

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Reform
the Commission's Energy Efficiency
Risk/Reward Incentive Mechanism.

Rulemaking 12-01-005
(Filed January 12, 2012)

**COMMENTS OF THE CALIFORNIA ENERGY EFFICIENCY INDUSTRY COUNCIL
(EFFICIENCY COUNCIL) IN RESPONSE TO THE ASSIGNED COMMISSIONER'S
RULING SOLICITING COMMENTS REGARDING EFFICIENCY SAVINGS AND
PERFORMANCE INCENTIVE DESIGN FOR ENERGY EFFICIENCY 2013-2014
PORTFOLIO AND THE ADMINISTRATIVE LAW JUDGE'S RULING PROVIDING
ATTACHMENT REFERENCED IN THE ASSIGNED COMMISSIONER'S RULING
REGARDING A 2013-2014 INCENTIVE MECHANISM**

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I. Introduction and Summary

The California Energy Efficiency Industry Council (Efficiency Council) respectfully submits these comments on Assigned Commissioner Ferron's "Ruling Soliciting Comments Regarding Efficiency Savings and Performance Incentive Design for Energy Efficiency 2013-2014 Portfolio" and ALJ Pulsifer's "Ruling Providing Attachment Referenced in the Assigned Commissioner's Ruling Regarding a 2013-2014 Incentive Mechanism". These comments are submitted in accordance with Rules 1.9, 1.10, and 1.13 of the California Public Utilities Commission's (CPUC or Commission) Rules of Practice and Procedure. The Ruling seeks comments on a proposal for a new Efficiency Savings and Performance Incentive (ESPI) mechanism to apply for the 2013-2014 energy efficiency program cycle.

The Efficiency Council is a statewide trade association of non-utility companies that provide energy efficiency services and products in California.¹ Our member businesses employ many thousands of Californians throughout the state. They include implementation and

¹ More information about the Efficiency Council, including information about the organization's current membership, Board of Directors, and antitrust guidelines and code of ethics for its members, can be found at www.energycouncil.org. The views expressed by the Efficiency Council are not necessarily those of its individual members.

evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and manufacturers of energy efficiency products and equipment. The Efficiency Council's mission is to support appropriate energy efficiency policies, programs, and technologies that create sustainable jobs and foster long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement.

The Efficiency Council has not taken and does not take at this time a position on the appropriateness of an incentive mechanism and its overall design. We do, however, support the Commission's desire to develop a more transparent and effective Ex Ante Review (EAR) performance evaluation process for the 2013-2014 portfolio cycle, as it relates to the proposed Award for Conformance with the EAR Process component of the Efficiency Savings and Performance Incentive. We believe that the incentive for utility conformance with the EAR process along with the proposed Ex Ante Implementation Scoring Metrics (the Scorecard) that would be used for evaluating compliance provide an opportunity to address certain key issues with the EAR custom project review, which if addressed, will help to ensure that this component of the incentive mechanism best supports helping the State meet its energy efficiency goals. Our comments are summarized as follows:

1. The Efficiency Council commends the Commission for continuing the process to develop a more effective EAR process through the development of an incentive mechanism and the proposed Scorecard. We urge the Commission to take into consideration inclusion of specific measures to address issues with timeliness and adherence to committed schedules with the custom project review process from all parties, including the Energy Division, the utilities, and third party review firms, as part of the metrics within the proposed Scorecard.
2. The Efficiency Council supports the Commission's inclusion of encouraging disclosure of projects known during the pre-application period and giving the CPUC early access to sales leads to ensure better outcomes for custom projects within the Scorecard's metrics.
3. The Efficiency Council also supports in the inclusion of the metrics for the standardization of custom project calculation tools and methods to ensure the use of approved methods across portfolios and the development of process manuals, checklists, and QC processes for IOU internal use and use with contractors and implementers within

the Scorecard. We urge the Commission to consider addressing issues with the development of methods of baseline determination for custom projects within this component of the Scorecard.

4. The Efficiency Council also urges the Commission to consider the inclusion within the Scorecard's metrics collaboration with third party implementation firms in addition to the coordination of activities between utility internal program implementation, engineering and regulatory staff to ensure common understanding and execution of ex ante processes.

II. Discussion

- 1. The Efficiency Council commends the Commission for continuing the process to develop a more effective EAR process through the development of an incentive mechanism and the proposed Scorecard. We urge the Commission to take into consideration inclusion of specific measures to address issues with timeliness and adherence to committed schedules with custom project review process from all parties, including the Energy Division, the utilities, and third party review firms, as part of the metrics within the proposed Scorecard.**

The Efficiency Council supports the Commission's efforts to develop a more transparent and effective Ex Ante Review process and urges the Commission to use this opportunity to address issues with the EAR custom project review process as part of the metrics included in the proposed Scorecard for the EAR Process conformance incentive mechanism component of the ESPI to apply for the 2013-2014 energy efficiency program cycle. The Scorecard, as it is currently proposed, does encourage timeliness of action in the implementation of the ordered ex ante requirements for IOUs, the Efficiency Council would urge the inclusion of encouragement for adherence to committed schedules for custom project reviews by all parties involved, including the Energy Division (ED) and third party review firms in addition to the IOUs.

By ensuring that the metrics contained within the proposed Scorecard and the overall EAR process encourage all parties involved in the EAR custom project review process to commit to timely reviews and adherence to the committed schedules, the Commission can ensure that the process maintains focus on providing the greatest benefit to customers and reducing delays that harm customer relations essential for ongoing project and program success.

- 2. The Efficiency Council supports the Commission inclusion of encouraging disclosure of projects known during the pre-application period and giving the CPUC early access to sales leads to ensure better outcomes for custom projects within the Scorecard's metrics.**

The Efficiency Council is very supportive of the inclusion of metrics that encourage disclosure and providing access to the CPUC of projects that are known during the pre-application and sales lead period within the Scorecard. We feel that this will support the CPUC's ability to adhere to established timeframes, as they are dependent on the IOUs providing all CMPA documents to the ED in a timely manner. In order to ensure that the ED's pre-installation reviews are conducted in a concurrent and collaborative manner, the Efficiency Council requests that the IOUs provide all CMPA documents related to third-party programs immediately upon ED's request, even if the IOU has not completed their own internal review of these documents. Furthermore, the IOUs should commit to immediately informing third-party providers that the ED wishes to conduct a pre-installation review of a customized application affecting their program. We feel that this will address some of the delays in implementation that lead to customer frustration and ultimately lead to better outcomes for custom projects.

- 3. The Efficiency Council also supports in the inclusion of the metrics for the standardization of custom project calculation tools and methods to ensure the use of approved methods across portfolios and the development of process manuals, checklists, and QC processes for IOU internal use and use with contractors and implementers within the Scorecard. We urge the Commission to consider addressing issues with the development of methods of baseline determination for custom projects within this component of the Scorecard.**

The Efficiency Council is supportive of the proposed metrics contained in the Scorecard which address the standardization of custom project calculation tools and methods as well as the encouragement for the development of process manuals, checklists and QC processes for all parties involved with the EAR custom project review process. We urge the Commission to consider specifically addressing methods for baseline determination for custom projects included within the scope of this component of the metrics as it pertains to the overall custom project review process. Industry standard practice baseline determination must be inclusive of customer

and/or implementer field experience as a component of appropriate market research. Right now, the CPR process only allows “standard practice” to be driven by recently-published secondary market research that reflects the current market activities. Several third-party programs implemented by members of the Efficiency Council focus on so-called “hard to reach” market segments, where none of this “classical” market research exists, so oftentimes the only indicators of typical actions in the absence of the program are anecdotal insights afforded through field experience. This field experience must be included as an acceptable form of market research for the purposes of baseline determination, if the implementer has determined that no other secondary market research sources are available.

- 4. The Efficiency Council also urges the Commission to consider the inclusion within the Scorecard’s metrics of collaboration with third party implementation firms in addition to the coordination of activities between utility internal program implementation, engineering and regulatory staff to ensure common understanding and execution of ex ante processes.**

The Efficiency Council appreciates the Commission’s inclusion of metrics to encourage coordination amongst IOU internal program implementation, engineering and regulatory staff within the Scorecard. We urge the Commission to add to this component of the Scorecard’s metrics the inclusion of collaboration with third party implementation firms as this will promote clarity and alignment amongst all parties involved as to what information is needed to achieve program goals and objectives. As third party implementers deal most directly with customers undertaking custom projects, ensuring their participation helps to set clear expectations for all parties involved in the the EAR process, and ultimately helps to avoid longer, drawn-out project review that add costs and delays which can prevent the achievement of program goals.

III. Conclusion

The Efficiency Council appreciates the opportunity to offer these comments on the Assigned Commissioner Ferron’s “Ruling Soliciting Comments Regarding Efficiency Savings and Performance Incentive Design for Energy Efficiency 2013-2014 Portfolio” and ALJ Pulsifer’s “Ruling Providing Attachment Referenced in the Assigned Commissioner’s Ruling

Regarding a 2013-2014 Incentive Mechanism”. The Efficiency Council looks forward to working with the Energy Division, Commission and other stakeholders to pursue a longer-term objective of examining options for incentive mechanisms going forward to best situate the state and utilities to meet the state’s energy, job creation, Strategic Plan, and AB 32 goals.

Dated: April 26, 2013

Respectfully submitted,

A handwritten signature in cursive script that reads "Margie Gardner".

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