BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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Application of Southern California Edison Company (U338E) for Approval of its 2009-2011 Energy Efficiency Program Plans and Associated Public Goods Charge (PGC) and Procurement Funding Requests.	**Application 08-07-021** **(Filed July 21, 2008)**
And Related Matters.	**Application 08-07-022** **Application 08-07-023** **Application 08-07-031** **(Filed July 21, 2008)**

COMMENTS OF CALIFORNIA BUILDING PERFORMANCE CONTRACTORS ASSOCIATION (CBPCA) ON DECISION AND ALTERNATE PROPOSED DECISION OF COMMISSIONER GRUENEICH ADDRESSING PETITION FOR MODIFICATION OF DECISION 09-09-047

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Introduction

These comments are provided in response to the Proposed and Alternate Decisions published by CPUC on November 16, 2010. We make these comments in the context of CBPCA's position as the contractual implementer of the current Whole House Performance Programs (WHPP) for PG&E, SCE/SCG, and SMUD.

These comments are focused on three of the specific Orders and their supporting information in the proposed/alternate Decisions. These Orders include the following provisions, as proposed in those Decisions:

A. Clarify that co-branding requirements with the Engage 360 brand apply to all energy efficiency programs provided through energy efficiency funds, but not provided solely through other funds.

B. Reduce energy savings goals for the Prescriptive Whole House Retrofit Program from 20% statewide to 15% for Pacific Gas and Electric Company and 10% for the other utilities. (In our following comments we divide this into separate B-1 and B-2 issues for the PWHRP and WHPP versions of the whole house program.)

C. For the California Advanced Home Program, provide that the required $1,000 performance bonus applies only to single family units, and provide that a lower $200 bonus or a territory-specific incentive (e.g., marketing dollars, customized engineering reports, etc.) apply for each applicable multi-family unit.

We address each of these issues in turn below, and propose the following recommendations:

A) Co-branding requirements with the Engage 360 brand should be reconciled with Energy Upgrade California's (EUCA) unified branding for retrofit programs as directed by the California Energy Commission.

While the CPUC was developing its Engage 360 brand, the California Energy Commission sought to unify the ARRA, utility, and HERS II initiatives to make it easier for homeowners to understand the benefits, incentives, and local differences among the building retrofit programs. Collectively those programs throughout the state are funded at a level in excess of $250 million through the next approximately two years. The many different funding sources, their requirements, and individual utility rules result in a mosaic of different opportunities for homeowners and may well inhibit program due to confusion of sources and messages. CEC's work led to a unified branding of all these retrofit programs under the name "Energy Upgrade California," and that brand is now entering active use through the CEC's new EUCA web portal, linkages to all program opportunities by ZIP code, and soon will enter a wide variety of media spaces. The use of utility and other logos and branding is closely controlled.

Currently, the information available on Engage 360 makes no mention of EUCA, and EUCA ignores Engage 360 despite reportedly coordinated efforts. Closer coordination between Engage 360 and EUCA is essential before the Commission makes a final determination of the appropriate requirements for these same utility programs to highlight the Engage 360 brand. We propose that a final decision on this issue be postponed, at least for the home retrofit programs, and that the CPUC and CEC together consider how best to integrate these essentially competing brands.

B-1) Corrections of fact should be made to the Decision's conclusions on reducing the energy savings goals for the Prescriptive Whole House Retrofit Program (WHRP) from 20% statewide to 15% for Pacific Gas and Electric Company and 10% for the other utilities.

Based on discussions with IOU and Energy Division staff, the Decision reflects either a miscommunication or an error with respect to the minimum energy savings levels authorized for the PWHRP. An extensive work paper process conducted earlier this year by the IOUs and Energy Division led to the CPUC's conclusion that many homes receiving the Prescriptive (Basic) retrofit might gain energy savings closer to 10% rather than the 20% predicted earlier by simulation modeling. This led to an agreement between IOUs and CPUC staff that the minimum allowable PWHPP savings should be reduced from 20% to 10%. In addition, the IOUs' argued that the separate WHPP energy savings floor for incentives should be reduced from 20% to 10% (with PG&E requesting 15% for its program).

However, the Decision and Alternate applied those percentages mistakenly to the PWHPP. We propose that the final Decision correct this error and approve the reduction of PWHRP minimum savings statewide from 20% to 10% to provide greater incentives for homeowners to take advantage of this program.

B-2) The Commission also should allow the Joint Utilities to reduce the minimum savings levels for the ("Advanced") Whole House Performance Program in addition to the reductions cited for the ("Basic") Prescriptive Whole House Retrofit Program above.

While the minimum energy savings levels proposed in the Decision alternatives were mistakenly applied to the PWHRP (although intended by the IOUs for the WHPP), correction of that error as recommended above (i.e., a flat 10% minimum savings level for the PWHRP) creates a new and serious deficiency for the (Advanced) WHPP. If the PWHPP minimum savings level is reduced to 10% as requested and the WHPP's minimum savings level is left at 20%, we anticipate that many homeowners will fall into the 10-20% minimum savings gap and will

receive no incentive at all. (These homeowners could be disqualified because some of the major PWHRP measures, such as deep attic insulation, already have been performed in their homes, perhaps due to code requirements on relatively recent homes or past CPUC single-measure incentive programs for all homes.) These homeowners typically will not be able to afford the cost of an alternative retrofit that provides the required higher 20%+ savings. Therefore, they will be disqualified from both versions of the whole house retrofit program. This is clearly unfair, unintended, and likely will lead to justifiable complaints about "discriminatory" program design.

Some might argue that the reduction of minimum WHPP savings to a level below 20% would result in a cost-effectiveness problem for the IOUs. However, the IOUs plan to offer reduced incentives for those lower levels of WHPP savings. In addition, this program is universally acknowledged to be a radical market transformation initiative, unprecedented in scope and scale, needed to meet the existing home sector's AB32 and CEESP goals. In its key role for the State, the CPUC has established both the WHPP and the PWHRP as crucial elements of the 2010-12 EE cycle despite any potential for affecting portfolio cost-effectiveness. As the authorized whole house retrofit program funding is less than 4% of the overall 2010-12 IOU EE budgets, this proposed change would be small, but amply justified by its impact on the quality and quantity of the residential home repair and remodeling industry's efforts, job creation and upgrading of work skills, and resulting long-term energy savings.

Therefore, we recommend that the Commission reconsider its current judgment and we propose that the WHPP minimum energy savings limits be set at the same 10% that the IOUs

proposed for the PWHRP. Although PG&E proposed a higher minimum at 15%, a uniform standard is both clearer for the program's statewide public education, marketing, and administration efforts, and is also a relatively simple method to eliminate the incentive gap problem between the PWHRP and WHPP.

C) **For the Prescriptive Whole House Retrofit Program, the proposed $200 bonus or a territory-specific incentive (e.g., marketing dollars, customized engineering reports, etc.) for each applicable multi-family unit should be reconsidered to provide a more realistic incentive for owners of units in small 2-4 unit buildings.**

There are thousands of 2-4 unit apartment and condominium buildings throughout California. In such small buildings, each unit often functions virtually identically to a single family home. Shared walls, roofs, and mechanical systems typically are relatively small portions of those total assemblies, resulting in heat transfer, mechanical system efficiencies, and energy use levels per square foot amenable to the same principles, modeling tools, and retrofit measures used in single unit homes. Total energy use and savings opportunities are typically somewhat less on average, suggesting that the Decisions are correct in proposing reduction of the full $1000 incentive established for the PWHRP. However, the proposed flat $200 amount is clearly unfair to the owners of such units or buildings because the incentive simply is too small to make an economic difference in the market and bears no relationship to the actual savings potential.

The difficulty here is in determining what level of incentive is appropriate for each of the many different building configurations and numbers of units. In general, energy use and savings potential decrease as the number of units increases, but only gradually and not by a factor of five as suggested by the proposed $200 incentive limit. We recommend that the IOUs be allowed to determine a variable PWHPP incentive structure for multifamily buildings and

submit that structure to the Energy Division for review and approval or adjustment, rather than setting an arbitrary limit that will inhibit retrofit program participation. Alternatively, the incentive level could be set at a more realistic per-unit level of not less than $500.

We also recommend a similar approach in the more savings-intensive WHPP. Without a more equitable incentive structure for those buildings, few owners would be encouraged to participate in the program—particularly considering the added difficulties of the split incentive barrier to either owner or tenant participation.

Conclusions

The California Building Performance Contractors Association appreciates this opportunity to comment on the proposed Decisions. We respectfully emphasize the importance of the recommended refinements, particularly for the IOU home energy retrofit programs now launching, their contractors, and homeowners statewide. These are path breaking market transformation programs with aggressive goals and a variety of challenges for all involved. The details ordered by this CPUC Decision can make the difference between success and failure, requiring the most careful consideration. We hope that our recommendations will be helpful to the Commission in that effort, and are ready to provide any additional assistance needed.

December 6, 2010 *<u>/s/ Robert L. Knight</u>*

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