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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of 2013-2014 Energy Efficiency Programs and Budget (U39M)	APPLICATION 12-07-001 (Filed July 2, 2012)
And Related Matters.	APPLICATION 12-07-002 APPLICATION 12-07-003 APPLICATION 12-07-004

Comments of California Center for Sustainable Energy on the Proposed Decision Approving 2013-2014 Energy Efficiency Programs and Budgets

California Center for Sustainable Energy

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I. INTRODUCTION

CCSE appreciates the opportunity to provide comments on the ALJ's proposed *Decision Approving 2013-2014 Energy Efficiency Programs and Budgets*, filed October 9, 2012. A multitude of parties has spent much time and energy to help shape the direction of this transition period, and we are pleased to see the result of the past few months' efforts. We commend the Commission for its vision of 2013-2014 as a "transition" period and not merely a "bridge" leading to the next full cycle in 2015. With this proposed decision (PD), the Commission has taken steps towards redefining the roles of and relationships among a number of important stakeholders including local governments, IOUs, third-party implementers and nongovernmental organizations. We appreciate the Commission's boldness in allowing some significant changes in 2013-2014, and we also recognize that such experimentation will require close monitoring and possible modifications to programs throughout the cycle. We agree with the need for such changes and we encourage the Commission to leave room for flexibility to make appropriate course corrections; as the market in which energy efficiency programs operate does not remain static, the policies that govern energy efficiency programming must be dynamic as well. With this in mind, we direct our comments to the following topics:

- Regional Energy Networks
- Energy Upgrade California
- IOU Budget Reductions
- Spillover Effects and Cost-Effectiveness
- Workforce Education and Training
- IDSM

II. SUMMARY

<u>Regional Energy Networks (RENs)</u>

We are pleased to see local governments assume a more prominent role in the overall portfolio, and importantly, be able to provide strong, local leadership on energy in their jurisdictions, and we commend the Commission for allowing the RENs the independence in program design and modification required to truly fulfill the desire expressed in D.12-05-015 to assess "the appropriate level of local government administration of ratepayer-funded energy efficiency programs."[1]

Energy Upgrade California

We agree with the need for statewide consistency in the overall program offering, and are concerned about potential customer confusion resulting from multiple administrators and implementers marketing variants of the program across the state. It is also not clear that hiring a market transformation consultant and inventing an entirely new process and working group will be the best use of ratepayer funds and may be duplicative, in light of the collaborative discussions that have been occurring between IOUs and implementers for months now regarding how to improve the Basic Path. We also note the concurrent workshops and discussions taking place at the CEC around AB 758 implementation and recommend a more coordinated approach as an alternative. Lastly, we urge the Commission to require that any and all entities that use the Energy Upgrade California brand in their program activities must ultimately be accountable in their marketing and outreach to the Statewide ME&O implementer. This will prevent confusion in the marketplace and will allow for consistent brand management, as Energy Upgrade California becomes the statewide brand for all DSM programs.

IOU Budget Reductions

[1] *Decision Providing Guidance on 2013-2014 Energy Efficiency Portfolios and 2012 Marketing, Education, and Outreach*. May 10, 2012. p. 148.

We understand and agree with the Commission's intention to reduce increasing costs within the IOUs' administration of energy efficiency programs; however, the language contained in the proposed decision gives the IOUs a great deal of latitude to cut actual program budgets. If not clarified, this will lead to across the board cuts to activities which support many of the Commission's expressed goals, including workforce training and other activities that support the Energy Upgrade California program, local government partnership and strategic plan activities, and any other program activities which create a drag on the cost-effectiveness of the IOU portfolios.

Workforce Training and Education

We agree with the Commission and parties such as Environmental Health Coalition that workforce education and training (WE&T) is in fact "an area in dire need of more focused attention."[2] Improved WE&T is vital for meeting the goals of the LTEESP and its potential is not achievable by the IOUs alone. Thus, the Commission is wise to bring in external expertise and to convene stakeholders to work on these issues in a systemic fashion. CCSE looks forward to working with the Commission and parties to support this comprehensive approach in preparation for the 2015 portfolio.

IDSM

Integrated demand-side management is crucial to designing and delivering programs that can help California achieve the ambitious goals of the LTEESP, California's Clean Energy Future and other policy objectives such as Governor Brown's 12GW challenge and we appreciate the Commission's careful attention to ensuring that energy efficiency continues to provide the core infrastructure to this far-reaching endeavor and to ensuring that distributed generation remains an important part of the messaging to consumers.

[2] *Proposed Decision Approving 2013-2014 Energy Efficiency Programs and Budgets*. October 9, 2012. p.84.

III. REGIONAL ENERGY NETWORKS

CCSE was pleased to see the outcome of the extensive discussions regarding local government Regional Energy Networks (RENs). We applaud the Commission's thorough vetting of each component of each REN proposal, and, given that level of scrutiny and the intended exploration of this transition period, we estimate that the level of independence granted to the RENs with regard to program design and modification is appropriate. As the Statewide ME&O coordinator, CCSE looks forward to closely coordinating with the RENs as they work alongside the IOUs to deliver the state's centerpiece program for residential and small business customers, Energy Upgrade California.

IV. ENERGY UPGRADE CALIFORNIA

The Energy Upgrade California program is rightly given attention in the proposed decision. Successful implementation of its home performance program is necessary to achieve the goals laid out in the Long Term Energy Efficiency Strategic Plan (LTEESP) for the residential sector, including a 40% reduction in energy usage by 2020 and the interim goal of 20% reduced energy consumption by 2015.[3] If we are to have any chance of meeting these goals, Energy Upgrade California must have the appropriate policy and process framework in place to allow the program to scale up dramatically in a short period of time. This will necessarily involve a number of steps, including the redesign and statewide standardization of the Basic Path, programmatic streamlining, continued workforce training and development, viable financing for the residential market and a commitment to extensive marketing, education and outreach efforts to drive both awareness of and demand for the program. We further note that due to the diffuse nature and varied needs of the contractor community

[3] *California Long Term Energy Efficiency Strategic Plan.* September, 2008. Section 2, p. 11.

whose job it is to actually sell and complete projects, the overall program design process must be simple and nimble in order to respond ensure maximum program participation.

On behalf of the Energy Upgrade California brand transition effort, we thank the Commission for clarifying and reinforcing the relationship between the Energy Upgrade California brand and the Energy Upgrade California home performance program. While work continues as part of brand transition to fully clarify how the home performance program and the state's umbrella brand will relate to each other, it is important that the brand and the program remain connected to fully realize the benefits for both in choosing a brand that was already associated with this program and the great deal of resource investment that happened during the American Recovery and Reinvestment Act (ARRA).

The proposed decision approves the IOUs' proposal to "hire a market transformation consultant to assist with improvements to the long-term EUC design."[4] The proposed decision then outlines the formation of a new "informal working group" co-chaired by a non-utility, and comprised of CEC/CPUC staff, CCSE, and "EUC implementers". The goal of this working group would be to submit an updated EUC PIP by no later than April 1, 2013, after which both the RENs and IOUs "should conform their program offerings to the new program design, though "the offerings by the RENs and the IOUs need not be identical".[5] While we appreciate the need for collaboration in program design, especially now that the IOUs and RENs are sharing oversight of this statewide program, CCSE has a number of concerns related to this process.

First, we are concerned about redundancy and disconnect with related discussions currently being held at the Energy Commission around AB 758 implementation. A staff scoping report for AB 758 was issued in August 2012 and workshops were recently held on

[4] *Proposed Decision Approving 2013-2014 Energy Efficiency Programs and Budgets.* October 9, 2012. p. 22.

[5] *Id.* p. 24.

October 8-9. The CEC intends to issue an Action Plan for adoption in the spring of 2013 that will include programmatic guidance applicable to the 2015 portfolios. The CEC included discussion of market transformation in its scoping discussions and can be expected and even called upon to make market transformation a central consideration in the action plan. In fact, given the cost-effectiveness requirements of CPUC programs and the CEC's mandate to build a comprehensive program designed to meet California's long-term deep retrofit goals, the AB 758 proceeding may be the more appropriate arena in which to consider and apply market transformation in program planning, taking aim at 2015 and beyond. Additionally, the CEC has its own technical resources and also can draw upon support of relevant departments at Lawrence Berkeley National Laboratory via Department of Energy support. It therefore seems duplicative and unnecessary for the IOUs to spend ratepayer funds hiring a market transformation consultant to assist in the transition period redesign of the program.

We support the general idea put forth by NRDC and DRA and agree that it could be helpful to utilize outside experts and collaborative discussion amongst multiple stakeholders to better inform program design in California (and we support this concept below for the WE&T programs); however, CCSE does not agree that this is the best program with which to pilot such an idea. After nearly three years of implementing a variety of approaches to home performance programs, the IOUs and RENS and their implementers and stakeholders have learned many hard-fought lessons, and given the state of home performance program development around the nation, it is unclear that an outside market transformation consultant would produce a more optimal program design than could be arrived at through diligent, earnest collaboration by the existing stakeholders. If the Commission considers a market transformation consultant necessary to the working group process even after these considerations, CCSE asks that consideration be made for the working group to hire the consultant in a collaborative fashion rather than leaving the decision solely in the hands of the

IOUs. Absent this provision, it is unlikely that stakeholders will trust the in the overall process and their opportunity to meaningfully participate in it.

Based on conversations with IOU and REN representatives over the last few days, CCSE understands that each group has been working on refining their basic or flex offering per the Proposed Decision and neither expects to need the entire first quarter of next year to align on an approach. We are pleased to see everyone moving quickly, however, the two views must come together and much remains to be done as a whole, integrated team. We are concerned that the process outlined by the Commission does not provide guidance regarding where ultimate program decision-making authority lies, other than to say, "…both the RENs and the IOUs should conform their program offerings to the new program design *developed by consensus"*.[6] This raises a number of questions: Is the expectation total agreement from all parties or that a majority vote will determine "consensus"? Who are the voting members of the group? Governance of the program by this committee and its working processes must be established soon, and while we appreciate the Commission's directive to the IOUs and the RENs to self-organize and would like to see that happen, we are not confident that this will take place quickly and efficiently without establishing further clarity and direction.

CCSE is also concerned about the high potential for perpetuating the customer and contractor confusion that has existed as a result of having "too many cooks in the kitchen" with too many variations on the same recipe. With the approval of the RENs' activities related to Energy Upgrade California, we now count six different regional program administrators in place for what is intended to be a "statewide" program. It is not clear how much variation will exist from region to region if program offerings "need not be identical".[7] While we generally agree with the prevailing wisdom that California is a compilation of many diverse localities

[6] *Id.* p. 23-24 (emphasis added)
[7] *Id.* p. 24

requiring statewide programs to be thoughtful of regional diversity, and we appreciate the value in testing different models in different places, it must be recognized that we have now had three years of different models throughout the state. Therefore, the time seems ripe to apply lessons learned in a consistent fashion statewide and to simplify this program as much as possible so contractors and consumers can grasp all of its necessary elements and be sold on its benefits.

With these concerns in mind, CCSE posits the following criteria and process for the Energy Upgrade California Home Performance Working Group (HPWG).

As the Commission directs, the HPWG should operate as an informal working group, unconstrained by formal regulatory procedures and able to engage in "roll-up-the-sleeves" collaboration. However, this designation of "informal" should not be construed to imply that the HPWG has no teeth or is only advisory in nature. It should for all intents and purposes act as the governance committee for the Energy Upgrade California home performance program being co-designed and delivered by the IOUs and the RENs, and should provide the forum by which those two types of organizations discuss and align on one statewide program design and implementation plan and coordinate with important stakeholders. The HPWG should include the IOUs, the RENs, the implementers, the CEC as the lead agency on AB 758, CCSE as the coordinator leading Energy Upgrade California statewide ME&O and several key stakeholders including residential finance programs, contractor associations such as CBPCA, realtor associations, etc. Based on our experience with the Energy Upgrade California Steering Committee, CCSE surmises the Commission may be calling for an IOU and a non-IOU chair to foster ownership of the group and its process and inspire buy-in. While we appreciate the encouragement for self-organization, we do not believe this arrangement will foster such buy in from unwilling parties who are reluctant to cede local control. During the ARRA period, the Steering Committee was chaired by the CEC but the CEC only had oversight of the ARRA recipients, while the IOUs were allowed to treat the group less as a steering committee and more like an advisory group. This limited the CEC's ability to hold parties accountable and limited the group's effectiveness as an actual program steering committee. We encourage the IOUs and RENs each to designate a lead for this effort, but for effectiveness, all members of the HPWG must be held jointly accountable for the program's successes and failures. Now that the CEC is leading the development of the AB 758 comprehensive energy efficiency program, working collaboratively with the Commission and no longer managing contracts for a subset of the implementers, we ask the Commission to consider CEC staff as one impartial chair to facilitate the discussion in context of the larger policy goals and to ensure equal participation by all. As we note above, CEC staff can procure technical resources as needed by working with DOE and other interested parties and can ensure discussions are related to the longer term policy needs and align on a more correct, singular path forward, rather than perpetuating regional tinkering and a lack of best practices dissemination. We suggest further that perhaps Commission staff should not sit on the HPWG but instead the CEC staff should act as proxy for both Commissions and coordinate with Commission staff directly as chair. This arrangement could allow the IOUs and RENs to be more active in their collaboration with other stakeholders and the HPWG can report to the Commission as an oversight body, providing quarterly progress reports.

The mission of the HPWG should be to align on one statewide program design that will be implemented uniformly across all territories. Certainly there could be regional add-ons that contractors could offer as value-adds but the core offering should be consistent and clear everywhere possible until the program reaches scale. Given the limited number of implementers who deliver the program on behalf of both the IOUs and the RENS, we recommend the HPWG consider a unified competitive solicitation for one statewide implementer. Such an implementer could be comprised of partner organizations dividing labor by core competencies or across regions, achieving efficiencies by working together to propose streamlined operations for effective program implementation, rather than being cobbled together in different program segments by the various program administrators. This approach would enable the marketplace to work out efficiencies and solutions on its own and propose those to the HPWG rather than foster continuous theoretical discussions without testing implementation paths, and efficiencies could be found quickly. For example, is it necessary to have six different entities distributing rebates? Having one point of accountability and one implementer would greatly improve and streamline the program's statewide offering. We recognize that it will be difficult for local administrators to cede some local control of the program to a statewide consortium, but tension between local control and the need for scale is inherent in this program already, and we encourage everyone to embrace the collaborative nature of actively managing the program together via the HPWG to hold each other accountable, while enabling the ultimate local entity, the contractor, to deliver the program effectively.

The HPWG should meet monthly with weekly convening of action teams or committees as necessary, and should start meeting in November to be on track for January 2013. It is important that the RENs and IOUs and their implementers recognize the necessity of continuing to use Energy Upgrade California to promote home performance and coordinate their consumer and contractor facing communications with CCSE statewide ME&O coordinator. CCSE is looking forward to discussing the consumer experience with the team as soon as possible and very much looks forward to the IOUs and RENs' alignment on their revisions to a menued offering of at least three bundled measures. We note that the consumer path options should be renamed and will recommend suggestions to the HPWG. For now, we specifically suggest that the word "flex" should not be used, due to potential confusion with "Flex Alerts" and also because it is no longer needed as an alternative to the to the previously prescriptive bundle known as "basic".

V. IOU BUDGET REDUCTIONS

The proposed decision directs the IOUs to achieve a TRC of 1.25, absent the REN portions of the portfolios as well as spillover effects and codes and standards contributions. The Commission estimates this will require a minimum non-incentive budget reduction of 30%. The Commission also makes clear that this budget reduction continues the direction of D.09-09-047 which capped overall administrative costs at 10% and set a ME&O budget target of 6%,[8] expressing concern that the "implementation- customer services" cost category has "become a catch-all category of costs that is steadily growing".[9] We understand the Commission's concerns regarding potential IOU cost-overruns; however, we caution that as currently written, the proposed decision has set up a situation in which the IOUs are seeking to cut funding to many of the very programs the Commission has identified as priorities in 2013-2014. The proposed decision states, "In their compliance filings, we will give the utilities the opportunity to allocate the non-incentive cost reductions to their various programs as they see fit… to comply with our directive herein to achieve a 1.25 TRC ratio".[10] If not corrected, the IOU reaction to this broad directive may have unintended consequences on the ground. For example, some IOUs have communicated to their local government partnerships that they will be cutting the LGP budget by more than 32%. In other instances, workforce, education and training programs are also being defunded and cut entirely. The Commission rightly pointed to WE&T as an area "in dire need of more focused attention".[11] We seek clarity from the Commission regarding where these budget cuts are to occur. If it is the Commission's intent to reduce increasing costs associated with the IOUs own internal program activities, we

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[8] *Decision Approving 2010-2012 Energy Efficiency Portfolios and Budgets*. October 1, 2009. p. 72-73.

[9] *Proposed Decision Approving 2013-2014 Energy Efficiency Programs and Budgets*. October 9, 2012. p. 89-90.

[10] *Id.* p. 94.

[11] *Id.* p. 84.

recommend the Commission clearly direct cuts to those specific areas. In the absence of such clarification, the IOUs will naturally look to cut those programs which create a drag on overall portfolio cost-effectiveness, many of which the Commission has clearly prioritized as critical support activities which are oftentimes implemented by non-utility actors such as local governments, third parties and nongovernmental organizations.

VI. SPILLOVER EFFECTS AND COST-EFFECTIVENESS

We appreciate the Commission's thoughtful approach to cost-effectiveness issues raised by parties throughout the proceeding, and we are heartened to see the recognition of spillover effects in the proposed decision. We agree that more research is needed to properly account for these effects in the same way that free-ridership is accounted for in net-to-gross calculations. We are somewhat dismayed, however, at the treatment of these effects (along with those of codes and standards) as a "bonus" and not as contributing to the IOUs' TRC targets. As stated by NRDC, "The current approach of discounting impact estimates for free riders but failing to include spillover clearly results in a significant underestimate of efficiency programs impacts and cost-effectiveness. The current approach ultimately raises costs to utility customers, by reducing investment in energy efficiency resources and increasing investment in dirtier and more expensive generation resources."[12] While we appreciate the Commission's adoption of the 5% increase to NTG values from spillover effects, by not allowing this to impact the TRC targets set during the portfolio planning process, the Commission is not allowing this change to have any effect on programmatic decisions. Therefore funding will not be shifted in favor of market transformation programs and long-term deep energy savings programs, as the IOUs must still treat their portfolios as though there are no spillover effects (or benefits from codes and standards programs). We recognize that this transition period is addressing many areas of

[12] *Response of the Natural Resources Defense Council (NRDC) to the Utility Applications for 2013-2014 Efficiency Programs and Budgets*. August 3, 2012. p. 11.

need in preparation for 2015 and beyond and we trust the Commission will continue to consider this issue carefully so that its long-term policy framework will be more closely aligned with its stated vision articulated in D.12-05-015.

VII. WORKFORCE EDUCATION AND TRAINING

We were pleased to see so many parties give considerable attention to WE&T as we share many of the same concerns, though page limits do not allow us to delve deeply into WE&T issues beyond those associated with Energy Upgrade California. CCSE has significant experience working with the IOUs on WE&T, including ten years delivering workforce education programming at the San Diego Energy Resource Center and providing contractor training for programs such as Energy Upgrade California and the California Solar Initiative. With ARRA support, we also developed curriculum in partnership with community colleges and several workforce development programs such as the Green Grad Education & Training Upgrade Program (GETUP). Additionally, CCSE has developed and delivered several related K-12 programs. We have participated in the WE&T task force in a limited capacity and were very pleased to see the extensive recommendations of the WE&T Needs Assessment in 2010, especially the emphasis on sector strategies and equitable opportunities. WE&T is a systemic opportunity that must garner appropriate attention and resources from the IOUs and CPUC to meet LTEESP goals. In order to maximize the impact of these programs, WE&T efforts must be coordinated with and leverage resources from other agencies, as the full scope and opportunity for employment in the clean energy economy intersects with many state and local priorities and policy agendas. We were very pleased to see attention paid to data collection and applaud the Commission's suggestion to bring in California's Workforce Investment Board and the Labor and Workforce Development Department as stakeholders and consultants. We very much look forward to working with the Commission, the IOUs and other stakeholders to build the sustainable energy workforce and economy.

VIII. IDSM

CCSE is very supportive of the Commission's emphasis on integrated demand-side management "strategies and programs that offer customers opportunities to better integrate their energy efficiency, distributed generation, and demand response energy choices,"[13] and appreciates all attempts to address barriers that block attempts to provide these services to Californians and especially notes and applauds the direction to assume an consistent approach to this integrated, statewide effort. In our experience working with people interested in pursuing more sustainable energy choices, we see that they do not categorize and prioritize energy solutions as we in the industry have come to do. Thus, it is important to educate them so they better understand why one energy choice is better to make than another at any given time, and also we must provide multiple solutions in an integrated rather than a silo-ed fashion. Since IDSM spans across portfolios and proceedings, careful diligence is required to ensure its goals are carried forth, and we appreciate the Commission's particular attention to distributed generation, which is often overlooked and is so important to the state's energy goals. Ensuring that the core offerings are provided for as a "backstop" in the EE proceeding is vital to maintain the infrastructure to advance this extremely important, consumer-focused approach to energy programs.

We look forward to working with the IOUs and other stakeholders in collaboration with the IDSM taskforce to develop and deliver IDSM education and messaging through Energy Upgrade California, providing statewide complement to local and regional integrated marketing, education and outreach.

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[13] *Proposed Decision Approving 2013-2014 Energy Efficiency Programs and Budgets*. October 9, 2012. p. 81

IX. CONCLUSION

CCSE thanks the Commission for the opportunity to comment on the proposed Decision Approving 2013-2014 Energy Efficiency Programs and Budgets. It is our hope to have provided the Commission with valuable insight and recommendations that will help make the 2013-2014 portfolio highly effective in achieving all of its resource and market transformation goals. This transition period marks an exciting new chapter in California's energy efficiency policy, and as 2020 draws closer, we look forward to working with the Commission and other parties to ensure the appropriate actors are empowered to deliver well-designed programs that swiftly accelerate the market transformation that must occur in order for us to meet the state's energy and climate goals.

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