

**TURN'S COMMENTS TO  
ENERGY DIVISION'S FEBRUARY 9<sup>TH</sup> PRE-WORKSHOP WHITE PAPER ON  
PROCESS AND SCHEDULE, PORTFOLIO EXTENSION AND BRIDGE FUNDING  
ISSUES, R.09-11-014  
FEBRUARY 16, 2011 CPUC WORKSHOP**

TURN offers the following comments regarding Energy Division's (ED) February 9, 2011 pre-workshop White Paper for the February 16, 2011 workshop on Process and Schedule on Portfolio Extension and Bridge Funding Issues, R.09-11-014. The ED's documents reflect tremendous collective staff time and effort in developing possible regulatory roadmap(s) for the next three to four years (2011 through bridge years 2013 and possibly 2014) of ratepayer-funded energy efficiency activities and programs in California. TURN very much appreciates ED's ongoing commitment and dedication to achieving the more efficient use of energy.

ED has identified a number of key regulatory activities and processes involved in the one-year portfolio extension per the ACR's Ruling Regarding the 2010-2012 EE Program Cycle, December 23, 2010. The regulatory activities and processes include:

1. Bridge Funding Decisions
2. Cost Effectiveness Update
3. DEER Update
4. Potential Study
5. Goals Study
6. 2010-2012 EM&V Execution
7. Portfolio Guidance Proceeding
8. Post 2012 RRIM
9. Other EE Policy Decisions
10. Post 2012 EM&V Plan
11. Strategic Action Plan / Progress Report
12. 2014 IOU Portfolio Planning
13. Program Performance Metric Report
14. Portfolio Application Proceeding (Successor to A.08-07-021)

## 15. 2012 LTPP Proceeding (Successor to R.10-05-006)

ED's draft timelines ("Option A: 1 year bridge funding with 2014 Portfolio Start" and "Option B: 2 year bridge funding with 2015 Portfolio Start") map the 15 regulatory activities and processes listed above over 36 and 48 months respectively. Both timeline options also identify a "List of Dependent Outputs" – 30 in total – and a prospective 2014 or 2015 portfolio start would depend on the timely completion of all activities in the timelines.

ED's pre-workshop documents illustrate how the Commission's energy efficiency regulatory process has become a highly complex set of interrelated "moving parts" vulnerable to any number of unaccounted for or unforeseen events that could delay or derail first loading order energy efficiency. In its White Paper, at "Options and Implications of Portfolio Extension" page 2, ED notes:

In parties' comments on the November 17 ACR, there was widespread agreement that the Commission should develop and vet with parties a schedule or "roadmap" for coordinating all necessary pre-cycle planning inputs<sup>1</sup> and should adhere to that schedule.<sup>2</sup> In response, Energy Division staff first developed two specific timelines included in Attachment A – Option A (a one-year extension) and Option B (a two-year extension).

However, Energy Division staff observes a striking level of complexity illustrated by the timelines in Attachment A. These timelines represent Energy Division's interpretation of the Commission's current expectations for how the goals-setting process (and associated inputs and dependencies) is supposed to work. Yet, the "traditional approach" as represented by these timelines assumes a level of detailed analytics (e.g., potential study) and serial dependencies (e.g., goals study depending on potential study depending on DEER updates) which may be unnecessary for the Commission's purposes in a higher-level goal-setting process. The downside of these complex analytics and lengthy serial processes is that, due to limited staff and party resources, it causes delays in periodic updates of the IOUs' portfolios to reflect changes in the market place. The Energy Division believes it is necessary and timely to also consider a "third way" that would simplify the portfolio planning process (see discussion below). (emphasis added)

Moreover, on page 7, "Alternative Approach to Portfolio Extension", ED calls for parties' feedback on how to simplify the more "traditional" approach to portfolio extension:

Given the current path for the EM&V Plan and the Goals Study, a bridge funding period will be necessary in order to update the goals, as determined in December 23 ACR. However, portfolio extension is at odds with a simultaneous need to update the IOU's EE portfolios within a reasonable timeframe to keep on track toward the state's GHG targets.

Energy Division requests parties' input into conceptualizing an alternative to the current "traditional" approach (represented by the one-year and two-year portfolio extension timelines). The goal of any

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<sup>1</sup> SCE Reply Comments at p. 4, PG&E Comments at p. 2, DRA Comments at p. 2, NRDC Comments at p. 7-8.

<sup>2</sup> Efficiency Council Comments, p. 3 and pp. 7-8.

alternative should be to simplify the portfolio planning process and facilitate continuous portfolio improvements in an efficient and effective manner. (emphasis added).

TURN very much appreciates ED's leadership in calling for a streamlined and simplified portfolio planning process that facilitates continuous portfolio improvements in an efficient and effective manner. To this end, we offer a revised "Option A" timeline (see attached) for discussion at the February 16<sup>th</sup> workshop with a handful of proposed modifications to the regulatory activities and processes summarized below and in the accompanying "TURN DRAFT REVISION TO ED

Option A: 1 year bridge funding with 2014 Portfolio Start".

There are three high-level components to our revision.

First, we provide a partial reordering of ED's proposed timeline to (1) provide early regulatory assurance of portfolio continuity through Commission approval of the general principle of bridge year funding in an amount not to exceed \$1 billion annually, and (2) allow for possible realignment of the existing portfolios to increase the prospective cost-effectiveness based in part on ED's November 2010 updated cost effectiveness evaluation of the 2010-2012 portfolios. Information from this item could then help inform the IOUs' 2013 Bridge Funding Applications.

Second, TURN suggests that the potentials analysis focus less on the "traditional approach of detailed analytics" (ED White Paper at p. 2) that estimates potential from the "bottom up" based on a myriad of assumptions regarding the technical, economic, and market achievable potential of hundreds of higher efficiency energy using measures. Instead, we propose that the potentials work focus more on real time and timely turnaround market assessments to help facilitate modifications to current market strategies and program designs.

Third, we recommend that the goals update be deferred slightly and modified significantly to simplify the process by adopting the D.08-07-047 "Interim Goals Through 2020" as "the" Goals through 2020. ED would need to adjust the goals to either (1) separate out IOUs' EE goals from TMG, or (2) align IOU programs and other EE activity accordingly to TMG.

The following provides a brief overview of TURN's attached timeline revisions to ED's "Option A: 1 year bridge funding with 2014 Portfolio Start".

- **The Bridge Year Funding Decision** would be conducted in three phases: (1) A CPUC decision in March 2011 approving the general principle of bridge year funding in an amount not to exceed \$1billion; (2) ED provision of process and filing templates no later than Feb. 2012, with IOU applications filed in the March – May 2012 period; and (3) further development of more specific details regarding bridge year funding in June – August 2012, with IOUs’ implementation September – December 2012.
- **The Cost Effectiveness Update** would be conducted two phases: (1) March – May 2011 review of ED’s November 2010 TRC C/E update to the 2010-2012 portfolios, and (2) October – December 2011 cost effectiveness calculations per ED’s proposal.
- **The Portfolio Guidance Proceeding** would be advanced significantly from ED’s proposal of Jan – June 2012, to June – September 2011, to consider possible program areas for mid-term corrections and adjustments of the existing portfolios.
- **The Strategic Plan / Progress Report** would be set as two phases, with first phase advanced to October – December 2011. The first Phase could focus on a limited set of regulatory policies and actions that would further key market transformation activities that are currently missing in the energy consumption marketplace. The emphasis could be on key market transformation activities that impact multiple customer categories.<sup>3</sup> We have suggested a second phase for the Strategic Plan, October – December 2012.

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<sup>3</sup> For instance, TURN suggests that off-bill financing via expansion of the State Treasurer’s Office current revolving loan fund is possibly the key cross-cutting market transformation mechanism missing from California’s regulatory energy efficiency policy tool kit. In addition, strategic plan efforts could focus on a relatively few electricity end uses that are significant contributors to peak demand and annual energy use:

- Peak demand: residential HVAC quality installation and maintenance, coupled in part with residential retrofit Whole House or CA Upgrade programs, combining off-bill financing with the IOUs’ rebates.
- Annual energy: commercial lighting beyond the current more limited lamp and fixture replacements to major or complete systems retrofits, and again utilizing financing with rebates. A secondary benefit of a more comprehensive approach to commercial lighting efficiency would be more significant reductions in internal cooling load.

- **The Financial and Management Audit Utility Costs** , pulled out of the body of ED’s December 20, 2010 2010-2012 EM&V Plan, Section 6-1 , is advanced to March – September 2011.
- **The various DEER Updates** comprised of three sets of key study results advanced slightly:
  - April – June 2011 for the 2006-08 DEER cost updates;
  - Dec 2011 – Jan /Feb 2012 ex-ante updated per 2006-08 ex post results for 2013 bridge year; and
  - Jan – April 2012 ex-ante updates per the 2010-2012 ex-post M&V for 2014 portfolio.
- **The Potential Study** is deferred slightly with process simplified and modified into two phases focusing on market strategy and program design. First phase June – December 2011; second phase July – August 2012.
- **The Goals Study** is also deferred slightly and modified significantly to simplify process by adopting the D.08-07-047 “Interim Goals Through 2020” as *the* Goals through 2020. ED would at minimum need to adjust the goals to either (1) separate out IOUs’ EE goals from total market gross (TMG), or (2) align IOU programs and other EE activity accordingly to TMG.
- **The post 2012 RRIM** process is modified to reduce proposed proceeding period from nearly 18 months per ED proposal to 6 months, beginning in 2012.
- **The post 2013 EM&V Plan** is changed from “Post-2012” to “Post-2013”.
- **The 2014 Portfolio Planning** is deferred from mid-2012 through 1<sup>st</sup> quarter 2013 to 1<sup>st</sup> quarter 2013. TURN suggests that in October/November 2012 ED hold “Guidance Workshop(s)” with the IOUs and interested parties on the upcoming portfolio filings.
- **Program Performance Metric Report** : unchanged.

- **Portfolio Application Proceeding:** deferred a couple of months, shorten.