



FILED

03-25-08
01:18 PM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Examine the Commission's Post-2005 Energy Efficiency Policies, Programs, Evaluation, Measurement, and Verification, and Related Issues.

Rulemaking 06-04-010
(Filed April 13, 2006)

**REVISED ASSIGNED COMMISSIONER'S AND
ADMINISTRATIVE LAW JUDGE'S RULING REGARDING
ENERGY EFFICIENCY SAVINGS GOALS THROUGH 2020**

In Decision (D.) 04-09-060, the Commission set annual and cumulative energy efficiency savings goals through 2012. Now is the appropriate time to revisit these goals and extend them through 2020, as discussed in D.07-10-032.

The California Energy Commission (CEC), as required by Assembly Bill 2021, set a statewide energy efficiency target of 100% of economic potential in the 2007 IEPR. In D.07-10-032, the Commission supported this target, stating: "We commit to working with the Energy Commission on strategies to achieve all cost-effective and feasible energy efficiency." The Commission also required utilities to pursue "Big Bold Strategies" and other market transformational programs to create a framework for sustainable energy efficiency approach "that transcends regulatory, programmatic and jurisdictional constraints, and emphasizes a broader view of the energy efficiency landscape."

The goals set for the period between 2012 through 2020 should appropriately challenge utilities to remain on the leading edge of energy

efficiency in California. These goals will be appropriate if they fulfill the following needs:

1. The goals should further enable the bold steps taken by the utilities and outlined in the draft Statewide Energy Efficiency Strategic Plan to participate in innovative and cooperative efforts;
2. The goals should set appropriate expectations for the emissions to be reduced through energy efficiency for use in the California Air Resources Board's emerging regulatory framework for AB 32, the state's global warming law. The process for setting these expectations should use the best available information but acknowledge the many uncertainties created by changes in program focus and delivery; and
3. The goals should more transparently address the interaction between procurement authorizations resulting from the Commission's long-term procurement proceeding (LTPP) process and cumulative energy savings achievements.¹ The goals should be consistent with the LTPP process, so that more costly supply side generation capacity is avoided as a result of increased energy efficiency activities.

Energy Division contracted with Itron to produce a report entitled "Assistance in Updating the Energy Efficiency Savings Goals for 2012 and Beyond" (dated March 21, 2008). The Itron Report is attached to this Ruling. There will be a workshop to discuss the Itron Report on April 4, 2008. The Itron

¹ Section 3.2 of Appendix A in the OIR for R.08-02-007 introduces the complexities associated with this issue.

Report can be found at the following link:

<http://www.cpuc.ca.gov/PUC/energy/electric/energy+efficiency/>

Energy Division has worked with Itron to develop goals within a framework that maximizes net savings from innovative IOU programs and places a high value on savings from the most cost effective, but heretofore underutilized sources; e.g., traditional non-participants (spillover and market effects) and state and federal Codes and Standards.

With regard to the Itron Report, Utilities and Parties should consider the following questions:

1. In which ways do you agree or disagree with the way Itron responded to the Policy Issues it presents in Section 5.1 of the report?
2. What improvements in process or methodology would better integrate the energy efficiency goal levels presented in Itron's scenarios and;
 - a. Energy efficiency goals embedded in the CEC's Load Forecast? ²
 - b. The CEC's Statewide Energy Efficiency Goals set pursuant to AB 2021?
 - c. Overall resource planning in the Commission's Long Term Procurement Proceeding?³
3. What is the quantifiable impact of savings from emerging technologies, currently not included in Itron's scenarios?

² Issues in regard to the CEC Load Forecast are exemplified by the discussion in Section 3.1 of Appendix A in the OIR for R.08-02-007.

³ See footnote 1.

4. What other elements not considered in the Itron report should be considered for future studies of this nature?
5. For overall California emissions regulation⁴ and IOU procurement planning in the LTPP, how certain should the Commission that the goals will be attained?⁵

Utilities shall, and Parties may, also comment on Energy Division's recommendations (see below) stemming from the Itron Report. Comments are due April 21, 2008. Reply comments are due April 30, 2008. The Itron Report and these comments will serve as the record basis for a proposed decision regarding goals through 2020. We expect to issue a proposed decision in June, 2008.

Energy Division Recommendations:

1. Energy Division recommends that the Commission adopt, for each IOU service area, both a total market gross and utility-specific goal. The total market gross goal for IOU service territories will be used for procurement planning and carbon emissions regulation as well as to identify the realistic savings potential available for utility programs to tap into. The total market gross goal would represent the level of cumulative energy efficiency potential (a) available between 2012 and 2020 within the IOU service territory, and (b) able to be achieved through all reasonably measurable delivery channels including improvements

⁴ For a discussion of the issues associated, *see* Section 3.2.2 in D.08-03-018 in the Commission's Greenhouse Gas Proceeding R.06-04-009.

⁵ *See* footnote 1 for a deeper description of issues associated.

- in state and federal codes and standards, state legislative mandates, naturally occurring efficiency, and IOU voluntary programs (both resource acquisition and market transformation);
2. Energy Division recommends that the Commission adopt a utility-specific goal to measure the net effects of utility programs toward meeting the total market gross goal;
 3. Energy Division recommends that the Commission commit staff and contractor resources to develop any proper evaluation, measurement, and verification protocols not in existence today to attribute savings for additional program impacts the IOU generates through its innovative and expanding suite of delivery mechanisms;
 4. Energy Division recommends that the Commission adopt Itron's Mid-Level Case (presented in Figure 6-10 of the Itron Report, on page 98) as the total market gross goal; and
 5. Energy Division recommends that the Commission adopt the IOU Gross targets in Itron's Mid-Level Case (presented in Figure 6-10 of the Itron Report, on page a98) as a proxy for the IOU Net goal, because precise attribution of additional potential savings to IOU programs (e.g., Title 24 programs, federal Codes and Standards, Big Bold Strategies) is not possible to model. Energy Division recommends that this IOU-specific goal should serve as the basis for the Commission's Incentive/Penalty Mechanism.

Energy Division believes this hybrid goal structure begins to solve the crucial interagency need for a metric appropriate to load forecasts, associated emission reduction baselines, and economically efficient procurement plans.

This goal structure also encourages utilities to innovate their program delivery to affect and amplify the savings achieved through non-traditional channels such as participant spillover, market effects, and others normally grouped into the “naturally occurring” savings category. The IOUs should aim to affect and amplify the savings within all reasonably measurable channels given a Commission commitment to develop major missing attribution protocols.

IT IS RULED that:

1. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company and Southern California Gas Company shall file and serve comments on the Itron Report and the Energy Division recommendations and questions listed in this Ruling by April 21, 2008. All parties to Rulemaking 06-04-010 may also file and serve comments by this date. Reply comments are due April 30, 2008.

2. A workshop will be held on April 4, 2008 to discuss the Itron Report and the Energy Division recommendations in the Commission auditorium in San Francisco from 10:00 a.m. to 4:00 p.m.

Dated March 25, 2008, at San Francisco, California.

/s/ DIAN M. GRUENEICH
Dian M. Grueneich
Assigned Commissioner

/s/ DAVID GAMSON
David Gamson
Administrative Law Judge

INFORMATION REGARDING SERVICE

I have provided notification of filing to the electronic mail addresses on the attached service list.

Upon confirmation of this document's acceptance for filing, I will cause a Notice of Availability of the filed document to be served upon the service list to this proceeding by U.S. mail. The service list I will use to serve the Notice of Availability of the filed document is current as of today's date.

Dated March 25, 2008, at San Francisco, California.

/s/ LILLIAN LI

Lillian Li