BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

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REPLY COMMENTS OF THE UTILITY REFORM NETWORK ON ISSUES RELATED TO EXTENSION OF THE 2010-2012 ENERGY EFICIENCY PORTFOLIO PERIOD

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REPLY COMMENTS OF THE UTILITY REFORM NETWORK ON ISSUES RELATED TO EXTENSION OF THE 2010-2012 ENERGY EFICIENCY PORTFOLIO PERIOD

Pursuant to the *Assigned Commissioner's Ruling Seeking Comments* (ACR) issued November 17, 2010, The Utility Reform Network (TURN) submits these reply comments addressing issues related to the potential extension of the 2010-2012 energy efficiency portfolio period.

While adding more time to the portfolio cycle might at this moment provide a collective sigh of relief for both the IOUs and Energy Division, TURN believes that giving the IOUs more time to plan and implement their energy efficiency programs is tantamount to throwing darts in the dark. What is needed now is a dramatic revision of how energy efficiency is administered and implemented and, at the very least, of how IOUs respond to concrete indicators of mediocre performance. As the administrators of energy efficiency programs, the IOUs have the task of fine-tuning and adjusting their portfolios to reflect the Commission's expectations. Simply granting them additional time does not reach the root of these challenges. TURN also believes the momentum to update goals, potentials, cost-effectiveness inputs and methodologies for the next portfolio cycle is misdirected at this time, and cautions against diverting attention from the well-noted substantive challenges in current portfolios.

I. TURN recommends that Energy Division prioritize cost-effectiveness-driven portfolio realignment alongside any potential changes to the 2010-2012 energy efficiency portfolio period.

With regard to Questions 3 and 5 and how the Commission could best take advantage of adding 2013 to the current portfolio period, TURN reiterates that the 2010-

2012 portfolios proposed by the IOUs are likely not cost-effective.[1] Although NRDC's response to Question 3 acknowledges the need to devote time to cost-effectiveness issues (and to update cost effectiveness methodologies prior to the potential study and goals analysis), it begs the question of how adequately the proposed 2010-2012 and possibly 2010-2013 programs are faring under the current cost-effectiveness inputs. To use the utilities' favorite illustration, this approach sounds like the request of a low-scoring team to move the goal posts for the *next* game before the *current* game is over. Similarly, San Diego Gas & Electric Company's response to Question 5 glosses over the need for correcting current portfolios by calling for an "immediate review of the 2013 EE goals."[2] TURN believes that updating potentials and goals is futile unless the Commission first takes the time in the near term to correct and realign portfolios based on cost-effectiveness indicators. This exercise, while somewhat time and resource consuming on the front end, is a necessary step for future updates to cost-effectiveness inputs and methods, as well as potentials or goals setting.

Therefore, in the near term (possibly in February 2011), Energy Division should identify the energy efficiency portfolio program elements that are not cost-effective, as well as the parameters driving these determinations.[3] A comment or workshop process should follow this analysis, permitting parties an opportunity to propose modifications to

[1] *See* TURN Comments on ACR Portfolio Period (filed Dec. 3, 2010) referencing Energy Division data generated in response to a DRA November 23, 2010 request for access to the website where the Utilities' work papers (submitted for freezing ex ante) are posted. TRC values for the IOUs are below 1.0: PG&E 0.85, SCE 0.81, SDG&E 0.87, SoCalGas 0.92. D.09-09-047 (at p. 64) set an overall budget TRC threshold of 1.5 in order "to mitigate the risk of non-cost effective portfolios."

[2] SDG&E's Comments on ACR Soliciting Comments, p. 5.

[3] These parameters are: kWh Unit Energy Savings (Gross Unit Annual Energy Savings), kW Unit Energy Savings (User Entered kW Savings per Unit), Therm Unit Energy Savings (Gross Unit Annual Gas Savings), Energy Useful Life and Net-to-Gross ratio.

programs or additional program elements, including proposals on how to expeditiously phase out some program elements. By late spring or early summer, the IOUs can use the results of this process to develop a proposed restructuring of the program elements.

With regard to goals and potentials development, and SDG&E's (p. 5) recommendation that the Commission update 2013 goals, TURN reiterates from our opening comments that D.08-07-047 provided for goals through 2020, and that setting potentials and goals should involve both the Commission and the California Energy Commission. TURN additionally recommends that Energy Division identify key areas where potentials have receded as a result of market transformation or state or federal legislative phase-outs, for example, and where potentials have risen (or could rise) in light of new market strategies and program design outside the IOU-rebate-driven model. If in February 2011, Energy Division could articulate these key changes to goals and potentials, the IOUs could develop their proposals of revised program elements incorporating the changed potentials and goals by late spring or early summer of 2011.

II. TURN urges the Commission not to adopt a four (or longer)-year portfolio cycle for future cycle periods without further insight into how an extension of the current cycle would impact the quality of the energy efficiency programs.

TURN is concerned that the reasons provided by PG&E and SCE for an additional year, and by NRDC for an additional *two* years, to future portfolio cycles overlook the high risks and associated costs to ratepayers of programs that are poorly performing, and the importance of building an overall portfolio that is cost-effective in the first place. PG&E maintains that this element of Option B would provide "greater program stability relative to Option A."[4] NRDC asserts that an additional two years would provide "enough time for effective program planning, … integration of Commission guidance, … and sufficient time to ramp up for on time start."[5] Moreover, SCE bemoans the current three-year energy efficiency cycle as not "allow[ing] sufficient time to develop new and/or improved program delivery mechanisms."[6] But adding another year or two for portfolio development definitely does <u>not</u> necessarily ensure the IOUs will achieve cost-effective energy savings. It is not the entire portfolio that needs to be restructured every three years, but certain key program elements, which have already been the focus of TURN's and DRA's comments for years and of Energy Division's comprehensive analyses. Furthermore, SCE's statement on page 8 of its comments, that the IOUs have created "12 statewide working groups" leaves out the fact that those working groups focus on statewide program categories with largely the same individual sub-programs from prior cycles.

Moreover, an additional year on its own does not directly address the current limitations in portfolio cost-effectiveness, which may be signaling a need to change how portfolio administration is structured in California (as TURN discussed in our opening comments). TURN disagrees with certain statements made by SDG&E[7] and PG&E[8] that

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[4] Opening Comments of PG&E in Response to ACR Soliciting Comments, p. 4.

[5] Comments of the NRDC on ACR Regarding Goals, Strategic Plan, and Cost Effectiveness Updates, p. 2.

[6] SCE's Comments to ACR Soliciting Comments, p. 3.

[7] SDG&E's Comments, p. 4 ("the Commission must also make effective use of the EM&V process. Priority must be given to process evaluations to provide <u>timely</u> feedback to program implementers so that they can make mid-course corrections to poorly performing programs[.]").

[8] PG&E's Comments, p. 4 ("A well-thought-out case plan with milestones will help guide the setting of priorities such as the scope and timing for analysis devoted to the goals update in balance with other high priority activities needed to be completed prior [to] the IOUs' preparing their portfolio applications. Such a thoughtful process will help parties plan resources to support the various efforts, allow the resulting applications to more closely align with CPUC priorities[.]")

seem to shift responsibility for portfolio management to the Commission. If the utilities wish to serve as program administrators, tasks such as those the utilities describe for the Commission should be performed by the IOUs themselves. After all, it is the IOUs who can effectively apply lessons from EM&V process evaluations, and who control the budgets to implement any such changes in a timely manner. Similarly, setting internal milestones to reflect cost-effectiveness targets and savings goals should be the responsibility of the portfolio administrator. TURN supports the statement in LGSEC's comments that, in contrast, advocates a greater role for local governments in "shaping the course of energy efficiency and integrated energy policies in California,"[9] as they are well-positioned to "influence behavior change."[10]

Furthermore, the Commission should seriously consider the Local Government Sustainable Energy Coalition's recommendation to not pursue Option B "strictly as stated" but rather to *defer* a decision on pursuing Option A or Option B until the end of Q2 of 2011, "when more progress will have been made on all issues raised by the White Paper."[11] LGSEC has provided a compelling reason based on the availability of newer data by mid-2011, providing greater insight into whether Option A is "viable or desirable" or whether it would be better to "integrat[e] forward-thinking elements of an Option B" or establish some hybrid of both options.[12] TURN would further add that this timetable would help the Commission determine whether the IOUs are willing to realign and correct program portfolios based on the Commission's directives and cost-

[9] LGSEC's Comments, p. 9.
[10] LGSEC's Comments, p. 3.
[11] LGSEC's Comments on ACR Soliciting Comments on EE Savings Goals and Other Portfolio Planning Matters, p. 8.
[12] LGSEC's Comments, p. 8.

effectiveness considerations and, in doing so, demonstrate whether they deserve to continue in their role as California's primary energy efficiency administrators.

Along these lines, TURN recommends against treating the IOUs' requests[13] for proportionate funding for 2013 as a given. Funding for 2013 is another determination that should be tabled until additional information is available. Insofar as adding a *fourth* year to the cycle does not automatically confer a determination that portfolios across the board are cost-effective or reasonable, the Commission should not commit to any level of funding at this time.

III. TURN would object to extending the 2010-2012 cycle through 2013 if *ex ante* values are frozen based on data below the Energy Division's recommended "best available data" standard.

Although not a topic raised in Energy Division's White Paper and Proposal, PG&E, SCE and SDG&E call for the extension into 2013 of *ex ante* values that will be used to calculate energy savings from the Utilities' 2010-2012 energy efficiency portfolios. As TURN stated in its Opening Comments, and as both TURN and DRA explained in their Comments on the Proposed Decision and Alternate Proposed Decision Addressing Petition for Modification of Decision D.09-09-047, using the IOUs' preferred *ex ante* values parameters would rely on outdated, inaccurate information more likely to exaggerate energy savings and overstate the cost-effectiveness of their portfolios. The Commission should reject as premature any suggestion that an extension of the portfolio cycle through 2013 should be accompanied by an extension of frozen utility-submitted *ex ante* values, should those values get adopted in A.08-07-021, et al.[14]

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[13] *See* SCE's Comments, p. 10, PG&E's Comments, p. 6.

[14] Indeed, regardless of the outcome in A08-07-021, the ex ante freeze approved in D.09-09-047 was based

IV. TURN recommends that updates to cost-effectiveness data inputs or methodologies be addressed through a public comment process or workshops.

The assortment and variety of recommendations responding to Energy Division's proposal to update or incorporate cost-effectiveness data inputs or methodologies underscores the complexity of issues raised, which require extended discussion. Rather than address each recommendation individually at this time, TURN recommends that the Commission conduct a public commenting period or workshop to address at least all the recommendations presented in response to Question 7 of the ACR.

V. Conclusion

TURN appreciates the opportunity to comment on the timely and complex issues raised in response to the ACR, and looks forward to continuing to work on this matter.

Date: December 10, 2010

Respectfully submitted,

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on a 3 year cycle; if the cycle is extended to 4 years, updates to the frozen ex ante data may be warranted.