quality assurance)</li> <li>■ Home performance contractors (provision of incentives and training, demand generation, and quality assurance)</li> <li>■ Retailers (consumer education and outreach and demand generation)</li> <li>■ Other, non-utility program administrators (customer education and outreach, demand generation, co-branding, marketing, and service provision)</li> </ul>

<sup>38</sup> U.S. Energy Information Administration. *Electric Power Annual*. 2009. (2011). <http://www.eia.gov/electricity/annual/archive/03482009.pdf>.