

Decision **PROPOSED DECISION OF COMMISSIONER GRUENEICH**

(Mailed 8/24/2010)

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)

**DECISION ADOPTING LIGHTING CHAPTER OF
ENERGY EFFICIENCY STRATEGIC PLAN****1. Summary**

This decision adopts the Lighting Chapter (Chapter) of the California Long-Term Energy Efficiency Strategic Plan, and requires that its adopted strategies be incorporated into energy efficiency program planning and implementation starting in 2011. Like the other chapters in the Strategic Plan, this Chapter articulates a long-term vision and goals and identifies specific near-term, mid-term, and long-term strategies to achieve those goals. Our adoption of the Chapter culminates a long process of collaboration between the Commission, the major investor owned utilities, and numerous other stakeholders.

2. Background

The Commission adopted California's first Long Term Energy Efficiency Strategic Plan (Plan or Strategic Plan) on September 18, 2008, as a single roadmap to achieve maximum energy savings across a variety of economic sectors and a number of cross-cutting areas including Heating, Ventilation, and Air

Conditioning (HVAC), Codes and Standards, Demand Side Management, and Marketing, Education and Outreach. The first version of the Plan included the subject of lighting as part of chapters on the residential and commercial sectors. However, because lighting accounts for approximately one-fourth of California's electricity use, the widespread use of energy efficient lighting across the state is a critical element of the Strategic Plan. Thus, lighting merits the attention and focus of a separate chapter in the Plan rather than a section of another chapter.

Commission Decision (D.) 09-09-047 directed the Energy Division to create a lighting chapter (Chapter). In particular, Energy Division was directed to include specific goals, strategies, and milestones in the Chapter for transformation of the lighting market in California, and to solicit the input of key stakeholders through meetings and/or public workshops. In December 2009, Energy Division launched the process to develop the Chapter with a meeting of stakeholders to address advanced lighting technologies and best practices. Over the course of the next year, Energy Division held five public workshops focused on developing the vision, goals, strategies, and milestones for lighting to achieve the goals of the Strategic Plan. These workshops engaged more than 100 stakeholders from over 60 organizations, representing the State's investor owned utilities (IOUs) and lighting stakeholders such as manufacturers, contractors, labor, technology researchers, environmental groups, local government representatives, and others.¹

¹ The stakeholders include the major IOUs (Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE)), California Energy Commission (CEC), California Institute for Energy and Environment (CIEE), California Lighting Technology Center (CLTC), The Utility Reform Network (TURN), Natural Resources Defense Counsel (NRDC), and KEMA.

The Chapter begins by laying out a vision for the California lighting sector: “By 2020, advanced products and best practices will transform the California lighting market. This transformation will achieve a 60-80% reduction in statewide electrical lighting energy consumption by delivering advanced lighting systems to all buildings.” The Chapter also establishes a set of goals and the practical outcomes of those goals. The goals touch broadly on the four cornerstones needed to achieve the market transformation vision: public policies for transformation, advancement of best practices, market transformation, and the creation of research, development, and demonstration (RD&D) networks. The specific goals are to:

- a. Develop and implement coordinated policies, procedures, and other market interventions that eliminate barriers, accelerate lighting market transformation in California, and provide incentives for best practice lighting technologies and systems.
- b. Define and advance best practices for design, installation, operation, and maintenance of integrated systems to include commissioning and tuning in order to achieve sustainable lighting solutions for all spaces.
- c. Create widespread end user desire for the purchase and use of best practice lighting technologies and systems.
- d. Develop RD&D networks to create, test, and deliver the lighting solutions needed to transform California’s lighting market to achieve zero net energy (ZNE) goals.

The Chapter sets out an implementation plan for each goal which articulates specific strategies and specifies near-, mid-, and long-term timelines for each strategy. A copy of the Chapter is attached hereto as Attachment A.

3. Positions of the Parties

The Chapter was made available for comment through an Assigned Commissioner Ruling on June 25, 2010. Comments and reply comments were submitted by various parties, including the major IOUs, TURN, and NRDC, on

July 16 and July 23, respectively. In response to these comments, various changes were made to the Chapter. The parties suggested various small corrections and alterations to the text and many parties made comments about specific details of program implementation. However, the Plan is a broad blueprint setting forth an overall vision and strategies for achieving the vision. The specifics of strategy implementation will be developed in the forthcoming Action Plan process. Accordingly, party comments that address specific details of program design and implementation to meet the Chapter's goals will be addressed in the Action Plan process.

For its part, PG&E suggests language referencing Property Assessed Clean Energy (PACE) bonds and Assembly Bill (AB) 811 be removed given the recently announced position of the Federal Housing Finance Agency (FHFA).² While FHFA's position has created significant uncertainty, the issue is far from resolved. A number of jurisdictions, including the State of California, are challenging the FHFA's policies and federal legislation has been introduced. We decline to remove the language on PACE and AB 811 type financial incentives at this time. These and other financing solutions are a critical factor in maximizing lighting energy savings opportunities and making best practice solutions affordable, and immediate action is necessary to take advantage of PACE financing opportunities when and if the financing is available.

² PG&E notes "federal support has been withdrawn from AB 811 and PACE programs," and proposes that "until these options are federally supported with proper financial backing, we use this time to design evaluation methodologies that take advantage of creative mechanisms that either have, or can secure, the proper backing."

SCE and PG&E both raised concerns about the cost-effectiveness of specific lighting programs and requested changes to specify that only cost-effective solutions will be pursued. However, Commission policy on this issue is clear - as long as the portfolio of programs is cost-effective, a single program does not have to be cost-effective. It can be expected that programs specifically designed to advance new technologies and achieve market transformation may not be cost-effective, particularly in the initial years of implementation.

For its part, TURN commented that milestones are needed to ensure a timely and satisfactory shift from compact fluorescent lights (CFLs) to other advanced lighting technologies.

4. Discussion

The broad, collaborative market-transformation activities envisioned by the Plan require new approaches. As noted in D.07-10-032, the Plan requires a pronounced commitment from business and government leaders, as well as a process to collaboratively engage the expertise of market sector professionals and the leadership of key stakeholders.³ To this end, the Plan was also designed to be a living document that includes ongoing opportunities for stakeholders to discuss progress toward objectives and implementation milestones, findings from market assessments or program evaluations, changes in the marketplace, and possible improvements.⁴ As stated in D.08-09-040, the Plan does not identify a process to track progress towards the defined end points; therefore, a key

³ D.07-10-032 at 27.

⁴ D.07-10-032 at 23.

priority for the first Plan update is to include identified timeframes, defined end points, and processes to track progress.⁵

In D.09-09-047, a few key themes emerged. One was the importance of laying out action strategies that extend beyond utility programs. Another went to the need for the Commission to take a public leadership position in championing this broad perspective both in a planning document and its subsequent implementation.⁶ D.09-09-047 directed the Energy Division to issue a Strategic Action Plan Progress Report by June 2011, to enable the Commission and the energy efficiency community in California to track the progress of Plan implementation. This report will assess each of the major sectors' key actions, coordinated tasks, and timelines necessary to achieve the goals of the Plan. As part of its review process, Energy Division provides quarterly updates starting in June 2010 on California's progress toward the Plan's 2009-2011 near-term milestones.⁷

To address all of these issues and create the necessary structure to track progress and implement the Plan, Energy Division – in coordination with utilities, state agencies, a variety of entities in buildings and industry, and a wide range of trade groups and nonprofit organizations – is creating action plans for the Plan sectors. These action plans are designed to: (a) identify the key actions required to achieve Plan milestones; (b) secure leaders (hereafter, “champions”) to achieve these actions; (c) track and report on progress; and (d) feed into the development of the Strategic Action Plan Progress Report in June 2011. The

⁵ D.08-09-040 at 15.

⁶ D.09-09-047 at 16.

action plans are being designed to achieve milestones identified in the Plan by working with Plan champions. In the near-term, the Commission will serve as a central organizational point for Plan champions, via the energy efficiency web portal, offline facilitation of the champions network, and tracking progress towards milestones. Each quarter, updates on actions and progress indicators, as feasible, will be shared via a website.⁸

PG&E requests that parties be allowed to file written comments on the action plan. To clarify, stakeholder involvement and input is essential to the development of the action plans, because the plans will map the wide range of actions underway or needed from a variety of market players and stakeholders to advance the goals and strategies presented in the Strategic Plan, including in parts of the state not served by IOUs. We will actively solicit stakeholder input and the numerous opportunities for participation in the process will include the opportunity to comment. However, action plans are not part of the formal EE proceeding because they will not set new rules or policies or mandate actions by the IOUs or be adopted by the Commission.

As noted above, the Plan contains brief sections on residential lighting in Chapter 2, and commercial lighting in Chapter 3.⁹ In order to avoid redundancy and potential conflict between the existing lighting strategies and goals, and the new strategies and goals in the Chapter, it is necessary to delete the existing lighting sections in Chapters 2 and 3 of the Plan, with two exceptions. In

⁷ D.09-09-047 at 269.

⁸ The website that will be used is: www.Engage360.com.

⁹ D.09-09-047 at 22-24 and 41-42, respectively.

particular, strategies 4-4 of the Residential Chapter and 3-3 of the Commercial Chapter are identical and call for the coordinated phase-out of utility incentives for the purchase of CFLs. The phase-out is important primarily because savings from one-time IOU CFL purchases decay over time and, as noted by TURN, phasing out CFL subsidies makes room for other, more effective, high-efficiency lighting products.¹⁰ These strategies should not be deleted as they are the only lighting strategies from the existing Plan that are not addressed in the Chapter. Indeed, because these strategies also reflect the Commission's position on CFLs, that due to new state and federal lighting standards, "utility programs promoting CFLs will provide reduced incremental benefit," the Chapter adds a fifth strategy to the "policy for transformation goal" - a coordinated phase-out of IOU incentives for the purchase of CFLs for both residential and commercial applications.

In their comments on the draft decision, SCE and SDG&E seek clarification that the CFL lighting strategies apply to basic CFLs, not specialty CFLs. PG&E agrees. This clarification is consistent with D.09-09-047, which states "The Strategic Plan articulates a number of strategies to advance high performance residential lighting, including a coordinated phase out of utilities incentives for basic CFLs." Therefore, we adopt the proposed change.

Several parties argue that the Chapter should specifically tie the phase-out of basic CFL incentives to the effective date of state and federal lighting standards. We decline to make these changes. As discussed in past decisions, we recognize a number of market and technological changes affect our current

¹⁰ D.09-09-047, at 136-139.

and future approach to lighting programs including CFL incentives and that standards are not the sole driving force to shape our policies or goals in this area.¹¹ Indeed, the very purpose of the Strategic Plan and this Chapter is to consider all of the factors and engage a variety of actors who will impact the broad vision and blueprint for transforming the lighting market.

5. Conclusion

We hereby adopt the Chapter attached hereto as Attachment A. We direct Energy Division to make editorial changes as needed to incorporate this Chapter into the Plan, including any changes needed to make the Chapter consistent in format and organization with the Plan. Within 30 days of the date of this decision, Energy Division shall make the updated 2010 California Long-Term Energy Efficiency Strategic Plan available on the Commission website and at www.Engage360.com.

6. Comments on the Proposed Decision

The proposed decision of the Administrative Law Judge (ALJ) in this matter was mailed to the parties in accordance with Pub. Util. Code § 311 and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on September 13, 2010 by NRDC, PG&E, and SDG&E, and Reply Comments were filed on September 20, 2010 by TURN.

¹¹ *Id.* "We agree with DRA, TURN and NRDC that, in concert, the federal stimulus funding, impending standards, and other market forces warrant an adapted response to capturing further lighting potential. The need to achieve major incremental efficiency gains is too urgent and the costs too great to continue to sink ratepayer money into outdated programs. California utilities should continue leading the effort to push the frontier of efficiency opportunity and program execution."

7. Assignment of Proceeding

Dian M. Grueneich is the assigned Commissioner and Darwin E. Farrar is the assigned ALJ.

Findings of Fact

1. D.09-09-047 directed the Energy Division to create a lighting chapter, to include specific goals, strategies, and milestones in the lighting chapter for transformation of the lighting market in California, and to solicit the input of key stakeholders through meetings and/or public workshops.

2. It can be expected that programs specifically designed to advance new technologies and achieve market transformation would not be cost-effective, particularly in the initial years of implementation.

3. A key priority for the first Plan update is to include identified timeframes, defined end points, and processes to track progress.

4. Energy Division provides quarterly updates starting in June 2010 on California's progress against the Plan's 2009-2011 near-term milestones.

5. "Utility programs promoting basic CFLs provide reduced incremental benefit."

6. The Lighting Plan adds a coordinated phase-out of IOU incentives for the purchase of basic CFLs for both residential and commercial applications as an additional strategy to the "policy for transformation goal."

7. The phase-out of utility incentives is important because savings from one-time CFL purchases decay over time and could create dependence on short-lived program measures and result in high opportunity costs for other high-efficiency lighting products.

8. In order to avoid redundancy and potential conflict between the existing lighting strategies and goals and the new strategies and goals in the Chapter, it is

necessary to delete the existing lighting sections in Chapters 2 and 3 of the Plan, with the exception of strategies 4-4 of the Residential Chapter and 3-3 of the Commercial Chapter.

Conclusions of Law

1. The Chapter attached hereto as Attachment A should be adopted.
2. Consistent with Commission policy, as long as the portfolio of programs is cost-effective, a single program does not have to be cost-effective.
3. D.09-09-047 directed the Energy Division to issue a Strategic Action Plan Progress Report by June 2011, to enable the Commission and the energy efficiency community in California to track the progress of Plan implementation.

O R D E R**IT IS ORDERED** that:

1. The Lighting Chapter of the California Long-Term Energy Efficiency Strategic Plan, which is Attachment A to this decision, is adopted and its strategies shall be incorporated into energy efficiency program planning and implementation starting in 2011, consistent with the budget and activities approved in Decision 09-09-047 and the IOU's subsequently approved compliance advice letters.
2. The specifics of strategy implementation for the Lighting Chapter shall be developed in the forthcoming Action Plan process.
3. The Commission's Energy Division shall serve as a central organizing point by hosting the energy efficiency web portal, facilitating the champions network offline, and tracking progress towards milestones in the Lighting Chapter.

4. The Commission's Energy Division shall make editorial changes as needed to incorporate the Lighting Chapter and other changes set forth in this decision into the California Long-Term Energy Efficiency Strategic Plan, including any changes needed to make the Lighting Chapter consistent in format and organization with the California Long-Term Energy Efficiency Strategic Plan.

5. Within 30 days of the date of this decision, Energy Division shall make the updated California Long-Term Energy Efficiency Strategic Plan available on the Commission website and at www.Engage360.com.

This order is effective today.

Dated _____, at San Francisco, California.

[Grueneich Attachment A](#)