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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's own motion to determine the impact on public benefits associated with the expiration of ratepayer charges pursuant to Public Utilities Code Section 399.8.	Rulemaking 11-10-003 (Filed October 6, 2011)

COMMENTS OF THE CALIFORNIA ENERGY EFFICIENCY INDUSTRY COUNCIL (EFFICIENCY COUNCIL) IN RESPONSE TO THE ORDER INSTITUTING RULEMAKING REGARDING IMPACT ON PUBLIC BENEFITS ASSOCIATED WITH THE EXPIRATION OF PUBLIC GOODS CHARGE

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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, 1.10, and 6.2 of the California Public Utilities Commission's (CPUC or Commission) Rules of Practice and Procedure and in response to the "Order Instituting Rulemaking on the Commission's own motion to determine the impact on public benefits associated with the expiration of ratepayer charges pursuant to Public Utilities Code Section 399.8" (OIR), filed October 6, 2011.

The OIR requests comments on its enclosed preliminary scoping memo, including any objections regarding the issues, category, need for hearing, or schedule. The Efficiency Council does not object to any of these issues. Rather, the Efficiency Council offers these comments in strong support of the Commission quickly addressing the public benefits and options going forward for programs impacted by the loss of the Public Goods Charge (PGC). Our comments also respond to many of the specific questions posed in the OIR. We urge the Commission to act swiftly to provide continued full funding of the state's energy Research, Development, and Demonstration (RD&D) efforts, including those focused on energy efficiency, to ensure that a robust pipeline of cost-effective energy efficiency innovations continues to support the state's energy, climate, and economic development goals as well as provide consumers continued benefits through lowered energy bills. The Efficiency Council has also submitted comments in

R.09-11-014, supporting continuation of funding for energy efficiency programs affected by the expiration of the PGC.

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 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, experienced employment growth of nearly 30% in 2009 and another 20% in 2010. Efficiency Council member companies also 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 comments on the OIR and preliminary scoping memo, 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. The Efficiency Council's response to the OIR is summarized as follows:

- The Efficiency Council supports the Commission's OIR to determine whether and how the Commission should act to preserve funding for the public benefits associated with programs funded by the PGC.

[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. The views expressed by the Efficiency Council are not necessarily those of its individual members.

- The Efficiency Council urges the Commission to find ways to continue the current level of funding to support the current electric RD&D program scope, including in the area of energy efficiency, to ensure no gap in funding. We support the Commission's proposed schedule for a Phase 1 decision prior to the expiration of the PGC on January 1, 2012 in order to avoided interrupting effective programs underway and planned for 2012 and beyond. We also urge the Commission to create long-term, stable funding that is necessary for RD&D to provide good return on investment and create significant public benefit.
- The Efficiency Council believes it is important to continue state-funded and administered RD&D that includes energy efficiency among its priorities because it serves California's interest by feeding the pipeline of new technologies and strategies required to support the state's goals of a clean, reliable and reasonably priced energy infrastructure, as well as specific goals of prioritization of cost-effective energy efficiency in the loader order, the 33% renewable portfolio standard, and AB 32.
- The Efficiency Council believes that California's state-funded RD&D programs support activities and provide energy, environment, and economic development benefits not well-served by other public and private sector entities. Any curtailment or gap in funding would put at risk ongoing and anticipated RD&D activities that are essential to continuation of a variety of energy improvements in the state, as well as risk the loss of private capital that leverages the state's RD&D funding.
- The Efficiency Council supports continued collection of funds from customers for a long-term RD&D program of at least another 10 years with periodic evaluation of programming. Cap and trade allowance auction revenues, to the extent available, should be used to supplement but not supplant RD&D funding, as use of these revenues is not yet certain enough to be depended on for a significant portion of a program that requires stable, long-term funding.
- The Efficiency Council recommends that the Commission continue RD&D through the Energy Commission-administered PIER program in order to leverage the existing infrastructure and staff expertise. The Commission should, however, work with the Energy Commission to address efficacy and delay issues that have hindered the PIER program in the past.
- The Efficiency Council urges the Commission to develop a long-term strategic research plan to guide shorter-term RD&D funding objectives with clear research goals and outcomes that ensure customer benefits. Research goals and structure must encourage innovation in processes, methods, and information, in addition to devices, and a successful program must allow for research "failures" within the RD&D portfolio.

II. Discussion

The Efficiency Council supports the Commission's OIR to determine whether and how the Commission should act to preserve funding for the public benefits associated with programs funded by the PGC. Given the pending discontinuation of PGC collections in 2012, the Efficiency Council supports Governor Brown's request that the Commission take action to ensure that PGC-supported programs are instituted "hopefully at their current levels" (OIR, p. 4). We also appreciate the speed at which the Commission proposes to first address the funding issues in Phase 1 in order to avoid a gap in funding that would interrupt effective programs underway and planned for 2012 and beyond.

The Efficiency Council's comments below are focused primarily on the RD&D component of the OIR scoping questions due to our unique interest and expertise in the significant energy efficiency benefits generated by the state's energy RD&D programs. We do not comment specifically on the renewable energy portion of the OIR, although we recognize that there are also both short- and long-term energy efficiency benefits created by some of the renewable energy programs that have been funded through the PGC.

The Efficiency Council specifically urges the Commission to take action promptly to ensure full electric funding of the state's RD&D energy program in advance of January 1, 2012 to ensure continuity and stability. We expect that gas RD&D will continue in the Public Interest Energy Research (PIER) program, barring any possibly future legislative budget reallocations, as it is unaffected by the PGC funding and has a separate funding source that does not similarly sunset.

As we address in our responses to the general and RD&D questions below, state-funded and administered RD&D serves California's interest by feeding the pipeline of new technologies and strategies required to support the state's goals of a clean, reliable and reasonably priced energy infrastructure, as well as specific goals of cost-effective energy efficiency, the 33% renewable portfolio standard (RPS), and AB 32 climate change mitigation. It also stimulates private and public sector capital investment and job creation, especially in the area of energy efficiency, a bright spot and area of growth in California's struggling economy. While there are always improvements to be made in administration of a public program like the PIER program, we support the continued funding and Commission guidance and involvement in the PIER program in order to continue to generate the type of significant energy and economic benefits that California has experienced through energy RD&D.

Responses to General Questions

The Efficiency Council provides the following comments on the General Questions for all parties in the OIR, Section 3.1.

2. Is it appropriate for the Commission to continue the funding for renewables and RD&D purposes at approximately current levels beyond December 31, 2011? Why or why not? What funding levels do you recommend for each of the existing programs and any new programs you recommend? Be as specific and detailed in your recommendations as possible.

The Efficiency Council supports continuing electric RD&D funding at current levels for the same general purposes (including energy efficiency) beyond December 31, 2011. We assume that gas RD&D will continue unaffected in the PIER program since that funding does not sunset like the PGC.

The need for publicly funded and administered research, the results of which are available to all industry, researchers, and the public, is clear. Energy RD&D funded by the public and in the public interest feeds the pipeline of new technologies and strategies that are required to support our state's general goals of a clean, reliable, stable and reasonably priced energy infrastructure and specific goals of all cost-effective energy efficiency, 33% RPS, and climate change mitigation as defined by AB 32. The public research investment helps bring innovation to California, as well as the jobs and companies that come with it.

Energy efficiency, specifically, is central to California's aggressive energy policy goals for a clean, affordable, reliable and efficient energy system. In addition, the state has set ambitious targets for emissions reductions, and improvements in energy efficiency, some of the most cost-effective solutions, are expected to achieve a significant portion of those reductions. Despite stagnant job growth in our state, the energy efficiency industry continues to expand in California, creating jobs while saving energy and dollars for residents and businesses. The industry cannot grow, nor can our state's ambitious targets be met, without continual technological innovation spurred by programs like PIER that can benefit all companies in the efficiency industry.

The Efficiency Council believes that long-term stability of RD&D is a key and unique role for state funding that is not well served by the private sector, nor, in the current funding environment, by the federal government. In particular, the funding of public research for energy efficiency products and approaches is a proven smart investment for accelerating the pipeline of innovative and cost-effective efficiency options. It is also a key component of the state's commitment to prioritizing energy efficiency in the loading order. Private-sector and other government policies to encourage deployment have frequently followed state RD&D funding, resulting in cost-effective energy efficiency resources, lower customer energy bills, and many successful California companies that support the state's economy and that create jobs. Investment in energy research and development that creates market-transforming innovations is only possible with a long-term horizon and sustainable funding stream.

The Commission should ensure an immediate backfill in funding for RD&D, effective January 1, 2012 to ensure no gap in programs and program infrastructure or loss in momentum when the PGC expires. The Efficiency Council specifically supports the Commission's schedule to resolve Phase 1 funding issues before January 1, 2012 (p. 15-16). Any curtailment or gap in funding would put at risk ongoing and anticipated RD&D activities that are essential to continuation of a variety of energy improvements in the state, including cost-effective energy efficiency products and methods that are needed to maintain progress toward the state's energy efficiency goals. In addition, it would put at risk the private capital that leverages the state's RD&D funding.

The Commission should also consider options for establishing long-term funding, although such discussions should be coordinated with the California Energy Commission and stakeholders, as well as possible future legislative efforts. For both short- and long-term funding, the Commission must also establish and make clear its intentions to have a funding source and structure that is not susceptible to transfers to the general fund for use on unrelated purposes.

3. If you recommend funding be continued, what public benefits are at risk if funding is discontinued?

The Efficiency Council believes that RD&D is an essential component of the state's energy efficiency actions and policy continuum. Comprehensive and successful energy efficiency must incorporate all of the following: RD&D to feed the pipeline of new technologies and strategies, programs and other efforts to bring innovative products and methods to the marketplace, and, finally, either adoption into standard practice or into codes and standards that require adoption of efficiency practices when sufficient market penetration is reached. Without state participation in each of these areas, market inefficiencies and externalities can prevent energy efficiency innovation from reaching the broad adoption that is needed to meet the state's energy and environment goals.

Not only does the public benefit directly from cost-effective energy efficiency resources, lower customer energy bills, and a cleaner environment, many successful California companies that support the state's economy and create jobs have benefited from the innovation pipeline created by the state's RD&D program. Several member companies of the Efficiency Council have experienced a doubling or tripling in size over the past several years as technologies have improved, driving up the customer benefits and inducing demand for our companies' efficiency services and products. Even during the recession, our member companies experienced job growth of 30% in 2009 and another 20% in 2010. Many of our members project continued growth, creating employment opportunities when California needs it most, but expansion is at greater risk without the essential and transformational research base provided by the PIER program.

State-supported RD&D has traditionally supported not just RD&D for new technological devices or widgets but also development of tools, information, and approaches, for example, to help advance efficiency design and construction practices that can be adopted throughout California's houses, buildings and industries. The state-funded RD&D PIER program is virtually the only source of funds for this kind of process research as private capital and other research funding is generally less likely to invest in this type of RD&D. These aspects of the state's program have made it possible for companies to grow their business in California, to hire promising young researchers into the industry, and to help advance the practice of energy efficiency throughout the state.

4. If you recommend certain programs to be eliminated or reduced in scope, provide a rationale for your recommendations.

The Efficiency Council does not have comments on this question at this time.

5. If you recommend certain programs be increased in scope or new programs be created, provide a rationale for your recommendations.

The Efficiency Council recommends that the Commission first focus on finding ways to fund the RD&D program at its current level with current scope. Expansion of scope or programs should be considered in the longer-run based on longer-term strategies and goals for the program.

6. If funding is continued for renewables and RD&D programs at any level, should collections continue to come from customers on a volumetric, equal cents per kWh, basis? Why or why not?

The Efficiency Council generally supports continued collection of funds from customers on a volumetric basis as this would generate contributions that are proportional to usage and public benefits.

7. Should any changes be made to the way funding is currently collected by customer class? Why or why not?

The Efficiency Council does not have comments on this question at this time.

8. For how long should your recommended level of funding be continued? Should there be a periodic reevaluation of these public benefits questions and, if so, how often?

The Efficiency Council recommends that the Commission establish a RD&D funding program, in coordination with possible future legislative efforts, that lasts for 10 years, the same amount of time for which the PGC was originally authorized. Public RD&D funding needs long-term stability and commitment to be a successful component of the public and private pipeline for product commercialization and innovative developments. RD&D provides the best return on investment when it is committed over long time horizons rather than short bursts. At a minimum, the Commission needs to ensure continuity in funding by backfilling for the PGC starting January 1, 2012 to avoid lapses or loss in momentum or loss of infrastructure and the possible cancellation of current, successful RD&D projects.

The Efficiency Council recommends that the Commission and other participating agencies (with input from stakeholders) complete a periodic reevaluation of public benefits and direction of RD&D programming. Such periodic evaluation of programming, however, should be separate from a long-term funding commitment established now, and should be done in context of a long-term strategic plan with a long planning horizon.

9. Is it reasonable to continue to collect funds in rates in January 2012 and beyond, even if programmatic details on priority expenditures are not yet settled, possibly subject to refund if actual expenditure levels are lower? Why or why not?

The Efficiency Council believes it is appropriate to continue to collect funds at current levels to support RD&D starting January 1, 2012 even as RD&D programmatic details are being finalized in Phase 2 of this proceeding in order to avoid disrupting the RD&D program's momentum as well as minimize curtailment of projects underway, which would confuse customers and potentially halt the innovation pipeline.

As we described in Question 3, the state's RD&D program is one element in a suite of policies that support the state's energy, environment, and economic goals. From the energy efficiency perspective, disrupting the program puts at immediate risk continued technology innovation and the private capital that leverages those public funds, thereby slowing or disrupting the pathway toward additional energy efficiency resources, lowering of customer energy bills, achievement of AB 32 goals, and continued job creation.

10. How would your answers to any of the above questions change if funding were to be made available from allowance revenues as part of a cap and trade program? Could or should system benefits funding and programs be augmented, continued, scaled back, or eliminated if additional revenues become available from cap and trade or other sources?

The Efficiency Council believes that while cap and trade allowance auction revenues could successfully be used to augment existing RD&D programs above and beyond long-term funding commitments, the use of a significant portion of these revenues for RD&D is not yet certain. The Commission is currently examining the appropriate use of auction revenues in R.11-03-012. Thus, auction revenues at this time should not be relied upon as a key portion of the ongoing funding due to current uncertainty about absolute cap and trade revenue levels and timeline. As discussed in Question 8, a long-term source of funding is necessary to create the stability required for RD&D to be successful in stimulating the market. While allowance revenues, if they become available and stable in the future, could be a source of supplemental funding for RD&D, at this time the Commission should seek other funding sources to ensure long-term stability for the RD&D program.

Responses to Research, Development and Demonstration Questions

The Efficiency Council provides the following comments on the Research, Development, and Demonstration questions in the OIR, Section 3.3.

1. What makes state-level investment in RD&D appropriate and unique, and how should it be distinguished from federal government, philanthropic, or industry RD&D activities?

The Efficiency Council believes that state-level energy RD&D is a key and unique role for state government that is not well served by the private sector, nor, in the current funding environment, by the federal government or philanthropic sources. In general and in the area of energy efficiency specifically, the funding of public research for new products and approaches is a proven smart investment for accelerating the pipeline of innovative and cost-effective efficiency options. The state's commitment to the loader order also requires a pipeline of cost-effective energy efficiency solutions, which is in part fed by the state's investment in RD&D. The state's investment in RD&D is also leveraged by private-sector financing for subsequent phases of commercialization and growth, resulting in cost-effective energy efficiency resources, lower customer energy bills, and many successful California companies that support the state's economy and that create jobs.

California's state-funded RD&D programs are also unique in that they are focused on the interest of the public, where data and results are available to the public, investors, researchers, and industry. Program funding is available based on long-term energy priorities that reward smart innovation, not individual companies, and create publicly available results that drive the commercialization and innovation pipeline for many companies. This creates an environment of open competition not possible with purely industry-driven RD&D activities.

While federal government funding has at times supported broad energy research programs, it has traditionally not provided a stable, long-term source of RD&D funding for energy, nor does that situation appear to be improving. Philanthropy is also a key source for funding of energy policy advancements, and while a few programs are focused on RD&D, they do not have California's public interest as a singular goal nor the level of funding required to serve our state's needs. It is California, alone, that has traditionally determined it will act in its interest to improve our use of energy resources, saving our consumers money and ensuring environmental benefits. Our state's loading order, which prioritizes energy efficiency, is a key component of our energy procurement strategy, and its success requires the state to fund and administer its own RD&D pipeline.

2. Should a program such as PIER or similar to PIER continue to be funded? Describe any preferred changes or improvements to the existing program or why you would recommend eliminating the program altogether.

The Efficiency Council recommends that the Commission continue RD&D through the Energy Commission-administered PIER program, at least in the short run if not permanently, in order to leverage the existing infrastructure and staff expertise. Furthermore, the gas side of the PIER program is funded by the Gas Consumption Surcharge that does not sunset like the PGC, and it makes sense to coordinate the electric and gas RD&D programs in the same overall program structure. To address efficacy and delay issues that have been serious problems in the past for PIER, we support actions that have been proposed by new leadership at the Commission.

While we recommend that the PIER program continue, RD&D programming must continue to fund RD&D that is broader in scope than narrowly-defined technology product innovation. During the recent 2011 legislative discussions for extending the PGC, proposed legislation (SB 870, Padilla) seemed to possibly exclude other types of research advancement in favor of an overwhelming focus on technological innovations. In addition to development of devices and widgets, continuing RD&D must also fund improvements to processes, methods, and information, especially for areas like energy efficiency in which innovation has a broader definition. We bring this scoping issue to the Commission's attention specifically to address the OIR's mention of recent legislative issues (p. 11) and Governor Brown's request to consider the ideas for program reform that were discussed in the legislative process (p. 4).

The Efficiency Council also urges the Commission to seek input from and coordinate with the Energy Commission in its consideration of changes and improvements to RD&D funding in order to best leverage lessons learned in the PIER program.

3. What is the appropriate level of funding for RD&D efforts to be continued, if any?

The Efficiency Council recommends that the Commission collect funds to provide electric RD&D funding at least at the current annual level of approximately $70 million. We assume the natural gas portion of RD&D funding is unaffected since it will not be sunsetting like the PGC.

4. Should the Energy Commission continue to administer an RD&D program (PIER or similar)? If yes, how could such an administrative structure be set up under CPUC regulatory and funding oversight (assuming no statutory requirements are extended or recreated)?

The Efficiency Council recommends that the Energy Commission continue, in the short term if not permanently, to administer the PIER RD&D program in order to leverage the existing infrastructure, staff, and expertise established at the agency over many years. While the Commission may elect to set general guidelines, in coordination with the Energy Commission, the funds collected by the Commission should be transferred to the Energy Commission for administering the RD&D program.

It is essential that for whatever funding mechanism is established for the public RD&D program, the funds collected from customers is protected from transfers to the state's general fund for unrelated purposes.

5. Alternatively, if you recommend continuing RD&D funding with a different administrative structure, please describe your preferred structure.

The Efficiency Council does not have comments on this question at this time.

6. If a program like PIER or similar is continued, describe your preferred governance structure, process for allocation of funds, and selection methodology for projects.

The Efficiency Council urges the establishment of a program, together with the Energy Commission, that maintains stability and consistency with a long-term strategic research plan to guide the shorter-term RD&D funding objectives. Clear research goals and outcomes should be established based on stakeholder and public input in order to ensure that funding continues to be directed toward strategic objectives. For efficiency, the goals should support the overall pursuit of cost-effective energy savings that lower customers' bills, through both technological and process innovations. While details of implementation or prescribing specific use of funds is unwise in a dynamic marketplace, high-level goals and outcomes should be established.

The Efficiency Council also urges the establishment of a structure in which governance is not at the whim of political appointees who may be able to change RD&D plans year-by-year. A strategic plan for effective RD&D needs a long-term time horizon that can incorporate changing marketplaces and needed solutions but shouldn't be altered year-by-year. We recommend that the Commission, together with the Energy Commission, should provide overall guidance informed by input from the public and other stakeholders, which is then implemented by the Energy Commission.

In responding to some of the ideas discussed during the legislative progress, the Efficiency Council reiterates that the research goals, along with structure of the program, need to ensure that the RD&D program allows for and encourages innovation in processes, methods, and information, in addition to technological devices. The RD&D portfolio must also be tolerant of research "failures," as individual project failures are a normal, and in fact required, part of successful, innovative, and cutting-edge research. The lessons learned from unsuccessful projects, especially in the data sharing environment that is encouraged by state-funded RD&D, are important to informing both the long-term goals and key next steps in near-term technology development. We discuss this issue of metrics of success and failure in more depth in our answer to Question 10.

The Efficiency Council also recommends that the RD&D program award research funds based on potential for delivering public benefits to Californians and prospective recipients' qualifications and proposed projects, irrespective of the recipients' locations. Proposed 2011 legislation (SB 870, Padilla) would have restricted the geographical location of grant/contract awardees only to California entities and with prescribed geographical distribution of awardees across the state. While the Efficiency Council is in favor of supporting California companies, we also recognize that not all companies may not be headquartered in a particular part of the state even as they have offices in other parts of the state, and such restrictions on RD&D funding potentially limit the energy benefits to Californians and can actually limit the job creation and economic benefits possible for the state's public RD&D program.

Regarding structure and process, we also recommend the Commission encourage the Energy Commission to examine ways to streamline the research procurement process and make technical fixes to the contracting process; for example, allowing the Energy Commission Executive Director to approve no-cost extensions – the current process, which requires full commission and Department of Government Services approval, takes 4 to 6 months.

7. Should a new oversight board be created? What would be its role? How would membership be determined and governed?

The Efficiency Council does not have comments at this time on whether a new oversight board should be created or its role. However, if a new oversight board is created, efficiency industry representatives who are not involved directly in RD&D should be included in the membership to provide insight into how the results of RD&D can used by the industry.

8. Would there be a need for any additional structures such as technical advisory committee or other structures that might facilitate participation from the federal or other state RD&D organizations, private investors, industry, environmental or other advocacy organizations, and/or other research institutions?

The Efficiency Council does not have comments on this question at this time.

9. Do any program changes need to be made on the issue of intellectual property rights?

The Efficiency Council does not have comments on this question at this time.

10. If an RD&D program is continued, what are the appropriate metrics for evaluating success or failure of the program?

PIER has had many successes and the program can of course also be improved. To do this, the state needs to set broad goals and then allow for a program that is managed as a research program, not a pencil procurement program. Success is defined differently for RD&D than for other conventional procurement investments. While it is understandably difficult to appreciate how public money can be spent on projects that did not result in a successful technologies, it is critical to understand that any RD&D program that always insists on "success" will not result in new innovation but only rehashing of past ideas; failure is the process by which success is eventually achieved.

The Efficiency Council urges the Commission, as it develops metrics for success and failure, to view unsuccessful projects and technology developments as an acceptable component of an effective RD&D portfolio. The lessons learned from research failures, especially in the data sharing environment that is encouraged by state-funded RD&D, are important to informing both the long-term goals and next steps in near-term research. The allowance for project failures as an acceptable risk in the program structure is required to prevent short-term reactions that could derail long-term research goals.

11. How frequently should any RD&D program be evaluated? By whom?

The Efficiency Council urges the Commission, as we discuss in our comments on General Question 8, to establish a long-term funding source for RD&D of at least 10 years with periodic evaluation of the benefits and direction of programming during that period by the Commission other participating agencies, with the participation of stakeholders.

12. Should RD&D investments be focused on projects with an explicit connection to electricity, or should more general environmental and climate change research be funded? Provide a rationale for your response.

The Efficiency Council does not have comments on this question at this time.

13. If RD&D funding is continued, what are your suggested methods for ensuring and maximizing ratepayer benefits?

The Efficiency Council recommends that the Commission ensure maximal ratepayer benefits by establishing priority research areas. One of these areas should be energy efficiency. As California's top priority resource, energy efficiency RD&D must continue to be among the research priorities explicitly encouraged in the program to ensure that the pipeline of new efficiency technologies and approaches continues to be filled. Continuing innovation in energy efficiency is also necessary to continue to achieve greater and deeper cost-effective energy savings necessary to meet the state's substantial long-term efficiency goals. Private sector capital is seeking to leverage the successes from energy efficiency RD&D, which will expand the reach and provide successful return on investment for the state's long-term commitment. Lighting advancements, for example have progressed from incandescent lighting to fluorescents to LEDs, driven by research, development and deployment that have historically been, and must continue in the future to be, supported by public interest research.

As discussed in our comments on Question 10, the RD&D program must also have tolerance for research failures within the RD&D project portfolio. The program must incorporate language and methods that ensure that unsuccessful projects are not automatically considered poor investments by ratepayers, as these projects when taken as part of an entire portfolio are a component of the any effective research process.

14. Should this structure be open to the voluntary participation and contributions of publicly-owned utilities in California? If so, with what roles and financial contributions? Are there other models to ensure that ratepayers served by publicly-owned utilities are able to share in the gains of a state RD&D function?

The Efficiency Council generally supports the voluntary participation and contributions of publicly-owned utilities (POUs) in RD&D programs, and we note that some POUs have historically been strong supporters of RD&D. We also believe that public interest research should ideally be funded by all of the public, not only the investor-owned utilities' (IOUs') customers, and therefore the POUs' customers should also contribute to the state RD&D program. Until POUs are required to provide similar RD&D funding contributions, participation and opportunities for their customers, a primarily IOU-customer funded PIER program with voluntary participation and contributions by POUs and others is the best solution at this time.

15. Are there any model approaches in other jurisdictions that could or should inform our consideration of future RD&D funding structures and programs?

The Efficiency Council does not have comments on this question at this time.

16. What suggestions do you have for increasing transparency and accountability in RD&D program spending? How can costs be controlled or reduced, particularly in the administrative area?

The Efficiency Council encourages the Commission to establish clear goals and high-level policy guidance that focuses on transparency and accountability for RD&D outcomes. For energy efficiency, specifically, a focus on clear and consistent high-level goals and outcomes, including continued overall pursuit of cost-effective energy savings, is necessary to ensure effective energy efficiency programs that will lower customers' bills now and in the future. While dictating details or prescribing the specific use of funds in an attempt to control costs is unwise in a dynamic marketplace with changing opportunities and barriers, clear goals and outcomes will help increase transparency. Any efforts to increase transparency and accountability for spending or to control costs should ensure that any metrics of success and failure, as noted earlier, must be carefully defined to have tolerance for research failure within the RD&D project portfolio.

17. Should there be an explicit role or set aside for utilities to invest in RD&D, particularly in the areas of demonstration and deployment or commercialization activities? If so, for what explicit purposes, and what is the appropriate level of funding? How would/should such a program be administered and overseen?

The Efficiency Council believes that while utilities can be participants and beneficiaries of public interest energy RD&D programming that is coordinated by the state, other parties can and should play a significant role in the innovation pipeline for California.

18. If utilities have a more explicit role in the future, are there competitiveness considerations that we should be concerned about? If so, please explain.

A broad set of industry players beyond utilities participates in the energy industry, including in energy efficiency. If utilities have sole access to RD&D funding and/or its results, or a portion thereof, the Efficiency Council believes that would limit the potential benefits that could be gained through broader funding availability. Utilities, however, are also key players in the industry and should be encouraged to participate in the state's RD&D programming.

19. How should we coordinate any utility RD&D program or expenditures in this context with similar requests that may be made in general rate cases?

The Efficiency Council does not have comments on this question at this time.

III. <u>Conclusion</u>

The Efficiency Council appreciates the opportunity to offer these comments on the Order Instituting Rulemaking and preliminary scoping regarding whether and how the Commission should act to preserve funding for public benefits previously provided by the PGC. The Efficiency Council believes it is critical to maintain stability in funding for RD&D programs that include energy efficiency in order to meet the state's energy and greenhouse gas reduction goals, as well as ensure savings for consumers and creation of jobs and economic benefits. The Efficiency Council looks forward to working with the Commission and other stakeholders to ensure continuity in the state's programs that support energy efficiency.

Dated: October 20, 2011

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____

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(916) 390-6413
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VERIFICATION BY DECLARATION

I, Audrey Chang, am a representative of the California Energy Efficiency Industry Council. I am authorized to make this verification on behalf of this organization, and am making the verification because I am the lead representative in this proceeding and have unique personal knowledge of certain facts stated in the foregoing document.

Accordingly, under penalty of perjury, I hereby declare that I have read and reviewed the attached document, and that, to the best of my knowledge, information and belief, the information set forth therein is true and correct.

Dated: October 20, 2011

Audrey Chang
Executive Director
California Energy Efficiency Industry Council
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