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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)

REPLY COMMENTS OF THE CALIFORNIA ENERGY EFFICIENCY INDUSTRY COUNCIL (EFFICIENCY COUNCIL) IN RESPONSE TO THE ADMINISTRATIVE LAW JUDGE'S RULING SOLICITING COMMENTS ON 2013 BRIDGE FUNDING AND MECHANICS OF PORTFOLIO EXTENSION

July 1, 2011

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I. Introduction and Summary

The California Energy Efficiency Industry Council (Efficiency Council) respectfully submits this reply to comments submitted June 16, 2011 by parties in this proceeding in response to the "Administrative Law Judge's Ruling Regarding 2013 Bridge Funding and Mechanics of Portfolio Extension," (ALJ Ruling), dated May 27, 2011. These reply comments are submitted in accordance with Rules 1.9 and 1.10 of the California Public Utilities Commission's (CPUC or Commission) Rules of Practice and Procedure. The Efficiency Council is also concurrently submitting joint reply comments with a number of other parties in the proceeding.

The Efficiency Council is a statewide trade association of non-utility companies that provide energy efficiency services and products in California.[1] Our member businesses, now numbering over 50, employ over 4,000 Californians throughout the state. They include energy service companies, engineering and architecture firms, contractors, implementation and evaluation experts, financing experts, workforce training entities, and manufacturers of energy efficiency products and equipment. The Efficiency Council's mission is to support appropriate energy efficiency policies, programs, and technologies that create sustainable jobs and foster

[1] 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.

long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement.

The Efficiency Council's members have substantial expertise in California's energy efficiency industry and have on-the-ground experience with successfully delivering efficiency savings in the state through a variety of channels and helping California's residents and businesses lower their utility bills. 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 Efficiency Council appreciates the opportunity to provide these reply comments to supplement the concurrent joint reply comments it is submitting with other parties, and it looks forward to continuing collaboration with other stakeholders to ensure California's efficiency leadership continues and that benefits to the state's economy are maximized. These comments are summarized as follows:[2]

- There appears to be general agreement among parties that the extension of the 2010-2012 portfolio cycle should be limited to a single year. The Efficiency Council urges the Commission to quickly resolve the issues around the 2013 extension so the Commission and stakeholders may focus on resolving key issues to allow for an on-time program start of the next cycle in 2014.

- The Efficiency Council supports review and adjustments to programs for the 2013 extension year to address changing market conditions. As also supported by NRDC and OPOWER, the Efficiency Council supports limited opportunities for new programs to supplement the current portfolio to replace discontinued programs or if funds are available.

- The Efficiency Council does not support major changes in administrative structure for local government partnerships and third parties, as suggested by TURN, or major redirection of funds and programming, as suggested by TURN and DRA. We believe consideration of major changes is appropriate for the next cycle but not for the 2013 extension year.

[2] In these reply comments, the Efficiency Council responds to comments filed by the Division of Ratepayer Advocates (DRA), Local Government Sustainable Energy Coalition (LGSEC), National Association of Energy Service Companies (NAESCO), Natural Resources Defense Council (NRDC), OPOWER, Southern California Edison San Diego Gas & Electric Company, Southern California Gas Company and Pacific Gas and Electric ("Joint IOUs"), and The Utility Reform Network (TURN).

- The Efficiency Council supports the alignment and coordination of state energy efficiency goals with GHG emission reduction goals, as suggested by TURN, but recommends that the gross savings associated with all efficiency efforts is the key metric to be documented in this alignment effort.

II. Responses to Comments Submitted by Parties in Response to June 16, 2011 ALJ Ruling

There appears to be general agreement among parties that the extension of the 2010-2012 portfolio cycle should be limited to a single year. The Efficiency Council urges the Commission to quickly resolve the issues around the 2013 extension so the Commission and stakeholders may focus on resolving key issues to allow for an on-time program start of the next cycle in 2014.

The Efficiency Council supports what appears to be general agreement among the parties filing June 16, 2011 comments that the extension of the 2010-2012 portfolio cycle should be limited to a single year. A one-year extension will provide market continuity in 2013 and enable sufficient time for developing policy guidance, planning activities, and an on-time program start for the next cycle. We join the Division of Ratepayer Advocates (DRA) in calling for an "expedited timeline to facilitate the bridge funding process" (p. 14). The Commission should provide general guidance for the 2013 extension, including high-level policy guidance and procedural scheduling, in the next couple of months at the latest. Final Commission approval of the 2013 extension must be achieved at least six months prior to the start of the extension year to enable sufficient time for planning and working with customers, and a seamless transition into 2013.

The Efficiency Council also believes that it is critical for the Commission and all stakeholders to quickly begin to resolve key issues for the next cycle, including, among other topics, the establishment of an effective EM&V framework (including ensuring timely program feedback), examining cost-effectiveness methodologies and inputs, and updating goals and other policy guidance well in advance of the start of the next cycle. We agree with one of DRA's recommendations that once the bridge funding issues have been resolved, the Commission should develop an EM&V process "that produces results that can inform energy efficiency programs on a timelier basis" (p. 1).

Several parties support continuation in 2013 of all programs on target to achieve their goals/budgets. The Efficiency Council also supports review and adjustments to programs for the 2013 extension year to address changing market conditions. As also supported by NRDC and OPOWER, the Efficiency Council supports limited opportunities for new programs to supplement the current portfolio to replace discontinued programs or if funds are available.

The Efficiency Council joins with other parties, with whom we submit concurrent joint reply comments, in supporting continuation in 2013 of all programs on target to achieve their goals/budgets, including utility, local government partnerships, and third-party programs. We also agree that contracts should be amended through 2013 rather than begin new contracting processes, which will help facilitate DRA's concerns (p. 10-11) that "contract processes and issues between utilities and local governments have historically delayed start dates in previous cycles and bridge funding years."

While cost-effectiveness, as emphasized by TURN (p. 12-13), is important in assessing program performance, it should be taken into account along with other factors related to each program's particular goals and role within the entire portfolio. Consideration of portfolio gaps, market transformation, and when a program was able to launch are important as well.

The Efficiency Council also supports limited mid-cycle assessment and adjustments to programs for the 2013 extension to address changing market conditions and portfolio gaps. In addition, as also generally supported by the Natural Resources Defense Council (p. 7) and OPOWER (p. 2), we recommend limited consideration of new programs and ideas for integration into the current portfolio if funds are available. We support these opportunities for adding new programs that help address portfolio gaps or changing market conditions, if doing so does not jeopardize the timely extension of the portfolio into 2013 and/or planning to allow for an on-time start of the next cycle in 2014.

The Efficiency Council does not support major changes for the 2013 extension year in administrative structure for local government partnerships and third parties, as suggested by TURN, or major redirection of funds and programming, as suggested by TURN and DRA. We believe consideration of significant changes is appropriate for the next cycle but not for the 2013 extension year.

The Efficiency Council does not support a recommendation by The Utility Reform Network (TURN) that local government partnerships and possibly third-party programs should receive separate funding and administration from IOUs during the extension year (p. 13-14). It is essential that consistency and stability are provided for the efficiency industry, and repeating past experiences in 2000-2005, during which programs were administered by the Commission, cause concern. The Commission and stakeholders should use the 2013 extension year to focus on how to more effectively, and in a timely manner, implement the next cycle's portfolios with the existing administrative structure, rather than recreating the wheel. Key issues to be resolved – to ensure the success of *any* continued efficiency efforts in 2014 and beyond – include an effective EM&V framework and cost-effectiveness methodology, and defining the appropriate roles in program design between the CPUC, utility administrators, and third-party and local government implementers.

Likewise, we do not support either TURN's recommendation that the extension of the portfolio cycle "must be accompanied by some dramatic adjustments in the IOU's current EE portfolio" (p. 4) or DRA's recommendation to eliminate and redirect significant elements of the portfolio during the extension year to a completely new financing-focused program (p. 10, 13). Instituting dramatic changes for the 2013 extension year would require significant resources and create uncertainty for just one year of the portfolio, essentially creating a one-year cycle, which past experience has shown to be disruptive to the industry with frequent stop-starts, not enough time for ramp-up, and not enough long-term planning certainty to meet customer needs. The Efficiency Council agrees that an effort should be made to bring more private capital into energy efficiency, as DRA suggests, but not as a massive replacement to other energy efficiency programs during the extension year.

Larger portfolio changes are more appropriately considered for the next cycle, which would allow more thorough public vetting of DRA and TURN's recommendations, as well as other innovative ideas.

The Efficiency Council supports the alignment and coordination of state energy efficiency goals with GHG emission reduction goals, as suggested by TURN, but recommends that the gross savings associated with all efficiency efforts is the key metric to be documented in this alignment effort.

The Efficiency Council agrees with TURN's (p. 15-16) assertion that the California greenhouse gas (GHG) emissions reduction goals and efficiency goals should be better coordinated, and that energy efficiency is a significant strategy to achieve California's climate goals. However, the Efficiency Council strongly believes that from an environmental impact and system planning perspective, what is critical to document and align with GHG reduction goals is gross savings associated with all efficiency and conservation efforts. To date, there is a definite but poorly understood overlap among the various sources and causes of efficiency savings. Efficiency programs play an interconnected role with and help pave the way for cost-effective codes and standards updates as well as natural market adoption, which makes attribution to a single category of energy savings extremely complicated. While it is important to strive toward a better understanding of attribution to different causes for efficiency strategies in order to inform program design and policy decisions going forward, a gross savings value is the most accurate and best reflection of the state's efficiency savings as they impact GHG emissions and system planning.

III. Conclusion

The Efficiency Council appreciates the opportunity to offer this reply to comments of the parties on the ACR regarding portfolio planning issues. We urge the Commission to quickly resolve the issues around the 2013 extension year in a simple manner and provide appropriate high-level guidance for the 2013 extension year such that program delivery is uninterrupted. We join what appears to be all parties in support of a one-year extension of the 2010-2012 portfolio cycle. This will also allow the Commission and stakeholders to turn their attention to the necessary policy and planning issues that are needed to be resolved in a timely manner to allow for an on-time start of the next program cycle in 2014 and continued progress toward meeting the state's Strategic Plan. The Efficiency Council looks forward to working with the Commission and other stakeholders to ensure a smooth portfolio extension in 2013 and transition to the next portfolios beginning in 2014.

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Respectfully submitted,

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