Introductory comments for the EE Portfolio Decision

Colleagues,

I wish to introduce for your consideration Item #26, a decision approving the Energy Efficiency Portfolios for 2013-14.

As I explained when we voted on the guidance decision in Fresno last May, we have changed from a single year extension of existing programs for 2013, to a two year "transition portfolio" for 2013 and 2014. The 'transition' concept allows California to refocus our energy saving efforts, take advantage of the lessons learned from ARRA funded programs and move our portfolios away from shallow, short term savings towards deeper, longer lasting measures, such as building retrofits.

Following our guidance decision in May, the utilities very quickly turned around a portfolio submission to us in July and after some additional record development, we are now in a position to adopt these portfolios. In essence, we have been able to compress a process that in the past has taken two years or more into less than a year, while at the same time making substantial advances in California's Energy Efficiency policy. In terms of regulatory action, this is lightning speed.

There are several aspects of today's decision that I wish to highlight.

First, we simplify the number of offerings and reduce the number of 'touch points' needed with the end customer. On the quantitative side, we streamline the ex ante lockdown process and increase the transparency associated with our evaluation efforts. From an accounting perspective, you may recall that the utilities had a lot of unspent or under-spent funds in their accounts from prior years. We direct the utilities to use all of those funds by the end of this cycle so that we smooth any rate impacts over these next two years.

Programmatically, we expand Energy Upgrade California, which is now the Commission's primary program to retrofit existing building stock. We take significant steps to bring HVAC installations up to code and expand third party and behavioral programs. In lighting, while we wait for the California Energy Commission to finalize their standard on LED lights, we direct the utilities to target bulbs in the upper end of the market, learning from our experiences with CFLs. We also extensively enhance the role of workforce, education and training.

As we have discussed in other contexts, the potential for an extended outage at the San Onofre Nuclear Generating Station presents several challenges. Accordingly, this decision directs our EE program administrators to prioritize this particular geographic area to help ease congestion as we head into summer in 2013.

In all of this, we recognize that the ratepayer's wallet is finite and we need new strategies to leverage the public dollar to drive continued savings. Financing is not a silver bullet, but it is a useful tool in removing barriers to investment in EE saving. This decision approves approximately $200 million of financing, including on-bill finance, extension of programs first created under ARRA and four new pilot programs. Shortly after the PD mailed, we received our consultant's report on these new pilots. This decision approves the overall budgets now, but there is some additional work to be done before we start the implementation these new pilots, something which I personally commit to focus on over the next several weeks.

Finally, the decision makes important changes to the **administration** of some portions of the energy efficiency portfolio. As we all heard during our meetings in Irvine last month, there is now considerable EE expertise at the local government level. To better leverage this, we create 'regional energy networks', one in Southern California and one in the Bay Area, to complement the utility programs. In my mind, the RENs are incremental to the efforts of our utilities, focused on untapped or hard-to-reach market segments. The REN administered programs are also meant to be incubators, which if successful, can be geographically scaled. Similarly, the Commission also approves administration by Marin Energy Authority as a Community Choice Aggregator. Because the administration of EE programs by RENs and CCAs is new, the decision discusses these new players and our expectations of the collaborative, complementary role they will have with the utilities. Altogether, the RENs and CCAs represent about $75 million of efforts. I am personally very excited to see what the RENs and MEA can do in terms of additional deployment of EE.

Because it took longer than expected to post the revised PD to our website, I wanted to highlight a couple of key changes ALJ Fitch made in response to comments. First, the total authorized budget in the decision has increased to $1.9 Billion over the two year period, replacing an earlier budget proposal that have been cut by 30% from the Applications. A smaller budget cut is justified considering the reductions already made from the current 2010-12 portfolio. Second, several clarifications to Energy Upgrade California were made, including defining the role of the working group, exempting SDG&E from measures targeted at hotter climate zones (their customers are mostly coastal) and exempting SoCalGas from electrical programs. We also better defined the roles of the utilities as 'fiscal managers' for the Regional Energy Networks, and made other minor clarifications.

Producing this document has been no easy task. I normally eschew long-winded Academy Award-style thank you's when I introduce an item: I trust that the staff knows how much I appreciate all of their hard work. But in this case, I wish to recognize a few key people.

First off, I'd like to publicly express my upmost gratitude to ALJ Julie Fitch. At the pre-hearing conference for these Applications, Julie said that EE was her first professional love and I think that her exemplary performance on this decision shows just that. In just a few short months, Julie has crafted a policy masterpiece, displaying clarity of thought and a broad policy. She has pulled off nothing short of a miracle getting this document ready for our consideration today. All I can say is thank you, and I look forward to our continued collaboration and partnership. Chief Clopton, please extend my appreciation to the stellar support that ALJ management and administrative staff have extended to ALJ Fitch during the last few weeks and months.

Secondly, the folks in energy division did a tremendous job in providing thoughtful analysis and recommendations. The team led by Pete Skala and Simon Baker uniformly demonstrated that they are nimble and fair regulators of these programs, working under extraordinary constraints and time pressures. Thanks, too, to Jeanne Clinton, special advisor to the Governor on Energy Efficiency Finance, whose insight and experience has been invaluable. And to all of the staff here at the Commission, please accept my heartfelt gratitude for all of your efforts over the last year.

I'd also like to thank my Energy Advisor, Michael Colvin, who with his cheerful enthusiasm and sharp intellect has been the unsung hero of this endeavor. Michael took on the quarterback role for this effort only in February, and has masterfully run the "two minute offense" in bringing this historic decision to us today.

Last, but certainly not least, I also wish to thank all of the parties. As you can guess, this proceeding is one of the most active and involves a very large number of diverse parties. One of the reasons I came to the Commission was to explore how the government can use smart incentives to create positive change in the EE market. While there is a more work still to be done, I think that this decision represents a new leaf in our collaborative process. It is my sincere hope that our efforts to increase transparency and to be "quick" with our regulatory actions provide some much needed market certainty and clarity.

With that, I wish to offer up Item #26, and I ask for your support.