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08-01-12

02:20 PM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Address
Utility Cost and Revenue Issues Associated
with Greenhouse Gas Emissions.

Rulemaking 11-03-012
(Filed March 24, 2011)

**OPENING COMMENTS OF THE CALIFORNIA ENERGY EFFICIENCY INDUSTRY
COUNCIL (EFFICIENCY COUNCIL) ON IMPACT OF SENATE BILL 1018**

August 1, 2012

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I. Introduction and Summary

The California Energy Efficiency Industry Council (Efficiency Council) respectfully submits these opening comments in response to Administrative Law Judges Semcer and Hecht’s “Ruling Soliciting Comment from Parties on Impact of Senate Bill 1018” (ALJ Ruling), dated July 11, 2012, and an email from Administrative Law Judge Melissa Semcer, dated July 20, which modified the schedule for the due date for these opening comments. These comments are submitted in accordance with Rules 1.9, 1.10 and 1.13 of the California Public Utilities Commission’s (CPUC or Commission) Rules of Practice and Procedure.

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 70, employ thousands of 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.

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.energycouncil.org.

The ALJ Ruling directs parties to comment on SB 1018 (2012), which provides guidance to the CPUC on the use of revenues received from the auction of greenhouse gas (GHG) emissions allowances given to electrical utilities. The ALJ Ruling proposes six questions for consideration by parties; we respond to questions 4 and 6 below.

The Efficiency Council's comments are summarized as follows:

- The Efficiency Council strongly recommends that the revenues that are directed to be used for consumer rate relief should be returned in a manner that best supports AB 32's goal of incentivizing consumers and businesses to save energy and pursue energy efficiency in order to reduce greenhouse gas emissions.
- The Efficiency Council continues to strongly recommend that a significant amount of the GHG auction revenues that are to be allocated to GHG mitigation solutions be invested in energy efficiency that meets broader cost-effectiveness definitions than currently used in the utilities' energy efficiency portfolios.

II. Discussion

- 4. The Efficiency Council recommends that any revenues that are directed to be used for consumer rate relief should be returned in a manner that best supports AB 32's goal of incentivizing consumers and businesses to save energy and pursue energy efficiency in order to reduce greenhouse gas emissions.**

SB 1018 directs the Commission to return revenues directly to the residential, small business, and emissions-intensive trade-exposed retail customers that have incurred additional costs due to AB 32. The Efficiency Council strongly cautions against returning GHG emissions allowance auction revenues to customers via bill rebate on a volumetric basis, in proportion to the AB 32 costs incurred. Any customer rebate should not be calculated on a volumetric basis as this is contradictory to the intent of AB 32, rewards the highest energy consumers, and discourages consumers from taking action to reduce their energy consumption.

Although we do not offer a specific methodology for the return of revenues to customers as directed by SB 1018, the Efficiency Council urges the Commission to select a means of rate relief that best maintains the incentive to conserve electricity and invest in energy-saving measures.

- 6. The Efficiency Council continues to strongly recommend that a significant amount of the GHG auction revenues that are to be allocated to GHG mitigation solutions be invested in energy efficiency that meets broader cost-effectiveness definitions than currently used in the utilities' energy efficiency portfolios.**

SB 1018 sets aside only 15% of the GHG emissions allowance auction revenues for supplemental investments in GHG mitigation solutions in energy efficiency and clean energy. The Efficiency Council urges the Commission to invest these limited funds with a significant focus on energy efficiency because it follows California's loading order as it is the cheapest, fastest, and most direct way to reduce GHG emissions, all while lowering costs to consumers.

The Efficiency Council urges the Commission to direct a significant amount of the auction revenue to supplemental investments in efficiency, consistent with SB 1018. Additional investments in efficiency programs will help meet the goals of AB 32 and can accelerate the accomplishment of the state's ambitious energy efficiency objectives. GHG auction revenues should be used to fund incremental investments in energy efficiency efforts, beyond current ratepayer-funded efficiency programs. The revenues should be focused on energy efficiency activities for which there are significant market barriers and for which current cost-effectiveness tests and potential analyses do not fully account at this point for long-term impacts associated with climate change and therefore are not included in existing utility energy efficiency portfolios under the Commission's current efficiency rules.

To guide these additional investments in energy efficiency, the Commission should issue modified policy rules that consider a longer-term and broader approach to cost-effectiveness under an AB 32 emission reduction framework. Significant additional energy efficiency potential exists beyond what can be captured in the current energy efficiency portfolios, and modified cost-effectiveness rules would allow the pursuit of many energy efficiency activities which will still be cheaper than other supply-side GHG mitigation options while also helping end-users save money.

III. Conclusion

The Efficiency Council appreciates the opportunity to provide these comments looks forward to working with the Commission and other stakeholders to ensure that an appropriate portion of revenues from auctioning of GHG emission allowances invested in energy efficiency that will both help lower GHG emissions and save consumers money.

Dated: August 1, 2012

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Audrey Chang", written in a cursive style. The signature is positioned above a horizontal line.

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