

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Application of Pacific Gas and Electric Company for Approval of 2013-2014 Energy Efficiency Programs and Budget (U39M).	Application 12-07-001 (Filed July 2, 2012)
Application of San Diego Gas & Electric Company (U902M) for Approval of Electric and Natural Gas Energy Efficiency Programs and Budgets for Years 2013 through 2014.	Application 12-07-002 (Filed July 2, 2012)
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**RESPONSE OF ENERNOC, INC., TO UTILITY APPLICATIONS**

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**RESPONSE OF ENERNOC, INC., TO UTILITY APPLICATIONS**

EnerNOC, Inc. (EnerNOC) respectfully submits this Response to the consolidated Applications of Pacific Gas and Electric Company (PG&E) (A.12-07-001), San Diego Gas and Electric Company (SDG&E) (A.12-07-002), Southern California Gas Company (SCG) (A.12-07-003), and Southern California Edison Company (SCE) (A.12-07-004) for approval of their electric and natural gas Energy Efficiency (EE) Programs for 2013 through 2014 (“Utility Applications”). This Response is timely filed and served pursuant to Rule 2.6 of the Commission’s Rules of Practice and Procedure and the Administrative Law Judge’s (ALJ’s) Ruling Consolidating Applications and Setting Preliminary Schedule issued in this proceeding on July 13, 2012 (“July 13 ALJ’s Ruling”).

## **I. INTRODUCTION**

EnerNOC and its affiliate company, Global Energy Partners (GEP), have long been active parties on EE issues before the Commission, including the 2009-2011 EE applications, A.08-07-021, et al. Specifically, EnerNOC is a trusted leader in implementing reliable and cost-effective EE and demand response programs for utilities and grid operators in North America, focusing exclusively on the commercial, institutional, and industrial end-use segments. Among other things, EnerNOC has innovative SiteSMART programs with SCE and PG&E that use a monitoring-based approach to energy efficiency, resulting in identification of substantial savings on an ongoing basis. EnerNOC's combination of retro commissioning and monitoring-based commissioning activities are enhanced by the use of real-time building data to ensure continued optimization of building operations and persistence of energy savings over time. This data is used by customers to create benchmarks for optimal building operations and to continuously track building operation and performance.

In addition, through its affiliate company GEP, EnerNOC now offers a range of services from strategic planning to turn-key program design and implementation. These services include providing third-party implementation services in California, dating back to 2002; delivering energy savings of over 480,000 MWh; and implementing a total of seven 2010-2012 third-party industrial programs for SCE, PG&E, and SCG, many of which involve customized projects.

Clearly, the Utility Applications can and will have great significance for the programs offered by EnerNOC. EnerNOC has, therefore, reviewed the Utility Applications and offers the following responses to the applications in general and specific to each utility. In this regard, EnerNOC makes the following recommendations:

- The Commission should adopt the Utilities’ proposed schedule for Third Party Program contract negotiation and adopt a schedule for the new solicitation that results in new Third Party Programs by April 1, 2013;
- The Commission should clarify the funding for projects recruited in 2012 under existing contracts, but not installed until 2013:
- The Commission should approve the Joint Parties<sup>1</sup> proposed modifications to the Custom Project Review Process.
- The Commission should approve the Utilities’ proposal for a new Innovative Designs for Energy Efficiency Approaches (IDEEA) solicitation to expand Third Party Programs and promote rolling solicitations.
- The Utilities’ proposal to include spillover effects in cost-effectiveness evaluations is reasonable, reflects a best practices approach, and should be approved.
- SCG’s goal to employ local companies, whenever feasible, is commendable.
- SCG’s proposal for a net-to-gross ratio of 0.63 for custom measures is reasonable and should be approved
- SCE’s recommendation to improve the evaluation, measurement and verification (EM&V) process by adopting rolling EM&V studies is reasonable and should be adopted

## II. OVERALL RESPONSE TO UTILITY APPLICATIONS

### **A. The Commission Should Adopt the Utilities’ Proposed Schedule for Third Party Program Contract Negotiation and Adopt a Schedule for the New Solicitation that Results in New Third Party Programs By April 1, 2013.**

EnerNOC strongly supports the Utilities’ proposed schedule that would result in an Interim Funding Decision on October 1, 2012 and a Final Decision by November 29, 2012. Maintaining this schedule is critical for the success of the 2013-2014 portfolios. While third party implementers of programs that were deemed “successful” by the Utilities are currently engaging with the Utilities to negotiate contracts for the programs that are proposed to continue,

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<sup>1</sup> Joint Parties for this effort are the Utilities, the Natural Resources Defense Council (NRDC), the National Association of Energy Services Companies (NAESCO), the California Energy Efficiency Industry Council (CEEIC), and Onsite Energy.

contracts will not be signed until after the Utilities receive Commission approval.<sup>2</sup> In order to have signed contracts in place to ensure savings across the portfolios beginning on January 1, 2013, it is critical that the contracts are approved prior to December 1, 2012. EnerNOC, therefore, urges the Commission to adopt the Utilities' proposed schedule for the third party program contract negotiation process.

In addition to negotiating contracts for existing EE programs that are proposed to continue in 2013-2014, third party implementers are preparing new program offerings in anticipation of the new solicitations proposed by the Utilities for 2013-2014. EnerNOC is concerned that the Utilities' applications do not appear to propose a specific schedule for the new solicitations. The Utilities agreed to a schedule proposed by the Efficiency Council in an *ex parte* communication on May 9, 2012.<sup>3</sup> EnerNOC appreciates the effort of the Utilities to coordinate with stakeholders on the timing and details of the proposed IDEEA 365 program outlined in the Utilities' applications. EnerNOC urges the Commission to adopt a schedule for the IDEEA 365 solicitation that is consistent across the utilities and results in completed contracts for new third party solicitations in the first quarter of 2013.

**B. The Commission Should Clarify the Funding for Projects Recruited in 2012 Under Existing Contracts, But Not Installed until 2013.**

EnerNOC would appreciate guidance from the Commission on an issue that may affect a number of projects as the Utilities transition from 2012 to the 2013-2014 bridge period. The issue is how the Utilities will address project incentives for projects that are recruited in 2012 under existing contracts but final installation is not completed until early 2013. While these project incentives would normally be funded from current program budgets, these budgets are set

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<sup>2</sup> See, for example, PG&E Application (A.) 12-07-001, Testimony, at p. 3-20; SCE A.12-07-004, Testimony at p. 79.

<sup>3</sup> Efficiency Council Notice of *Ex Parte* Communication and Attachment. May 9, 2012. <http://www.cpuc.ca.gov/EFILE/EXP/166387.pdf>

to expire on December 31, 2012, and will not be in effect once the new budgets are approved for continuing third party programs for 2013-2014. EnerNOC proposes that the Commission authorize the Utilities to commit funds for projects that were secured in 2012 based on the 2012 budgets in order to eliminate the risk that those budgets would not be available once the 2013-2014 bridge period begins. This is important for third-party providers such as EnerNOC because the vast majority of our projects typically have a long lead time to finalize. As such, many of the projects that were secured late in 2012 will not be finalized until early 2013.

**C. The Commission Should Approve the Joint Parties Proposed Modifications to the Custom Project Review Process.**

EnerNOC appreciates the Utilities' focus on improvements to the Custom Program and the recognition these programs are vital to meeting the statewide energy-efficiency savings goals. In its application, PG&E states:

“The Joint Parties focused on improvements to the Custom Program because customer experience and participation is a critical element of the program’s success. Custom Program projects produce some of the largest energy savings in the IOUs’ portfolios and, as such, they are critical to meeting the statewide energy efficiency savings goals. Due to the significant energy savings achieved through this program, the Custom Program is highly valued by utility customers. . . . Improvements to the Custom Program that specifically target the customer’s experience and decision-making process are key to improving the Custom Program.”<sup>4</sup>

SCG elaborates in its application on the motivation for the improvements to the custom project process:

“ . . . improvements that specifically take into account factors directly affecting customers and their inclination to make custom project commitments are one of the top priorities for program improvements.”<sup>5</sup>

EnerNOC supports the Joint Parties’ improvements to the Custom Project Review process to increase transparency and timeliness while decreasing uncertainty. EnerNOC has

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<sup>4</sup> PG&E A.12-07-001, Testimony, at p. 1A-1.

<sup>5</sup> SCG A.12-07-003, Testimony, at p. 34.

stated on several occasions that it remains committed to the broad concepts in the Custom Project Review process resulting from Decision (D.) 11-07-030.<sup>6</sup> However, EnerNOC has also expressed concern that the process has taken far longer than was originally expected, is not occurring in parallel to the utility's review, and is creating unreasonable burdens for customers and program implementers.<sup>7</sup> It is EnerNOC's experience that customers will not accept the uncertainty caused by the inability to reach a final conclusion about a potential Custom Project. Many of the customers, frustrated by the uncertainty and delays, will choose not to implement custom measures, taking with them a substantial portion of the "deep retrofit" savings that the Commission expects to achieve from custom measures in the current program cycle.

The Utilities share EnerNOC's concern regarding the uncertainty inherent in the current Custom Program process. PG&E has elaborated in its application on the need to conduct the Custom Program review process in a way that does not increase uncertainty for customers:

"One of the most important aspects of working with customers on custom projects is timelines and planning predictability. The Joint Parties identified certain adjustments to the Custom Program process that will accommodate appropriate review of projects without impeding the customer's ability to proceed with energy efficiency projects in a timely fashion. The Joint Parties' observations, based on almost a year of implementing projects with the current review process, are that the timing of the current process is uncertain and this uncertainty negatively impacts customers' ability to plan for and execute custom projects. The adjustments described herein and in the Redlined Attachment B are intended to enhance the Custom Program and should be approved. The changes also propose standardized timelines for the Commission to review projects to support customer needs for a defined timeline."<sup>8</sup>

In its application, SCE has echoed PG&E's concern about the current uncertainty in the custom review process and the need to maintain the existing process with certain modifications:

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<sup>6</sup> See, for example, R.09-11-014 Comments of EnerNOC, INC., on the Proposed Decision Providing Guidance on 2013-2014 Energy Efficiency Portfolios, at p. 7.

<sup>7</sup> *Id.*, at p. 8. See also, A.08-07-021 Comments of EnerNOC, Inc., and Global Energy Partners, LLC, on the Proposed Decision and Alternate Proposed decision on the Joint IOUs' Petition for Modification of Decision (D.) 09-09-047, at pp. 8-9.

<sup>8</sup> PG&E A.12-07-001, Testimony, at p. 1A-2.

“The level of uncertainty within the *ex ante* and custom review processes is burdensome to the point that EE service providers are finding it difficult to convince customers to participate, and customers are often dissuaded from participating. . . The proposed changes will improve the adoption and deployment of valuable new EE measures and help attain the Commission’s goal of deeper retrofits.”<sup>9</sup>

EnerNOC supports the Joint Parties’ improvements to the Custom Project Review process. These improvements will set reasonable expectations for customers, improve responsiveness and timeliness of projects with minimal inconvenience to customers, and provide a greater degree of certainty for customers. EnerNOC urges the Commission to adopt the improvements outlined in each of the Utility’s applications.<sup>10</sup>

#### **D. EnerNOC Supports the Utilities’ Proposal for a New IDEEA Solicitation to Expand Third Party Programs and Promote Rolling Solicitations**

The Utilities collectively propose a new third-party program called the Innovative Designs for Energy Efficiency Approaches (IDEEA) subprogram for solicitations in 2013-2014. This program will be used to expand third-party programs and promote the “rolling” solicitation concept by offering two unique types of solicitations.

EnerNOC supports the Utilities’ approach to improve the solicitation process by increasing the outreach to third party bidders, coordinating with the Emerging Technology program to engage new program ideas, requesting stakeholder input on selection criteria and proposals, incorporating a staged approach that includes abstracts and proposals, and providing feedback to third parties to improve their applications.<sup>11</sup> This approach is consistent with the Commission’s direction and support for expanded third-party programs and should yield programs and approaches that may be unproven in the marketplace. EnerNOC encourages the

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<sup>9</sup> SCE A.12-07-004, Testimony, at p. 5 (Preferred Plan).

<sup>10</sup> The Custom Project improvements are included as Appendix B in each utility’s application.

<sup>11</sup> PG&E A.12-07-001, Testimony, at p. 3-29.

Commission to support the IDEAA solicitation process and looks forward to participating in the process.

**E. The Utilities' Proposal to Include Spillover Effects in Cost-Effectiveness Evaluations Is Reasonable, Reflects a Best Practices Approach, and Should be Approved by the Commission.**

In its application, SCE outlined the Utilities' proposal to include spillover effects in cost-effectiveness evaluations to better reflect the realized market impacts of utility programs.<sup>12</sup> The proposed estimates for spillover are the result of an extensive review by the Utilities and were vetted with stakeholders at the EE Stakeholder Meeting held on May 29, 2012.

In addition, the approach represents mutual agreement between the Utilities, Energy Division, and consultants. EnerNOC appreciates the depth of investigation that was involved in this effort. California is unique in that it is one of the only EE-leading states that does not allow for adjustments in savings to reflect program spillover. According to a recent report from the American Council for an Energy-Efficient Economy (ACEEE) on evaluation practices of ratepayer funded EE programs,<sup>13</sup> states like New York, Massachusetts, Connecticut, Wisconsin, and Oregon all allow program spillover to be included in the calculation of net savings. The Utilities' proposal is reasonable and reflects a best practices approach for including estimates of program spillover, based on the results of secondary research. It is reasonable to consider replacing spillover estimates based on secondary data with primary data once appropriate EM&V studies on the subject are conducted for California programs.

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<sup>12</sup> SCE A.12-07-004, Testimony, at pp. 39-40.

<sup>13</sup> ACEEE Report U122, February 2012.

### **III. RESPONSE SPECIFIC UTILITY APPLICATIONS**

#### **A. EnerNOC Supports SCG’s Goal to Employ Local Companies Whenever Feasible.**

SCG intends to administer its energy efficiency portfolio in “ways that help the local economy,” including adding requirements to third-party energy efficiency contracts for “hiring a portion of employees locally, depending on feasibility,” and employing local companies in the expanded direct install programs.<sup>14</sup> EnerNOC supports this approach with the understanding that the local contractor communities may have limited expertise in certain areas that would require SCG to consider other employees for certain types of programs.

#### **B. SCG’s Proposal for a Net-to-Gross Ratio of 0.63 for Custom Measures is Reasonable And Should be Approved.**

SCG’s alternative program proposal recommends using a net-to-gross ratio (NTGR) of 0.63 for custom programs in order to “more accurately represent gas-only measure cost-effectiveness” and to account “for changes in SoCalGas processes and policies to decrease free-ridership.”<sup>15</sup> EnerNOC is aware of SCG’s concerns, as articulated in their comments on the Database for Energy Efficiency Resources Study draft, that a 0.5 NTGR significantly impacts SCG’s ability to have a cost-effective portfolio. The higher NTGR is more appropriate as it reflects the Utilities’ improvements to the EM&V approach since the 2006-2008 EM&V Studies were accepted by the Commission in January 2010. SCG’s proposal is reasonable and should be approved by the Commission.

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<sup>14</sup> SCG A.12-07-003, Testimony, at p. 11.

<sup>15</sup> SCG A.12-07-003, Testimony, at p. 32.

**C. SCE's Recommendation to Improve the EM&V Process by Adopting Rolling EM&V Studies is Reasonable and Should be Adopted.**

As SCE helpfully explains in its application on its proposed recommendations to improve EM&V, the current process for EM&V studies is coordinated with the portfolio funding cycles, which may not be appropriate now that the EE framework operates within multi-year funding cycles in a complex and dynamic market structure.<sup>16</sup> SCE suggests that the new paradigm lends itself to research that addresses both the short and long-term feedback needs of the portfolio. To accommodate this, SCE proposes that research be staged, rolling across program years and portfolio funding cycles.<sup>17</sup>

EnerNOC agrees that prioritizing studies would allow for continuous program measurement and real-time updates to EE potential, goals, and program assumptions. The Commission should adopt SCE's recommendation to improve EM&V effectiveness, credibility, timeliness and applicability, while reducing costs for customers.

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<sup>16</sup> SCE A.12-07-004, Testimony, at p. 101.

<sup>17</sup> SCE A.12-07-004, Testimony, at p. 102.

**IV.  
CONCLUSION**

EnerNOC appreciates this opportunity to respond to the Utilities' Applications. EnerNOC asks the Commission to consider and adopt EnerNOC's recommendations as described above in reviewing and scheduling further consideration of these applications.

Respectfully submitted,

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