



**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

FILED
8-15-16
04:59 PM

*Order Instituting Rulemaking Concerning
Energy Efficiency Rolling Portfolios,
Policies, Programs, Evaluation, and
Related Issues.*

Rulemaking 13-11-005
(Filed November 14, 2013)

**Reply Comments of McHugh Energy to
Proposed Decision Providing Guidance for Initial Energy Efficiency Rolling
Portfolio Business Plan Filings
Rulemaking 13-11-005**

[August 15, 2016]

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I. Introduction

McHugh Energy Consultants Inc. (“McHugh Energy”) submits the following reply comments in regards to the Proposed Decision (Mailed 7/19/2016) Providing Guidance for Initial Energy Efficiency Rolling Portfolio Business Plan Filings as part of Rulemaking 13-11-005 (“Proposed Decision”). The thoughtful comments of other stakeholders underline the significance of this decision on the ability of the energy efficiency programs to meet the energy efficiency goals of SB 350.

II. Reply Comments

The reply comments here are primarily in response to comments made by the Office of Ratepayer Advocates (“ORA”) and Marin Clean Energy (“MCE”).

A. Reply to ORA Comments

ORA supports removing C&S (Codes & Standards) goals in the Proposed Decision: *“The PD appropriately removes codes and standards from PA goals and from goal achievement to*

avoid double-counting savings.”¹ This statement is only 20% correct. As contained in our earlier comments, two independent studies (YZD Energy and LADWP) have estimated that at most approximately 20% of C&S savings would overlap with downstream retrofit programs that use an existing conditions baseline.²

We are concerned that removing goals and credit for C&S achievement would effectively reduce support and detailed tracking of the C&S energy efficiency program that yields some of the lowest cost methods of energy efficiency (resource procurement) for all ratepayers. Without accurate tracking of savings from C&S, it is conceivable that resource planning over-invests in additional generation or retrofitting cooling towers onto plants with once through cooling that might otherwise be retired. This is not a desirable outcome for California ratepayers.

Even though the C&S program is very cost-effective, it is highly desirable that the program continually improves and does not waste ratepayers’ money. The required EM&V process provides very useful feedback on the effectiveness of C&S advocacy and compliance enhancement activities. Increasing code compliance is an important goal of the C&S program. However, efforts have to be targeted and commensurate with the expected benefit. As an example, even though building code energy savings associated with residential HVAC retrofits account for only 2% of C&S savings,³ anecdotes of low HVAC permitting have been the basis of proposals to expend significantly more effort on permitting activities. Furthermore, it is troublesome when persistent anecdotes that pertain to only a *sliver* of the C&S savings are used to inform policies that impact the *entire* program (for example, setting broad policies in response to the permit rate for HVAC retrofits could have a significantly negative impact on the appliance standards subprogram, which accounts for over half the C&S savings and generally impacts products that don’t have any permit requirements).

At the July 13, 2016, CA Energy Efficiency Coordinating Committee (CAEECC) meeting, Figure 1 was presented so that participants could better understand the findings of the

¹ p. 2. ORA. *Comments of the Office of Ratepayer Advocates to Proposed Decision Providing Guidance for Initial Energy Efficiency Rolling Portfolio Business Plan Filings.* Aug 8, 2016

² p. 6-8. MEC. *Comments of McHugh Energy to Proposed Decision...* August 5, 2016.

³ Slide 11. “Segmented Codes & Standards Savings” in Eilert et al. *Codes and Standards Program: Understanding Energy Code Compliance.*
http://media.wix.com/ugd/0c9650_73302886f7574c9ea84a89725b0a7068.pdf

draft DNV GL findings on residential HVAC retrofits. Several members objected to this study even being discussed. This study has gored several “sacred cows”; for instance the finding that the permitting rate was only around 30%. As low as this permit rate is, this is still around 6 times higher than the 5% anecdote that is often presented without supporting data.⁴ In addition, the study surprisingly found little difference between the energy performance of permitted systems vs. non-permitted systems. To be clear, we are supportive of permitting; however, how can ratepayer funds be prudently invested in expanded code compliance activities if the most basic assumptions about code compliance and energy savings are not well understood?

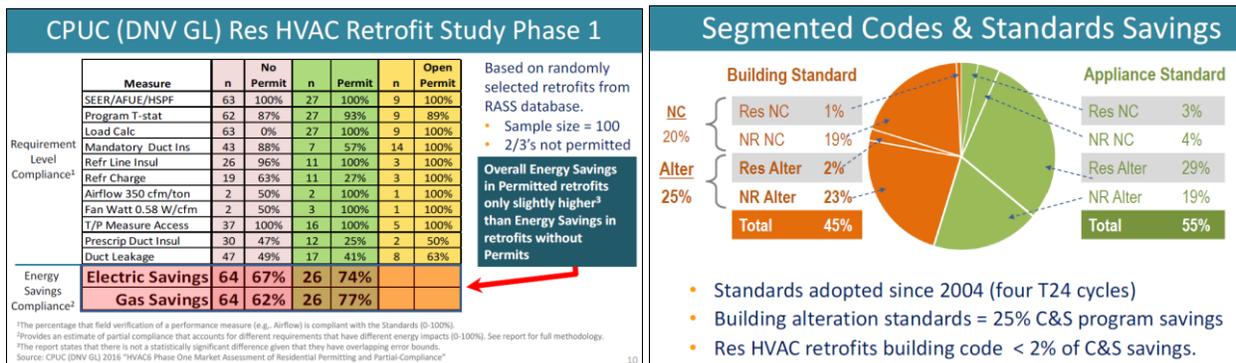


Figure 1: Summary of HVAC6 Phase One Res HVAC Market Assessment⁵

The accuracy of this residential HVAC retrofit study has been challenged.⁶ Comments have included: “the results do not agree with the commenter’s past experience,” “we know firsthand that requiring permits and supporting enforcement leads to improved compliance with Title 24,” “It is imperative that the information gathered to inform future program and policy decisions be correct and complete.” We agree with this last comment. However, if there are no goals and no savings claims made with respect to C&S, what is the motivation to fund compliance studies?

The C&S program is a key element of delivering energy efficiency at “the lowest possible rate for service consistent with reliable and safe service levels.” As a result, we would

⁴ For example, see the first sentence in Kristin Heinemeier’s *Contractors Walk on the Wild Side: Why?* <http://aceee.org/files/proceedings/2012/data/papers/0193-000249.pdf>

⁵ Slides 10-11. Eilert et al. Op Cit

⁶ HVAC 6 Team at DNV GL. Appendix E: “Direct Responses to Public Comments” in *Revised Market Assessment Permit and Compliance (HVAC6), Phase One Study Results*. 18 July 2016. <http://www.energydataweb.com/cpuc/search.aspx?did=1598>

have expected that the Office of the Ratepayer Advocate would be advocating for maximizing energy savings from a fully integrated portfolio that has C&S as a central element. Instead, ORA's recommendation seems to be de-emphasizing C&S by removing C&S energy savings goals and credit from evaluation of portfolio performance. ORA's rationale is "*the removal of codes and standards advocacy from PA goals will enable PAs to focus on achieving the Commission's resource savings goals and produce a more reliable accounting of their achievements.*"⁷ Our simple understanding of this statement is that ORA is asking for the CPUC and the PA's to de-emphasize (not set goals, not credit savings) the most cost-effective program so they can focus on less cost-effective programs. What is the CPUC's and ORA's vision for creating a structure to support a least cost trajectory towards meeting SB 350 goals?

For C&S goals, we recommend that the Proposed Decision essentially starts over. Start with the goals in Decision 15-10-028 and modify these to account for potential stranded savings that are released through AB 802 and subtract these projected below code savings from the C&S goals. It should be noted that "net C&S goals" in this decision are about half of the total portfolio electricity goals and one third of the total portfolio natural gas savings goals.⁸

B. Reply to MCE Comments

Marin Clean Energy has asked that "*The Commission should clarify the decision-making process for statewide program design, cost-sharing, and attribution of savings.*"⁹ In addition, MCE questions that validity of the statement from the Proposed Decision: "*both programmatic and all-source solicitation options within one sector highlights the importance of careful portfolio planning and solicitation rules. No other entity besides the utility will be able to handle this portfolio design role.*"¹⁰ (emphasis from MCE)

Our questions are more fundamental. Are these decisions to split up Program Administration to various utilities and other entities resulting in a dis-integrated portfolio? Are

⁷ p. 8 ORA Op Cit.

⁸ P. 8 CPUC Decision Re Energy Efficiency Goals for 2016 And Beyond and Energy Efficiency Rolling Portfolio Mechanics. Decision 15-10-028 October 22, 2015.

<http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M155/K511/155511942.pdf>

⁹ P. 4. MCE. Comments of Marin Clean Energy on Proposed Decision Providing Guidance for Initial Energy Efficiency Rolling Portfolio Business Plan Filings. August 8, 2016

¹⁰ P. 8-9. Ibid. Referencing p. 62 of the Proposed Decision.

we getting closer or further to the goal of an integrated portfolio with a central design? Is there a strategy for a unified portfolio design process which leverages various portfolio components for short-term, mid-term and long-term savings? Is there an explicit path to code for various measures or is each independently designed and implemented program being judged separately and trying to avoid being cannibalized by other programs, especially by C&S?

III. Conclusion

The promise envisioned by the Long Term Energy Efficiency Strategic Plan seems to have lost its way. Many of the goals for the Strategic Plan had energy code outcomes, such as “All new homes by 2020 shall be ZNE, etc.” In its place is a plan for cutting the portfolio into pieces and having goals for these pieces (or no goals for the case of C&S). McHugh Energy recommends that the CPUC consider the outcomes promised by SB 350 and work backwards from these goals to a series of tactics. We think this effort would result in a different plan from what is currently proposed. From our perspective, the lack of goals and credit for C&S does not bode well for adopting all cost-effective and feasible energy code measures in the near future.

McHugh Energy recommends that the Commission modify this proposed decision to create a structure that encourages the design of an integrated portfolio so that the large energy savings required by SB 350 are achievable and are obtained at least cost. Barring that outcome, at the very least, this decision should be actively encouraging what has been traditionally the least cost approach of increasing energy efficiency, by setting goals for C&S.

Dated: August 15, 2016

Respectfully submitted,

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