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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Examine the Commission's Post-2008 Energy Efficiency Policies, Programs, Evaluation, Measurement, and Verification, and Related Issues	Rulemaking 09-11-014 (Filed November 20, 2010)

COMMENTS OF THE CALIFORNIA ENERGY EFFICIENCY INDUSTRY COUNCIL (EFFICIENCY COUNCIL) IN RESPONSE TO THE ASSIGNED COMMISSIONER'S RULING SOLICITING COMMENTS ON POST-2012 ENERGY EFFICIENCY SAVINGS GOALS AND OTHER PORTFOLIO PLANNING MATTERS

December 3, 2010

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I. Introduction and Summary

The California Energy Efficiency Industry Council (Efficiency Council) respectfully submits these comments, in accordance with Rules 1.9 and 1.10 of the California Public Utilities Commission's (CPUC or Commission) Rules of Practice and Procedure and in response to the "Assigned Commissioner's Ruling Soliciting Comments" (Ruling or ACR), dated November 17, 2010.[1]

The Efficiency Council is a non-profit trade association representing businesses that provide energy efficiency services and products in California.[2] The Efficiency Council's membership currently consists of 43 non-utility companies that include energy service companies, engineering and architecture firms, contractors, implementation and evaluation experts, financing experts, unions, workforce training entities, and manufacturers of energy efficiency products and equipment. The member companies of the Efficiency Council have over 110 different offices in cities from Eureka to San Diego to help California residents and

[1] The Efficiency Council is concurrently filing a Motion to Become a Party in this proceeding in accordance with Rule 1.4.

[2] More information about the Efficiency Council, including information about the organization's current membership, Board of Directors, and antitrust guidelines and code of ethics for its members, can be found at www.efficiciencycouncil.org.

businesses save energy in every corner of the state. The energy efficiency industry continues to expand in California, creating jobs and saving energy and dollars for residents and businesses feeling the economic pinch throughout the state.

The Efficiency Council's member companies currently employ more than 3,500 Californians (and over 50,000 nationally) who provide efficiency services, programs, and products in the state. Our member companies, consistent with trends experienced in the overall energy efficiency industry across the country, expect to hire at least hundreds more individuals in California in the year to come, providing a rare bright spot of employment growth in the state's otherwise stagnant economy.

The mission of the Efficiency Council is to support appropriate energy efficiency policies, programs, and technologies that create sustainable jobs and foster long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement. Consistent with this mission, the Efficiency Council has identified principles for the long-term success of energy efficiency and for the development of an energy-efficient economy that include:

- A strong focus on long-term energy efficiency goals that address cost-effective energy savings, a sustainable energy infrastructure and climate change mitigation;
- Continuity of effort and funding with clear and consistent goals and implementing regulations; and
- A strong working partnership among the regulators, consumers, administrators and implementers (utilities, local governments and third-parties), and the energy efficiency industry.

The Efficiency Council recognizes that California's energy efficiency policy objectives are appropriately farsighted in identifying efficiency as a critical element of California's energy portfolio. Furthermore, cost-effective efficiency as the first element in the utilities' resource mix is a key piece of an effective climate change mitigation strategy and ensures the provision of reasonable cost energy for all Californians. We applaud the Commission's regulatory role in initiating, sustaining and advancing energy efficiency efforts in the state. Going forward, our state must continue its strong leadership by keeping the regulatory process for efficiency on track to maximize the efficacy of energy efficiency portfolio implementation, minimize transaction

costs and inefficiencies, and avoid inefficient patterns of program starts, stops, and suspensions. These program interruptions are not conducive to a strong, effective, or sustainable low-carbon energy future for California.

The Efficiency Council commends the Commission and Energy Division for examining the issues around portfolio planning that are necessary to be resolved before the start of the next portfolio cycle, and for recognizing that the anticipated process is currently behind schedule to allow for an on-time start of the next cycle's programs. The Efficiency Council's members represent substantial expertise in California's energy efficiency industry and have on-the-ground experience with successfully delivering efficiency in the state through a variety of channels.

The Efficiency Council appreciates the opportunity to provide these comments, and it looks forward to participating in the process going forward and working with other stakeholders to determine the best way to plan for the next program cycles and ensure California's leadership continues and that benefits to the state's economy are maximized. The Efficiency Council's comments in response to the questions posed in the ACR are summarized as follows:

- The Efficiency Council urges the Commission to quickly resolve the threshold issue of program cycle timing posed in the ACR. This is essential to ensure that the pre-cycle portfolio planning process under any option the Commission ultimately pursues can proceed on schedule and allow for an on-time start of the next program cycle.
- The Efficiency Council generally supports Option B, with a proposed one-year extension of the 2010-2012 portfolio cycle and a general transition to a four year program cycle, provided future cycles include a mechanism and formal schedule for new or revised programs, measure, and strategies to be conveniently incorporated mid-cycle.
- The Efficiency Council believes it is absolutely essential that the Commission and all stakeholders adhere to an agreed-upon planning schedule that provides sufficient time for all policy guidance and planning activities to be established and completed in advance of an on-time program start for all portfolio implementers.
- Any regulatory delays, combined with the high transaction costs associated with the start of any cycle stifle energy efficiency businesses' ability to help the state meet its energy saving and AB 32 goals, causes confusion for and indecision by consumers, and ultimately slows the transition to a clean energy economy.
- A more thorough review of possible alternative cost-effectiveness updates as suggested by the Energy Division, beyond just the "straightforward" updates proposed, should be conducted as the first order of business considered next in this proceeding under Option B, in order to ensure California will be able to meet its long-term energy efficiency goals.

- The state should conduct a more comprehensive update to the Energy Efficiency Strategic Plan and ensure that the guidance is completed in advance of, or at least concurrently with, portfolio development for the next program cycle.

II. Responses to Questions Proposed Regarding Energy Division White Paper

The Efficiency Council urges the Commission to quickly resolve the threshold issue of program cycle timing posed in the ACR. This is essential to ensure that the pre-cycle portfolio planning process under any option the Commission ultimately pursues can proceed on schedule and allow for an on-time start of the next program cycle.

The Efficiency Council offers the below responses posed in the ACR regarding the Energy Division White Paper. However, we urge the Commission to quickly resolve the threshold issue of portfolio cycle timing, as that decision will have implications on the pre-cycle portfolio planning schedule and the possibility for a timely start for the next program cycle. For instance, if the Commission chooses to pursue Option A, the conceptual timeline presented by the Energy Division White Paper is already behind schedule and the process must be embarked upon *immediately* for the next cycle to have an opportunity to start on time.

1. *Are the stated pros and cons associated with Option A accurate and complete? If not, what changes or additions would parties make?*
2. *Are the stated pros and cons associated with Option B accurate and complete? If not, what changes or additions would parties make?*

While the Efficiency Council agrees with many of the pros and cons associated with Option A and Option B presented in the "Energy Division White Paper and Proposal on the 2010 Energy Efficiency Goals Update and Related Matters" (White Paper) presented as Attachment A to the ACR, we offer the following comments.

The "Stability of Commission policy" (White Paper, p. 5) is not in itself a 'pro' of Option A if the existing policy does not allow enough time for a framework to function properly.

We recognize the desire for stability and consistency in Commission policy, but actual implementation of the current policy results in an irregular and unpredictable timeline, as it has become clear that the three-year cycle provides insufficient time to ensure that the originally envisioned policy framework functions properly. The disruption of energy efficiency offerings to customers due to behind-the-scenes policy adjustments to maintain arbitrary stability (to keep a three-year cycle in effect) is more harmful than proactively adjusting policy to address the underlying issues that prevent the policy from working as originally intended. Businesses in the energy efficiency marketplace can best help the state achieve its goals in a constant and predictable framework as it provides sufficient stability to plan ahead to help consumers reduce their energy consumption.

Additional 'cons' to Option A include insufficient planning time, lower energy savings, and a lack of opportunity to provide evaluation feedback for successive cycles, the opposites of which are 'pros' of Option B.

As noted in the Assigned Commissioner's Ruling, the prescribed policy steps are already behind schedule leading up to the 2013-2015 program cycle, as the goals update was originally planned to be completed by October 2010 but has not yet been initiated. The Efficiency Council generally supports at least the proposed 18 month portfolio development planning time before the start of a new cycle, but emphasizes that an on-time start of each cycle is absolutely critical to ensure that savings are not lost. Thus, such a timeline is only useful if the established schedule is adhered to and not allowed to slip. The schedule under Option A is so tight that it does not allow for any possible slip in the timeline, as noted by the Energy Division White Paper (p. 7).

In addition, the variety of current energy efficiency policies must be recalibrated and coordinated into a unified and cohesive updated energy efficiency policy framework, as identified in the White Paper (White Paper, p. 6). This would not be possible under Option A. The proposed policy adjustments in Option A for a 2013 cycle start are only band-aids that do not address the adjustments in the underlying policy and planning processes that are necessary to move California forward and enable it to maximize energy savings and meet its AB 32 goals.

The state's energy efficiency savings goals should be set at an aggressive level, but the goals also must be achievable. *The only way to ensure that the energy savings goals are aggressive yet achievable is through a comprehensive review of goals and their underlying cost-effectiveness assumptions, using the most recent data, measurements, and strategies.* Only Option B allows enough time for this review. Option A would only allow for cursory updates to cost-effectiveness and a much shortened and cursory update of goals.

Furthermore, regular and timely feedback from previous cycles is essential to ensure that the lessons learned from program implementation are incorporated into the next cycle. This feedback has not been achieved so far in the previous three-year cycles, and likely would also not be possible, though not impossible, under Option A. The aggressive goals set by the state cannot be achieved unless this feedback for regular program improvement is properly incorporated into any program cycle, under Option A, Option B, or another option. Option B, with a longer program cycle, could provide more opportunities than Option A for program feedback during a cycle rather than after program completion.

The Efficiency Council believes higher transaction costs associated with three-year cycles, as well as the potential for further delays, is a primary 'con' to Option A, as it stifles energy efficiency businesses' ability to help California meet its AB 32 and energy savings goals, causes confusion for and indecision by consumers, and slows the transition to a clean energy economy.

The Energy Division White Paper lists "higher transaction costs for program implementers" as a 'con' to Option A. The Efficiency Council believes this is a primary 'con' to Option A, along with the potential for further delays in the schedule. The time and expense of contract negotiations, workforce hiring, and employee training at the start-up of each cycle, drain resources from energy efficiency businesses. These tasks could be made more efficient with a longer program cycle. In their efforts to assist the state in meeting its goals and helping customers save energy, energy efficiency businesses are growing quickly, hiring the unemployed and driving the transition to a clean energy economy. Uncertainty in planned regulatory timing and unexpected starts and stops in the regulatory process produce a business environment in which is it is difficult for companies to grow sustainably.

3. *Are the estimated timelines associated with Option A and Option B reasonable with regard to the timing of (a) a goals/portfolio guidance decision, (b) preparation of portfolio applications, (c) review/approval of portfolio applications, and (d) implementation of the portfolio decision?*

The Efficiency Council believes it is absolutely essential that the Commission and all stakeholders adhere to an agreed-upon planning schedule that provides sufficient time for all policy guidance and planning activities to be established and completed in advance of an on-time program start for all portfolio implementers.

The Efficiency Council believes the estimated timelines associated with Options A and B are generally reasonable. However, Option B is much preferable as long as the extra year for the current and future cycles is not just a delay in schedule, but is instead used efficiently in analysis, goal setting, and policy development. Option B should also explicitly include time within the "goals study" period for evaluation of and a Commission decision on any modifications to cost-effectiveness inputs and methodologies (see response to Question 7).

Any updates in policy direction for the next portfolio cycle must be developed and finalized concurrently with the updated goals so that the goals decision also includes portfolio policy guidance, including direction on the evaluation framework for the next cycle. While this is noted in the above question, it is not shown in the conceptual timeline graphics. In addition, the goals update under either Option A or B must be coordinated closely with the work being conducted by the California Energy Commission and the Demand Analysis Working Group (DAWG), as noted by the Energy Division White Paper (p. 2-3).

Under either option, policy guidance for the next cycle must be "frozen" during the process of portfolio development in order to focus stakeholder resources on maximizing actual program savings. The process experienced in the development of the 2010-2012 (originally 2009-2011) cycle was inefficient, as policy updates were made after the utilities' portfolio applications, requiring several subsequent revisions, re-filings, and stakeholder reviews. To prevent slips in schedule in the future, the Commission should avoid introducing changes in

policy guidance partway through the portfolio development process. There must be clear policy guidance established in advance of portfolio development, such that implementation of the portfolio decision can begin on time for the next cycle.

4. *One disadvantage of Option B is that a four-year portfolio cycle could mean longer persistence of programs that are performing poorly in the view of some parties. What, if any, specific procedures (e.g., trigger mechanisms) or review processes (e.g., formal or informal) do parties suggest to mitigate these concerns?*

The Efficiency Council offers no specific procedures or review processes for the Commission to consider at this time. However, mid-cycle opportunities to introduce new ideas into the four-year portfolios should be provided. It is the responsibility of the utility administrators to manage their efficiency portfolios in a manner that maximizes success and reaches or exceeds the indicated goals. Thus, the administrators should appropriately (a) discontinue programs that are not effective, (b) expand programs that are effective, and (c) add new programs and concepts as new or advanced technology, systems or behavior approaches become available. Although there should be a formal schedule for when these portfolio changes should be made, the administrators must be able to make these mid-cycle adjustments with minimal approval requirements, if any, from the Commission.

5. *Do parties concur with the following Energy Division recommendations associated with Option B?*
   a. *Adopt an extension through the end of 2013 for the 2010-2012 efficiency programs; and*
   b. *Adopt four-year portfolio cycles on a going forward basis, beginning with a 2014-2017 portfolio cycle.*

The Efficiency Council generally supports Option B, with a proposed one-year extension of the 2010-2012 portfolio cycle and a general transition to a four year program cycle, provided future cycles include a mechanism and formal schedule for new or revised programs, measure, and strategies to be conveniently incorporated mid-cycle.

The Efficiency Council is generally supportive of a one-year extension of the current cycle and permanently shifting to a four-year cycle in the future. The one-year extension and transition to four-year cycles in the future better provides an opportunity for all portfolio planning activities to be completed in time to allow for a timely start of the next program cycle. It is absolutely essential that the Commission and all stakeholders adhere to an agreed-upon planning schedule that provides sufficient time for all policy guidance and planning activities to be established and completed in advance of an on-time program start for all portfolio implementers.

Three-year program cycles were established with the right intentions – to extend the length of program cycles, decrease effects of the start and stop nature of the previous shorter cycles, and increase focus on delivering savings. Three-year cycles were better than one- to two-year cycles in minimizing the associated ramp-up time with each new cycle. Lessons must be learned from the experience since the launch of the new policy framework of energy efficiency in California in 2006. Regulatory delays have occurred, and the extended portfolio planning process that has been experienced so far is also partially due to the increased program planning requirements, the detailed involvement of staff in program design and implementation decisions, the extensive reporting requirements, and the associated time delays. Earlier Commission decisions outlined that the CPUC would maintain high-level oversight of the portfolios, and the utilities would be responsible for the details of administering and implementing their portfolios and programs. We recommend that the Commission and the Energy Division, rather than be involved in detailed program planning, should focus their role on portfolio oversight and general policy guidance.

Overall, the three-year cycles as originally envisioned have not materialized as planned and it seems a three-year cycle does not provide sufficient time to complete all pre-cycle planning activities to allow for a regular and timely start to successive cycles. Regulatory delays, and the planning uncertainty that results, simply result in reduced energy savings and jeopardize the state's ability to meet its energy savings and AB 32 goals.

While the shift to a four-year cycle is a step in the right direction, the increased length of the cycle warrants the inclusion of a mechanism and formal schedule in future cycles for new or revised programs, measure, and strategies to be conveniently incorporated mid-cycle into portfolios. This would allow for under-performing programs to be discontinued, improved or the

portfolios further enhanced with new programs, technologies, or strategies. A four-year cycle should not become stagnant over its course without opportunity to incorporate new information as it becomes available that would allow the capture of additional savings. This opportunity for mid-cycle additions of new ideas into portfolios should not only be allowed in the next full four-year cycle, but should also be implemented in the current 2010-2012 cycle if extended through 2013, if possible, and in future cycles under any option the Commission ultimately adopts – Option A, B, or another option.

If the Commission agrees to extend the existing cycle to four years under Option B, the fourth year of the current cycle must be fully funded at levels comparable to normal cycle-year funding. "Bridge funding," as was practiced in 2009 and at other times in the past (at roughly two-thirds of normal cycle-year funding), is antithetical to the shared goal of providing continuity for customers and implementers and continued savings throughout the state. Because of this dip in funding, bridge funding in the past has resulted in the unintended negative consequence of gaps in program delivery, contracting, and staffing, from which non-utility implementers may require more than a year into the next cycle to recover, ultimately significantly hampering the state's ability to meet its long-term goals.

California must improve upon its leadership in energy efficiency by recognizing that three year cycles have not provided sufficient time for regulatory updates and planning to be completed in a timely manner that allows for regular, consistent, predictable start times for each program cycle. Moving to a four-year program cycle provides a better opportunity for the requisite planning to be completed with adequate time to allow for each program cycle to start on time. However, a move to a longer program cycle and its associated planning schedule must be taken full advantage of and should not be considered extra time to allow the schedule to slip, which could again result in regulatory delays that could allow a four-year schedule to become a five-year cycle with uncertainty simply pushed out an extra year. Regularity in program cycle timing will allow implementers to best maximize savings to help the state meet its AB 32 and energy savings goals.

6. *Are there other options the Commission should consider, other than Options A and B? What are the pros and cons of these options?*

The Efficiency Council does not at this time offer distinct options beyond the Energy Division's proposed Options A and B for the Commission to consider, but would be open to considering other options if presented by other parties. The pros and cons of Options A and B can be considered to also generally be pros and cons of shorter versus longer program cycles, respectively. Regardless of the option the Commission chooses to adopt, the stability and predictability of the program cycle schedule, while still allowing for necessary adjustments and portfolio innovation during a cycle, are key features to a viable efficiency framework. Formalized mechanisms to ensure these objectives are met would be beneficial, so that policy expectations can be set in advance and clearly communicated to all entities assisting the Commission and utilities in meeting their goals in a timely manner.

In addition, the Commission should consider the impact of program cycles on customers and the long-term opportunities for savings. Currently, customer participation in programs is limited by the specific measures offered in a given program cycle, thus creating a short term cycle-by-cycle focus for customers. This results in many lost opportunities due to the need with every cycle for efficiency providers to restart customer relationships and analyses that were begun in earlier cycles. This short-term focus is unlikely to lead to the long-term customer behavior shifts and efficiency adoption envisioned in the California Long Term Strategic Plan. While it is necessary to regularly review and update measure assumptions and to periodically improve or discard program approaches with every new program cycle, the same is not true for customers. Cultivating the long-term "pipeline" of customers willing to make efficiency investments through longer-standing customer relationships would help realize the long-term "pipeline" of deeper and more persistent savings. Efficiency provider-customer relationships are ideally not limited by artificial program cycles but are long enough to allow implementers to work with customers to develop tailored long-term, but dynamic, efficiency plans. In order for such customer plans to be effective, there must be a regulatory environment that accounts for the reality that customers must make many successive decisions over time to adopt a variety of measures and practices, not just those that can be adopted in a single program cycle.

7. *Is Energy Division's proposal to update or incorporate each of the following cost-effectiveness data inputs or methodologies, prior to commencing potential and goals studies, reasonable?*
    a. *Data updates including natural gas prices, electricity prices, and temperature profiles by climate zone, per the Commission's March 2010 Report to the Governor and Legislature pursuant to Pub. Util. Code Section 2827(c)(4);*
    b. *New methodology for generation capacity cost, per the Commission's AB 920 Report;*
    c. *New avoided cost for avoided Renewable Portfolio Standard (RPS) purchases, per the Commission's AB 920 Report; and*
    d. *Update to avoided carbon costs, per the most recent Market Price Referent (MPR).*

A more thorough review of possible alternative cost-effectiveness updates as suggested by the Energy Division, beyond just the "straightforward" updates proposed, should be conducted as the first order of business considered next in this proceeding under Option B, in order to ensure California will be able to meet its long-term energy efficiency goals.

The Commission must recognize the constraints of the current cost-effectiveness methodologies, which, left unchanged, will not allow for the successful attainment of California's long-term energy efficiency goals (as indicated in the Strategic Plan, prior Commission decisions, and the AB32 Scoping Plan). As California captures more and more efficiency savings and moves up the efficiency supply curve as it strives to meet its AB 32 goals, it is becoming more difficult to obtain cost-effective energy efficiency. Thus, it is essential that the most up-to-date assumptions are used in cost-effectiveness calculations, and it is also prudent for the Commission to consider alternative approaches for cost-effectiveness evaluations.

Although the Ruling requests comment on updating cost-effectiveness methodologies prior to commencement of potential and goals studies, the conceptual timelines for Options A and B provided in the Energy Division's White Paper both list a "goals study" that begins in 2010 Q4, without mention of updates to cost-effectiveness inputs or methodologies. Assuming that the cost-effectiveness updates for either option would occur during this period for the goals update, before the goals update is completed, Option B, with 14 months anticipated before

completion of the goals study, allows for significantly more time to conduct a thorough review of cost-effectiveness updates.

Energy Division's proposed update to the energy efficiency cost-effectiveness data inputs or methodologies in order to make them consistent with other Commission policies seems to be reasonable. Although the Efficiency Council has not reviewed the specific updates to natural gas prices, electricity prices, 2008 temperature profiles by climate zone, new methodology for generation capacity cost, new avoided cost for avoided RPS purchases, and updated avoided carbon costs, these updates seem to be "straightforward" as Energy Division claims (White Paper, p. 11). As long as these updates are simply alignments in policy, without the need for additional analysis/stakeholder comment, the updates should be able to be made quickly before the commencement of the potential and goals studies in either Option A or B.

A more thorough review of possible alternative cost-effectiveness updates as suggested by the Energy Division (White Paper, p. 8), beyond the "straightforward" updates proposed above, should be conducted as the first order of business considered next in this proceeding under Option B. In addition to the possible alternative cost-effectiveness approaches suggested by Energy Division (e.g., expanded definition of net savings, estimation of non-energy benefits, or movement away from reliance on the TRC), the following are also possible revisions or updates to cost-effectiveness approaches or associated policies to evaluate cost-effectiveness that could be examined:

- Explore inclusion in the TRC of all demonstrable long-term effects, including externalities associated with environmental damage mitigation and other societal and participant benefits, as well as non-energy benefits to consumers, which could demonstrate that more long-term actions are cost-effective;
- Examine prudency of requiring arbitrary safety margins for benefit-cost ratios in portfolio planning;
- Within the context of evaluating net energy metering, explore the potential value of virtual net metering for multifamily and other multi-tenant occupancies assuming revised structures to make it work;
- Resolve conflicts around free-ridership and spillover in relation to penalizing program administrators when other agencies or organizations begin providing an incentive for

greater energy efficiency, including the disincentive to collaboration created by an overemphasis on attribution of savings;

- Consider using cost-effectiveness tests that are most appropriate for each type of program, or even for specific market sectors within programs; and
- Carefully consider how net savings estimates are established and how their application affects the cost-effectiveness of programs.

Ultimately, in order to meet California's long-term energy efficiency goals, the cost-effectiveness tests, their inputs, their application, and their effect on meeting goals must be carefully examined and adjusted. It is essential that a conclusion is reached on the cost-effectiveness inputs and methodologies with enough time to incorporate changes into the goals study to be completed by the end of 2011 under Option B, so that the rest of the pre-2014 start timeline can proceed on schedule. Thus, in order to allow for an on-time start of the next program cycle in 2014, any modifications to cost-effectiveness approaches should be considered *only* if a revised approach and specific calculation methodologies can be resolved in the first half of 2011 to leave sufficient time for the goals update and pre-cycle portfolio development.

8. *Energy Division views the Strategic Plan update ordered in D.08-09-040 and the Strategic Action Plan Progress Report called for in June 2011 pursuant to D.09-09-047 as complementary. Will jointly addressing the Commission's orders for a Strategic Plan update and a Strategic Action Plan Progress Report effectively provide stakeholders, including parties to this proceeding, sufficient guidance?*

The state should conduct a more comprehensive update to the Energy Efficiency Strategic Plan and ensure that the guidance is completed in advance of, or at least concurrently with, portfolio development for the next program cycle.

The Efficiency Council agrees with the Energy Division that the Strategic Plan Update and the Strategic Action Plan Progress Report are complimentary efforts that should be combined. We also concur with the implication that, prior to completing a Strategic Plan update:

a. Certain updates to EE avoided cost data inputs and methodologies, as well as consideration of inclusion of a new avoided cost variable, avoided RPS purchases, should be seriously considered; and

b. The current load forecasting and efficiency analysis work of the Demand Analysis Working Group (DAWG) convened by the California Energy Commission should be completed.

The results of these cost-effectiveness updates and updated forecast analyses are critical, as without them the Efficiency Council believes that either a policy change from "all cost-effective energy efficiency" or a reduction in goals will be required. This is because aggressive efficiency efforts, including market transformation, risk appearing not to achieve cost-effectiveness due to limitations and inaccuracies of the current cost/benefit analysis rules. Although the Energy Division's conceptual timelines for Option A and B do not include steps for updates to the Strategic Plan, any Strategic Plan updates must be completed in advance of, or at least in parallel with, the portfolio development process leading up to the start of the next cycle.

The Efficiency Council would also like to commend the Commission for continuing the strategic planning process, as a long-term plan and vision for energy efficiency is important. The Commission's efforts to lead the state in establishing this long-term vision are a milestone in the history of California's efficiency efforts. To build on the first plan, we offer the following suggestions as the Commission proceeds with the Strategic Plan update:

a. Since energy efficiency is not, and should not be, considered a stand-alone resource, the next energy efficiency strategic plan should look at efficiency as first in the loading order of an overall resource mix and considered in conjunction with broader energy policy issues and infrastructure changes (e.g., rate design, utility business models in a California of lower energy consumption, a smarter grid and smart meters, high percentage of renewables, etc.). Not isolating efficiency from these other policy issues and anticipated fundamental changes in our state's infrastructure will help make efficiency a more integral part of the infrastructure and not simply an "add on."

b. The first Strategic Plan was primarily focused on investor-owned utility and CPUC activities and actions. The next plan should be truly statewide in scope and participation, not just in name, with POUs and all effected agencies and efficiency mechanisms included.
c. A strategic plan is actually a process. Rather than starting with fixed goals (e.g., zero net energy goals by a certain date) and then laying out steps on how to meet them, long-term visionary goals should be determined through a process of initial goal setting and an examination of what is possible and realistic to achieve. Adjustments to goals and actions required to meet them should be considered through an iterative process.
d. The next Strategic Plan should take into consideration evaluation, measurement and verification issues.
e. The Commission should consider a different process for preparing the next Strategic Plan. We believe a better way to utilize resources, both of Commission staff and various stakeholders, is for the Commission and the Energy Commission to:
    - Complete the market and potential analyses discussed above as part of the work of DAWG and complete the aforementioned consideration of cost-effectiveness modifications;
    - Gather stakeholder input, including that of all affected state agencies, on high-level ideas and concepts;
    - Retain professionals with strategic planning and energy expertise to gather expert, utility, and stakeholder input and work through the strategic planning process with state agency staff and officials; and
    - Prepare strategic plan drafts for review and input from the stakeholders and ultimate approval by the Commission and the Energy Commission.

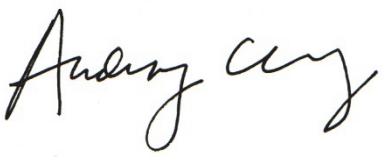
The Efficiency Council looks forward to assisting the Commission in whatever way possible as it moves forward with updating the Strategic Plan in advance of the next portfolio cycle.

III. Conclusion

The Efficiency Council appreciates the opportunity to offer these comments on the ACR regarding portfolio planning issues. We urge the Commission to quickly resolve the threshold issue of program cycle timing posed in the ACR, which is essential to ensure that the pre-cycle portfolio planning process under any option the Commission ultimately pursues can proceed on schedule and allow for an on-time start of the next program cycle. The Efficiency Council looks forward to working with the Commission and other stakeholders to ensure future cycles will be able to start in a timely manner, to review and implement appropriate modifications to the cost-effectiveness methodologies, and to update the Strategic Plan.

Dated: December 3, 2010

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have, on this day, served a complete copy of the **"Comments of the California Energy Efficiency Industry Council (Efficiency Council) in Response to the Assigned Commissioner's Ruling Soliciting Comments on Post-2012 Energy Efficiency Savings Goals and Other Portfolio Planning Matters"** on all known parties to R.09-11-014 by transmitting an e-mail message with the document attached to each person named in the official service list. In addition, electronic and hard copies of comments have been sent to the Assigned Commissioner and ALJ in this proceeding.

Executed on December 3, 2010 in Oakland, California.

/s/ *Matthew O'Keefe*

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