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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, 2009)

ADMINISTRATIVE LAW JUDGE'S RULING REGARDING PROGRAM GUIDANCE FOR THE 2013-2014 ENERGY EFFICIENCY PORTFOLIO

1. Introduction

This Ruling requests comments on Energy Division's proposal for Energy Efficiency (EE) activity during the 2013-2014 transition period (staff proposal). The staff proposal represents potential pathways to implement the direction outlined in the October 25, 2011 Assigned Commissioner's Ruling and Scoping Memo (ACR). Specifically the ACR signaled the intention to initiate changes that would reshape the investor-owned utilities' EE portfolios away from programs that offer temporary or shallow savings and more towards programs that achieve greater market transformation and better long-term energy savings. The ACR also emphasized financing as a way to achieve deeper EE retrofits across all sectors. However, this issue is not included in the Staff proposal, but will be addressed in a separate ruling.

2. Background

Pursuant to the October 25, 2011 Assigned Commissioner's Ruling and Scoping Memo (ACR), this ruling requests comment on Staff's proposed 2013-2014 portfolio guidance. The details of the Staff proposal are set forth in Attachment A to this ruling. As noted in the ACR, the Staff's proposal, as informed by parties' comments, will be put before the Commission for consideration as part of the 2013-2014 portfolio guidance decision.

3. Discussion

Staff proposes significant changes to five sectors/programs to achieve more market transformation and better long-term energy savings in the Investor-owned Utilities' (IOUs) Energy Efficiency (EE) portfolios. The proposed changes are summarized below.

3.1 Residential Sector

Energy Division recommends several changes for this sector and, in particular, the Energy Upgrade California (EUC) program. Energy Division's ideas include changes to consumer demand through new incentive approaches, prioritizing EUC jobs linked to replace-on-burn-out ("reactive") heating, ventilation, and air conditioning (HVAC) installations, support for increasing the number of new EUC-qualified contractors, and exploring innovative ways for local governments to participate in this sector. Energy Division also recommends that the Commission direct the IOUs to share aggregated and customer specific data on the EUC program with the Energy Commission and Local Governments implementing EUC marketing, outreach and/or research programs. For the HVAC upstream incentive program, Energy Division proposes that contractors represent and warrant that all applicable permits have

been obtained, consistent with the Senate Bill 454 (Pavley, 2011) requirements for downstream programs.

Energy Division also suggests the following additional program changes for the residential sector:

- Restructuring the Statewide Program for Residential EE to include “behavior change” mechanisms as key components in program design;
- Creating a “Plug/Load Appliance” program;
- Redesigning IOU new home construction programs to include “reach” codes;¹
- Creating a Zero Net Energy (ZNE) roadmap that targets measures ready for code adoption; and
- Establishing a leadership program to promote and support ZNE home construction.

3.2 Commercial Sector

Commercial buildings represent a significant source of untapped energy savings potential and the Energy Efficiency Strategic Plan² sets forth aggressive ZNE goals that necessitate innovative programs to address market problems and capture lost opportunities. Energy Division recommends the following changes to encourage deep energy savings in both small and large commercial properties through a variety of program delivery changes, technology integration, and new auditing approaches. Specifically, the Staff proposal recommends that the 2013-2014 funding cycle should focus on:

¹ Reach codes are aggressive, “beyond code” energy standards adopted by local governments under California Energy Commission oversight that are intended to accelerate the widespread deployment of highly efficient buildings and equipment.

² California Long-Term Energy Efficiency Strategic Plan, at 18-21 and 34-37. Available at http://www.cpuc.ca.gov/NR/rdonlyres/A54B59C2-D571-440D-9477-3363726F573A/0/CAEnergyEfficiencyStrategicPlan_Jan2011.pdf.

- Targeting the untapped potential of small commercial buildings;
- Increasing the adoption of Emerging Technologies (ETs) into current programs;
- Expanding successful Third Party Programs;
- Increasing measured performance data at the building level;
- Providing deeper energy retrofits through innovative auditing approaches and packages of measures; and
- Addressing split-incentive barriers in owner-occupied buildings.

3.3 Lighting Programs

Building upon the assigned Commissioner's direction to reduce or eliminate incentives for basic compact fluorescent lamps (CFLs)³, Energy Division's recommendations for the lighting program focus on changes that will better enable market transformation by creating a clearer pathway for promising advanced technologies. Energy Division identifies certain lighting products (e.g. specialty CFLs) that should be encouraged during the 2013-2014 period and parties are invited to suggest additional lighting products, such as those that are needed for reaching niche markets. Energy Division also recognizes the importance of establishing a voluntary quality standard for light emitting diode technologies as this product is being primed for market acceptance.

3.4 Codes and Standards

Energy Division recommends a redesign of the statewide Codes and Standards (C&S) program, where C&S are an essential strategic component of the IOU portfolio, with identified timelines and budgets for different C&S initiatives. Energy Divisions recommends that this integrated dynamic approach be supported by selective IOU incentives and rebates to encourage code

³ ACR, Section 3.2, sub-section 1.

readiness and compliance. The approach represents a departure from existing policy and practice where IOU incentives are not provided under any circumstances for meeting existing code requirements.

3.5 Emerging Technologies Program

Energy Division recommends that the Emerging Technologies Program (ETP) be actively utilized to provide the next wave of advanced proven technologies that can be adopted into future IOU programs and C&S. The major recommended revision to the statewide ETP is that the program be designed to balance its portfolio of projects. Program design should ensure that funds and resources are committed and clearly articulated in the program implementation plan, and that they balance different market sectors, short-term assessments against long-term assessments, and advanced/unproven technologies against emerging but underutilized technologies, etc.

4. Additional Program Guidance

Decision 11-07-030 adopted certain program changes that were intended to close the gap between expected and realized savings.⁴ For the 2013-2014 period, Energy Division recommends that calculated programs should continue to be subject to *ex ante* review.

5. Comments on the Staff Proposal

Some of Energy Division's recommendations represent significant changes to the portfolio. Given that the proposed changes are intended for a two-year transition period, in addition to specific issues, I invite parties to consider the following three broad questions in their comments on the Staff's proposals:

⁴ In part, D.11-07-030 adopted final estimated energy savings work papers for non-Database for Energy Efficiency Resources-deemed energy efficient measures and an Energy Division custom project *ex ante* value review process.

- Do you concur with the overall proposal?
- If you concur with the proposal, is it reasonable to make the requisite changes to the portfolio in the 2013-2014 period?
- If you concur with the proposal, but do not believe it prudent to fully develop and implement it in the 2013-2014 period, are there specific elements of the proposal that could be readily included in the 2013-2014 portfolio and that would serve as good transition steps towards implementing the full recommendation in the next full portfolio cycle?

IT IS RULED that:

1. Parties may file and serve comments of 15 pages or less on Attachment A to this ruling within 14 days from date of its issuance.
2. Parties may file and serve reply comments of 10 pages or less no later than 5 days from the due date for comments on Attachment A to this ruling.
3. Comments and reply comments should refer to the section numbers in the Staff proposal.
4. All comments, reply comments, and other submittals made pursuant to this ruling shall be served on the service list in this proceeding pursuant to California Public Utilities Commission Rules 1.9 and 1.10.

Dated December 7, 2011, at San Francisco, California.

/s/ DARWIN E. FARRAR

Darwin E. Farrar
Administrative Law Judge