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)

REPLY COMMENTS OF THE UTILITY REFORM NETWORK ON 2013 BRIDGE FUNDING AND MECHANICS OF PORTFOLIO EXTENSION

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July 1, 2011

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I. INTRODUCTION

Pursuant to the Administrative Law Judge's May 27, 2011 *Ruling Regarding 2013 Bridge Funding and Mechanics of Portfolio Extension* (Ruling), The Utility Reform Network (TURN) submits this reply to opening comments served June 16, 2011. TURN responds to some of the recommendations and observations of Southern California Edison Company, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Gas Company (Joint IOUs), Natural Resources Defense Council (NRDC), California Energy Efficiency Industry Council (EE Council) and the Division of Ratepayer Advocates (DRA).

II. DISCUSSION

A. A Bridge Year Should Not Happen Without Substantive Changes to the IOUs' Energy Efficiency Portfolios.

The Joint IOUs seek to recast the proposed bridge year as an "extension" year in order to ensure that 2013 merely be "a continuation" of the 2010-2012 program cycle. They assert that a "bridge" year suggests "a stand-alone period of time unbound by the policies and Commission decisions already established for the 2010-2012 program portfolio."[1] TURN believes that this change in terminology is an attempt to prevent meaningful changes in program assumptions, budget caps or program choices for 2013. The Commission should not permit the label to change the substance of how it handles

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[1] Joint IOUs' Comments on the ALJ's Ruling Regarding 2013 Bridge Funding and Mechanics of Portfolio Extension (June 16, 2011) at p. 3.

2013. As TURN's June 16th Comments elaborated, the IOUs' prior and current portfolio cycles have not adequately conformed to the Commission's policies and guidance on EE programs. Look no further than the IOUs' continued reliance on basic CFLs, Codes and Standards, and appliance recycling programs. Rather than approach the "bridge year" as a continuation of those programs and practices, the Commission should treat it as an opportunity to *transition* to programs and practices that are more consistent with oft-stated Commission policies and other elements of prior decisions on energy efficiency. It would be a welcome change if the bridge year and beyond actually generated EE programs that were "bound by" the Commission's directives. To simply continue existing programs and portfolios will do nothing to break the existing pattern.

The Joint IOUs, NRDC and EE Council also recommend that EM&V and updated *ex ante* values not play a role in bridge year programming because they claim that such "last minute"[2] changes would create a *new* program portfolio, "negat[e] any intended benefits of the cycle extension" and would divert resources from resolving "significant remaining disputes over EM&V results."[3] As TURN and DRA amply explained in prior comments, "best available data" and EM&V play a crucial role in achieving the Commission's energy savings goals, especially in light of the fact that a handful of widget-oriented measures continue to dominate the IOUs' portfolios. To set EM&V advances aside for one more year at this point in time would only serve to postpone, yet again, the opportunity to reshape California's EE programs to be more cost-effective and innovative. It also means that 2013 programs would continue to reflect cost and savings

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[2] Comments of the EE Council in Response to the ALJ's Ruling Soliciting Comments on 2013 Bridge Funding and Mechanics of Portfolio Extension (June 16, 2011) at p. 9.

[3] Joint IOUs' Comments at p. 7; Opening of the NRDC on ALJ's Ruling Regarding 2013 Bridge Funding and Mechanics of Portfolio Extension (June 16, 2011) at Attachment A, Nos. 6, 7.

estimates that mostly pre-date 2005, and in some cases go back more than a decade.

Cost-effective EE programs directly benefit ratepayers. Setting aside EM&V update results, and instead, diverting time and resources to resolve IOU-fabricated disputes on such results, only undermine the confidence anyone can have in the cost-effectiveness of current programs and portfolios and thus jeopardizes the intended benefits of EE to California's ratepayers. Moreover, introducing currently available evaluation data to define the programs in place for the bridge year will indeed result in "last minute" updates if the IOUs continue to seek out every opportunity to delay the process and divert the Commission's attention from the writing on the wall.[4] Not surprisingly, the IOUs' comments seek to exclude updated EM&V from portfolio planning, such that the goals for 2013 would not be updated either. Referring to the alignment of goals and values "used to measure performance", the IOUs then argue that *ex ante* values in turn cannot be updated[5] and ask the Commission to once again reduce their energy savings goals.[6] TURN believes updating performance data is necessary to reflect constantly changing markets and conditions, and that there should be a *dynamic* alignment of potentials and goal-setting, program design and implementation and EM&V, otherwise, programs deemed "successful" will only be so relative to a faded reality of frozen values. Because well-designed programs are based on values that are kept up-to-date, TURN urges the Commission to heed DRA's and TURN's calls to update *ex ante* values based on best available data.

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[4] *See* TURN's June 16, 2011 Comments on 2013 Bridge Funding and Mechanics of Portfolio Extension, pp. 3-9 and Attachments A and B which provide updated performance data for IOU programs.

[5] Joint IOUs' Comments at p. 7 state "The goals for the 2013 extension, as outlined in the response to question nine, are not updated with the most recent EM&V results, and therefore the 2013 ex ante values should be treated similarly."

[6] Joint IOUs' Comments at p. 7.

B. Any Authorized Bridge Year Budget that Approaches or Exceeds Prior Cycle Years Must Be Conditioned On Several Factors.

The Joint IOUs propose that the Commission authorize a bridge-year budget of up to four-thirds of the budget approved in D.09-09-047. By their calculations, the total maximum budgets for 2013 for the Joint IOUs would be $1.04 billion. However, their comments offer the likelihood of needing less than the maximum ***if*** the 2013 program assumptions remain the same as those used for the 2010-2012 portfolio cycle.[7] Not only does this logic reflect indifference towards the ratepayer's role in these matters, it also suggests that changing program assumptions will somehow necessitate increased program expenditures. On the contrary, updating the assumptions could also lead to reducing expenditures, assuming the utilities stop or at least reduce spending on non-cost-effective or poorly performing programs. Going a step further, TURN reiterates its recommendation from opening comments that if the utilities resist the use of updated data, cut-backs must be made in program budgets to minimize risks to ratepayers resulting from using outdated performance data. Furthermore, to maintain a proper balance between robust EE programs and efficient use of ratepayer funds, TURN suggests that the Commission revisit the need for more detailed financial and administrative audits of the IOUs' expenditures (as distinct from the review of savings).

To further ensure that ratepayer funds are directed towards ratepayer benefits, TURN supports the DRA's proposal that some funds be used for a financing program to make low-interest loans available to customers for energy efficiency projects. Making energy efficiency more affordable through on- or off-bill financing mechanisms would be

[7] Joint IOUs' Comments at p. 4.

a step forward in the right direction.

III. Conclusion

TURN recommends that any bridge year approved by the Commission reflect substantive changes in program design and choice, as well as budget, based on updated evaluation data and measures. Absent such changes, the Commission is at risk of providing IOUs with proportionately more ratepayer funding for diminished returns. As advocates for the efficient and innovative use of ratepayer dollars, TURN urges the Commission to spend the bridge year transitioning to more effective efforts and savings gains in EE portfolios that first and foremost benefit California's ratepayers, and NOT just more of the same.

Date: July 1, 2011

Respectfully submitted,

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