

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Concerning Energy  
Efficiency Rolling Portfolios, Policies, Programs,  
Evaluation, and Related Issues

Rulemaking 13-11-005  
(Filed November 14, 2013)

**NATURAL RESOURCES DEFENSE COUNCIL (NRDC) OPENING  
COMMENTS ON THE PROPOSED DECISION RE ENERGY EFFICIENCY  
GOALS FOR 2016 AND BEYOND AND ENERGY EFFICIENCY ROLLING  
PORTFOLIO MECHANICS**

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**I. Introduction**

Pursuant to Rules 1.9, 1.10, and 14.3 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, the Natural Resources Defense Council (NRDC) respectfully submits the Joint Parties'<sup>1</sup> responses and NRDC's responses to the proposed "Decision RE Energy Efficiency Goals for 2016 and Beyond and Energy Efficiency Rolling Portfolio Mechanics," August 18, 2015 (PD or Proposed Decision). NRDC is a non-profit membership organization with more than 70,000 California members who have an interest in receiving affordable energy services while reducing the environmental impact of California's energy consumption.

NRDC includes the Joint Parties' responses for Commission consideration in the first portion of these comments. While these responses were collaboratively developed, they do not represent a consensus of the Joint Parties on all issues.<sup>2</sup> Nevertheless, the Joint Parties' responses provide unified language that individual parties may choose to reference in their responses, thereby reducing redundancy. NRDC's individual responses are provided after the Joint Parties' responses to avoid confusion.

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<sup>1</sup> Joint Parties include: California Energy Efficiency Industry Council, Center for Sustainable Energy, Local Government Sustainable Energy Coalition, Marin Clean Energy, Natural Resources Defense Council, San Diego Gas & Electric Company, San Francisco Bay Area Regional Energy Network, Southern California Gas Company, and Southern California Regional Energy Network.

<sup>2</sup> Southern California Edison, Pacific Gas and Electric, and the Office of Ratepayer Advocates have been privy to the discussions but chose to file only independent comments. The Utility Reform Network was unable to participate in this round of discussions.

## **II. Discussion**

The Joint Parties appreciate the thoughtful inclusion of many aspects of our proposal into the Proposed Decision. We look forward to working with Commission Staff and stakeholders to advance the unprecedented “rolling portfolio” approach to energy efficiency portfolio planning to provide high-quality efficiency offerings to customers across the state and help meet California’s ambitious energy efficiency goals.

### **A. Explicitly describe the funding authorization process**

The PD describes, but does not distinctly explain, the new energy efficiency funding authorization process. The PD directs Program Administrators (PAs) to file applications at least every ten years, and possibly more if an application trigger occurs or the Commission finds it necessary.<sup>3</sup> The PD also directs PAs to file annual advice letters to provide budget details (among other things) based on the funding levels authorized in the aforementioned application.<sup>4</sup> Based on this language from the PD, the Joint Parties assume that:

1. Program year (PY) 2016 will be governed by D.14-10-046 and thus 2015 funding levels, and other approval and implementation rules, will be carried forward into PY2016,
2. The PAs’ first application—expected to be filed before September 1, 2016—will reset the ten-year authorized funding levels once approved by the Commission, and
3. The new funding levels authorized by the Commission will establish a cap on PA total budgets, but PAs can redistribute the total budget among programs/implementation strategies as they see fit in their annual advice letters.

The Joint Parties respectfully request that the PD be modified to explicitly describe this funding authorization process to prevent confusion.

### **B. Issue additional business plan or advice letter guidance via a Commission ruling, decision, or resolution**

The PD “delegate[s] to Commission Staff responsibility for developing additional business plan guidance, if necessary,” and, “...responsibility for developing additional annual filing guidance and the tools to track compliance, simplify submission and ensure transparency.”<sup>5</sup> Because business plans and annual advice letters are critical energy efficiency filings, additional guidance should be developed with input from all stakeholders and formally

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<sup>3</sup> PD, Ordering Paragraph 2, p.101

<sup>4</sup> PD, Ordering Paragraph 4, p.101

<sup>5</sup> PD, pp. 56- 57

adopted by the Commission. Using Commission-adopted guidance enables PAs to begin work on business plans or advice letters with a defined scope and content that will not change during the development of the filings. Thus, the Joint Parties recommend the PD be modified to direct Commission Staff to develop guidance on business plans and annual advice letters and for it to be publically vetted and approved via a Commission decision, resolution, or ruling. We offer the following language modifications to p.53:

We delegate to Commission Staff responsibility for developing additional business plan guidance, if necessary. Any such modifications will be publicly vetted and formally approved by the Commission.

### **C. Clarify accounting rules for 2016**

The Joint Parties appreciate the Commission’s re-thinking and “clean-sheet” approach to accounting issues and financial reporting requirements. Until such time as new rules are adopted, the PD states that “the status quo will continue on the accounting front.” The Joint Parties assume that this approach will preserve existing rules that govern the carry forward of funding for PAs while the Commission works out the details of accounting mechanisms in Phase “2b.” The Joint Parties urge that future efforts to clarify “committed, spent/unspent, encumbered” funds need to be considered holistically with proposals for carrying forward unspent budgets and borrowing from future years with consideration of how decisions will impact the smaller PAs.<sup>6</sup>

### **D. Modify various technical update directions**

The Joint Parties appreciate the opportunity to propose changes to the processing of technical information to fit a Rolling Portfolio framework. We also appreciate the elements of the Joint Proposal that were included in the proposed decision and offer the following recommendations associated with factual errors in the PD or to further clarify the process.

#### *1. The Commission should address the ambiguity of “errors” in the final decision*

The PD adopts two major approaches for the Database of Energy Efficient Resources (DEER) process going forward. First, significant changes to DEER values will be limited to once per year and there will be adequate notice to market participants.<sup>7</sup> The Joint Parties strongly support this guidance, which will help avoid market disruption and reduce administrative costs. Second, staff will be allowed to make mid-year changes to DEER values without a formal

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<sup>6</sup> For example, modifications to accounting may not have a substantial impact on large scale portfolios as they might on smaller-scaled portfolios.

<sup>7</sup> PD, p.73

Resolution to “fix errors or change documentation” and to “add additional tiers to measures already in DEER.”<sup>8</sup> The Joint Parties acknowledge the importance of timely corrections to identified errors, but advocated that any changes be reflected at the next bus stop occurrence.

To minimize disruption in program offerings and ensure only errors of substantial impact are updated prior to the following bus stop, the Joint Parties recommend the PD use the term “significant errors” in the final Decision (e.g., as a change of greater than +/- 25 percent) compared to the established level of energy savings for a given measure. The Joint Parties also request that this mid-year process allow for public notice, review and abbreviated opportunity for comment (e.g., 30 days) by participants prior to implementation of changes, and whenever possible the Commission should leverage technical expertise, such as using the California Technical Forum, to vet proposed modifications. We offer the following language modification to Ordering Paragraph 16 (p.104):

16. Commission Staff shall propose changes to the Database of Energy Efficient Resources (DEER) once annually via resolution, with the associated comment/protest period provided by General Order 96-B. However, Commission staff may make mid-year changes at any time without a resolution to fix significant errors or change documentation and/or to add additional tiers to measures already in DEER. Commission staff shall leverage technical expertise whenever feasible and provide public notice and an abbreviated opportunity for comment prior to making mid-year changes.

*2. The Commission should provide additional clarity on timing and address additional components of the Joint Parties’ technical proposal*

The PD adopts the concept of bus stops, but indicates the “specific deadlines do not provide enough time to complete each process, and do not align with the ESPI schedule.”<sup>9</sup> However, the PD does not accurately represent certain elements of the Joint Parties’ proposed schedule; our comments thus focus on ensuring a clear and sequenced process consistent with certain aspects of our original proposal.

First, there is a desire for the update process to be completed, and new technical information to be implemented in alignment with the beginning of a calendar year as an optimal timing for reporting and programmatic updates. This appears to be the intent outlined in Appendix 6 to the PD, but an additional “pink” colored milestone for implementing technical updates by December 31 would clarify this approach.

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<sup>8</sup> *Ibid*

<sup>9</sup> PD, p.74

The Joint Parties also note that the PD is silent on our recommendation to include a workpaper workplan at the same time as the EM&V workplan. Since workpapers are not only developed in connection with DEER updates, we reiterate the need to include a workpaper workplan each year based on areas of uncertainty or programmatic focus. This workplan would be updated (as shown in Appendix 6) after DEER updates to incorporate additional workpapers and refine the projected workload accordingly.

The PD establishes a “bus stop” (although it is referenced as a “bust stop” on pp.73 and 97) approach for the review of new and updated workpapers that is similar to the Custom Review Process whereby submissions are to be made on the first or third Mondays of each month. However, since the PD does not distinguish between new workpapers and workpaper updates, it is unclear how this directive to submit workpapers relates to the due date of January 1 for DEER and non-DEER workpapers shown on Appendix 6. The Joint Parties thus recommend that the language be clarified to apply to new measures within new and updated non-DEER workpapers.

In addition, to support timely introduction of new measures, we proposed that a format for new workpapers should be developed that leverages ongoing enhancements (e.g., work of the California Technical Forum), is acceptable to parties, and will allow for expeditiousness. As the PD did not address this proposal, the Joint Parties urge the Commission to adopt this aspect of the proposal to help ensure timely inclusion of new measures into the portfolio.

The Joint Parties also identified that the PD did not address one of the primary conditions of the bus stop proposal – that EM&V studies establish conditions by which technical information is eligible for the bus stop. The proposal recommended that the evaluator would propose criteria/thresholds as part of determining the study plan and vet these with stakeholders. Commission Staff would continue to have current oversight authority and finalize what criteria would be used to determine whether or not the final study values would be ready to “board the bus.” Establishing conditions prior to the onset of the study will add clarity to whether results meet the threshold for change and inclusion in the next bus stop. The Joint Parties request that the PD specifically adopt this element of the bus stop.

3. *The Joint Parties request two modifications to the custom review portion of the PD; include stakeholders in the investigation of and solutions to ongoing challenges and reconsider including “leads” in the market transition period*

The PD denies the Joint Parties’ proposal associated with the Custom Review Process for calculated projects. In summary, our proposal requested that dispositions for selected projects would be applicable on a prospective basis after a period of market transition. This is intended to address issues related to the customer experience, including the timeframe associated with the review process and material changes to program eligibility and conditions while a project is in process. The PD instead instructs PAs to jointly investigate and propose potential solutions to Commission Staff. The Joint Parties, including non-IOUs, collectively ask to be included in the process to discuss impact of the process on customers and jointly investigate solutions with Commission Staff as directed by the PD. We offer the following language modification to Ordering Paragraph 18 (p.105):

18. Energy efficiency program administrators and stakeholders shall jointly investigate and propose potential solutions to Commission Staff to improve the usability and transparency of all ex ante values, and to address barriers to customer participation. The solutions...how they will improve the process to develop, review and implement ~~review~~ ex ante values, and/or reduce timing of project reviews.”

In addition, given the factual error that the PD characterizes a “lead” inconsistently with the Joint Parties’ proposal, we request reconsideration of granting the market transition period for program changes regarding such leads. The PD uses a generic marketing definition of “lead” as “simply a customer-expressed interest at an energy efficiency opportunity.”<sup>10</sup> This is not the Joint Parties’ definition.<sup>11</sup> Rather, for “project leads,” following the expression of interest, initial information is supplied by the energy efficiency representative to advance project development (i.e., develop investment plans and set the type of installation) with the formal project application to follow.<sup>12</sup> In these instances, the ex ante assumptions are relied upon by the customer during the project development process. Leads also include those described as “project applications” on

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<sup>10</sup> PD, p.88

<sup>11</sup> See *NRDC’s Response to the Administrative Law Judge’s Ruling Regarding Comments on Phase II Workshop I*, April 6, 2015, pp.20-21. [hereinafter NRDC Workshop 1 Comments] for Joint Parties’ proposed definitions of “project leads”/“project applications” eligible for the market adjustment period.

<sup>12</sup> PAs may use different labels (e.g., Accounts, Project Applicants, etc.) but the definition of lead is similar: Customers that have gone beyond mere interest in a program and have taken active steps in furtherance of committing to the project. The Joint Parties agree that the PD definition of “project lead,” while different, should not be grandfathered into the ex ante assumptions that existed at the time.

the CMPA list whereby the customer has already submitted plans and signed the application after due diligence completed by the PA. This is a further step in the project realization process.

Both instances reflect an investment of time, money, and effort by prospective customers and businesses encouraging implementation. Changes to ex ante parameters can have a chilling impact during project development, especially for long-term projects. A market transition period was also deemed reasonable for DEER values; similar logic is applicable for customers participating in the calculated programs. The Joint Parties request the PD allow the same opportunity through a definition (and or documented conditions) that can be deemed sufficient to acknowledge those projects eligible for a market transition period.

#### **E. Modify various stakeholder process directions**

The Joint Parties greatly appreciate the direction of the PD to launch a new collaborative effort that will support program planning and implementation, as well as the flexibility offered to stakeholders. We offer the following recommendations to ensure the forthcoming structure and process are as clear and effective as possible.

##### *1. The Joint Parties recommend the Commission clarify roles in the final decision.*

One critical component of a successful collaborative effort is to ensure that all participants are clear on their role and authority, as well as the authority of the group. The PD states that business plans, annual budget advice letters, and implementation plans will be “PA and stakeholder developed.”<sup>13</sup> This language implies PAs and stakeholders are equally responsible for developing and submitting program plans and budgets. However, while PAs should thoroughly consider stakeholder input in developing programs, only the PAs are responsible for planning and administering efficiency programs to meet Commission goals and requirements. We therefore recommend the PD be modified to clearly indicate the roles of the various actors as presented in the Joint Parties’ presentation at the March 9, 2015 workshop:<sup>14</sup>

- **The Commission** continues to be responsible for oversight of PAs and approval of programs, budgets, policies, and other items currently within the purview of Commission authority.
- **The Program Administrators (PAs)** continue to be responsible for administering portfolios that best meet Commission guidance, State goals, and customer needs.

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<sup>13</sup> PD, p.40

<sup>14</sup> Joint Parties’ proposal “Rolling Portfolio Stakeholder Proposal: An Overview,” March 9, 2015, Slide 7 [hereinafter “Stakeholder Presentation”]

- **Parties/Stakeholders** continue to participate in the existing formal process and have the opportunity to comment on the record regardless of what is discussed or decided as part of this process.

In sum, while the stakeholder process will be critical to ensuring meaningful and transparent opportunities to provide input on the planning and implementation of program portfolios and streamline the workload of Commission staff, the final decision of what is included in filings or as a part of the program portfolios remain the purview of the PAs and the final approval of PA activities remain the responsibility of the Commission.

2. *The Commission should clarify the role of the Coordinating Committee (CC) versus the subcommittees and slightly expand the scope.*

The overarching description of stakeholder collaborative tasks in the PD is generally consistent with the tasks presented by the Joint Parties. However, the scope of work delineation for the CC appears to be conflated with what the Joint Parties proposed to be the activities of the topic-specific subcommittees. We therefore request that the final decision indicate that the scope of work could fall to the CC or to subcommittees, as appropriate and determined by the CC.

In addition, the PD states the stakeholder coordinating committee “[s]ubcommittees should be along sector lines,” and that the coordinating committee should “select individual chairs for each subcommittee.”<sup>15</sup> These statements prejudge the need for subcommittees. While the Joint Parties support the PD adopting a foundational structure for the coordinating committee, we recommend that this language be removed from the PD to allow the stakeholders, in consultation with the Commission staff, to structure the group as needed.

Specifically, the Joint Parties proposed that the subcommittees would be the appropriate venue for vetting topic-specific items (such as business plan chapters, advice letters, and other ongoing program implementation and improvement items). As noted at the March 9, 2015 workshop these subcommittees would also be required to follow the same transparency best practices as the CC.<sup>16</sup> The following is an excerpt from the Joint Parties’ comments on Workshop 1 [emphasis added]:

“To clarify, the CC would play an important role in providing informal feedback on portfolio design and implementation, **but the specific vetting of PAs’ sector and sub-**

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<sup>15</sup> PD, p.66

<sup>16</sup> Stakeholder Presentation, Slide 12

**sector activities would fall to the subject matter experts** often convened in topic-specific groups....These venues would include stakeholders that are “on the ground” and not present at many Commission functions so that their expertise is received and incorporated into programmatic design. **The various subgroups would periodically report out to the CC** for transparency purposes and to allow the CC to coordinate activities and potentially help resolve issues, should they arise. **Any modifications to the programs that emerge from such a discussion would be presented to the CC for transparency purposes, but the CC would not vet the proposal a second time.**<sup>17</sup>

In contrast, the CC would provide informal feedback at regular intervals throughout the year and act as a “conductor” to ensure the various parts of the portfolio updates and/or reviews are highly coordinated and transparent.<sup>18</sup> The CC roles would include more high level oversight and activities such as:<sup>19</sup>

1. Facilitate the stakeholder engagement process;
2. Develop a list of priority items to be discussed during the year (as would be relayed in the advice letter process proposed in the PD) based on criteria by which to prioritize activities;
3. Enable collaborative input by identifying new or existing venues to refer key issues for expert level discussion;
4. Increase transparency and understanding of PAs’ portfolios through periodic presentations; and
5. Provide a venue (or defer to topic-specific venue) to ask questions and resolve issues such that regulatory documents could be used for a more narrow set of disagreements or items for Commission consideration and for stakeholders to raise pertinent and timely issues not included in the annual CC priorities.

An additional recommended task of the CC presented by the Joint Parties at the March 9, 2015 workshop was to “seek to find efficiencies” in the current stakeholder processes. One approach could be to map out the current numerous stakeholder working groups and subcommittees and discuss with participants whether or not there are opportunities for synergies and which meetings could be opened to engage a broader group of stakeholders.<sup>20</sup> Those groups that continue would be listed on a common calendar whereby meeting documentation could be uploaded for transparency. Groups that are functioning well, as determined by the active participants of those groups, should be leveraged. The CC could also identify areas where no stakeholder group exists and discuss whether a standing subcommittee or short term task force is

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<sup>17</sup> NRDC Workshop 1 Comments p.13

<sup>18</sup> *Ibid*, p.15

<sup>19</sup> *Ibid*, p.14 and Stakeholder Presentation, Slide 9

<sup>20</sup> Stakeholder Presentation, Slide 9

warranted. The CPUC would continue to have the discretion to set closed meetings with PAs if necessary (e.g., to discuss proprietary matters or other instances that may require privacy).

We also request that the general scope be expanded to include ongoing rolling portfolio implementation activities such as review of updated business plans (not just the initial submissions) as well as other opportunities for vetting substantial program modifications or additions (through advice letters or otherwise), ensuring new program opportunities and portfolio “refreshes” and similar management activities.<sup>21</sup> We offer the following language modifications for p.67 and Ordering Paragraph 8, p.102-103:

“a. Scope of Work (to be conducted by the Coordinating Committee or Subcommittees as appropriate, determined by the Coordinating Committee):

- i. ~~Participate in~~ Provide input into the development of business plans *prior to and throughout the drafting process* (see notes below re scope of input and timing);
- ii. ~~Participate in~~ Provide input into the development of implementation plans, again, *prior to and throughout the drafting process*;
- iii. ~~Participate in~~ Provide input into the development of annual budget advice letters, again, *prior to and throughout the drafting process*; and,
- iv. ~~Develop and revise~~ Provide input into the development and revision of metrics for inclusion in business plans and implementation plans as part of i and ii.
- v. Provide input into the ongoing rolling-portfolio implementation efforts, such as vetting of updated business plans, advice letters needed for substantial changes to programs, pilots, new program introductions (‘refresh’), review of metrics, or other similar activities.”

3. *The Joint Parties recommend the Commission authorize co-chairs instead of a single entity to lead the Coordinating Committee.*

The Joint Parties agree there needs to be a dedicated position to run the Coordinating Committee. However, given the large task (especially during the launch year) we recommend the Commission authorize co-chairs instead of an individual to help manage the workload. In addition, the tasks of the chairs are expected to lead to improved substantive discussions and potential resolution of differences prior to formal filings. As such, we urge the Commission to allow for co-chair duties to be eligible for intervenors to claim for compensation,<sup>22</sup> with the understanding that the final determination of compensation will be decided in response to an intervenor’s specific claim. If such a task is excluded completely from consideration, it will limit

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<sup>21</sup> *Ibid*, Slide 14

<sup>22</sup> While we request co-chair functions be considered as a claimable activity, we recommend that any entity be able to hold the co-chair position (whether eligible for intervenor compensation or not).

the co-chairs (or individual lead) of the CC to only those entities with substantial resources to support such a function. We offer the following suggested language modifications to Ordering Paragraph 7 (p.102) for consideration:

7. There shall be... preparation, as well as to provide input into the ongoing rolling-portfolio implementation efforts, such as vetting of updated business plans, advice letters needed for substantial changes to programs, pilots, new program introductions ('refresh'), review of metrics, or other similar activities.” Participants, including co-chair duties, in that stakeholder process... one statewide coordinating committee, with co-chairs a single individual as chairperson. The coordinating committee shall select ~~a single person as chair~~ the co-chairs for the coordinating committee, and also shall select individual chairs for each subcommittee, as necessary.

4. *The Commission should direct staff to work with parties to determine how CC participants will be chosen, and who would decide who sits on the CC.*

The Joint Parties appreciate the level of autonomy that the PD seeks to provide for the CC to enable flexibility and the ability to modify certain aspects of the group structure as may be necessary in practice. However, there are a few items that would benefit from more direction, preferably determined jointly by staff and parties. While we understand the need to assess the legal ability of the CPUC staff to participate, and look forward to reviewing the planned proposal for how staff can participate, we reiterate our previous comments that note such participation will be critical to the success of this effort.<sup>23</sup>

With regard to the stakeholder composition of the CC (as presented on March 9, 2015) the Joint Parties note it will be critical to set up a clear process for deciding who is on the CC. The Joint Parties’ previously suggested that “such a stakeholder committee...decide, in consultation with Commission Staff, the criteria, attendance, commitment, performance parameters, etc., for participants to ensure that membership is representative, consistent, effective, and accountable.”<sup>24</sup> We also recommended that members should be drawn from the

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<sup>23</sup> NRDC Workshop 1 Comments pp.10-12 “Commission Staff participation (when appropriate) would help minimize duplicative discussions and reviews, and Commission Staff consideration and response to committee documents (when appropriate) would help establish value in joint-party work, clarify misunderstandings prior to filing a formal document, and reduce the number of disputes that need to be resolved in the formal process.” Stakeholders are less likely to participate or take the process as seriously if “The Commission Staff does not participate or does not consider the feedback meaningful or useful, and thus the Committee’s ability to influence portfolios is significantly reduced and the process would require duplicative party involvement.”

<sup>24</sup> NRDC Workshop 1 Comments p.10

following types of organizations:

- CPUC staff (as appropriate after reviewing legality concerns as noted in the PD)
- Office of Ratepayer Advocates
- PAs (e.g., IOU, CCA, RENS)
- local governments (e.g., implementers of programs or other)
- energy efficiency-focused non-profits/industry groups
- key market actors
- environmental non-profits
- consumer advocates non-profits
- other relevant stakeholders (party or otherwise)

We therefore recommend that the final decision direct the staff to work with Joint Parties' that presented at the March 9, 2015 workshop to determine composition, criteria, responsibilities, and who sits on the Coordinating Committee, among other relevant items. We offer the following language to be added either to Ordering Paragraph 7 or as a new Order.

Commission staff shall work with the Joint Parties' to determine composition, criteria, and responsibilities, who sits on the Coordinating Committee, among other relevant items.

*5. Clarify the role of the facilitator.*

The Joint Parties appreciate the budget allocation to ensure administrative and facilitation support for the CC. We presume the CC - once established - will put out a Request for Proposal (RFP) through one of the utilities to hire a facilitator. This RFP will have specific criteria for qualifications and key expected deliverables for the length of the contract. We propose that the CC also be involved with CPUC staff in determining the recruitment criteria and performance evaluation metrics for the selection and retention/replacement of the facilitator. We offer the following language modifications to Ordering Paragraph 11:

11. The coordinating committee shall arrange for professional meeting facilitators. We will review how well the facilitator is functioning. The Commission delegates to Commission Staff to decide whether to continue with a particular facilitator, in consultation with the Coordinating Committee and based on pre-determined performance metrics. If it is brought to our attention that the facilitator concept (as opposed to a particular facilitator) is not working, we will revisit whether to continue with a facilitator at all.

In addition, we fully agree with the need to record meeting outcomes to ensure a clear decision trail.<sup>25</sup> However, the Joint Parties propose that the role of the facilitator and supporting administrative staff include carrying out the function of the “scribe” as described in the PD. We offer the follow language modification to p.63:

The facilitator shall also be responsible for ensuring an objective and clear decision-advice documentation trail. Stakeholders are to select a scribe from within their ranks.

6. *Expand the scope of eligible intervenor compensation activities to include the tasks noted above as well as the tasks of the subcommittees.*

The Joint Parties appreciate the clarification that activities noted within scope are eligible for intervenor compensation and understand that compensation is not necessarily guaranteed. However, for a truly effective collaborative process to work, it needs the active participation of a wide array of players, including consumer advocates and other non-profit organizations whose mission it is to ensure these programs are as effective as possible to keep energy costs affordable as well as to minimize the negative impact of energy usage on our environment, among other related items. To ensure this is the case, the scope of what is eligible to claim intervenor compensation should be expanded to include substantive activities at the subcommittee level in addition to at the CC level and be expanded to include ongoing implementation activities in addition to initial rolling portfolio efforts as noted above.

**\*\*End of Joint Parties' Comments\*\***

### III. NRDC Specific Comments

1. *The Commission should ensure that both calibrated and uncalibrated results are available to allow the Commission to make the most informed decision possible.*

The proposed decision states that there is value in seeing calibrated results; we agree.<sup>26</sup> However, decision makers and stakeholders should have all available information – including the uncalibrated results that represent possible *future* potential by which the Commission could make critical policy and programmatic decisions to help achieve such potential. By not providing the uncalibrated information, the Commission is approving goals and making policy decisions without a critical piece of information.

The PD states: “The point of calibration is to set the model at a level that is, initially,

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<sup>25</sup> PD, p.70

<sup>26</sup> The *calibrated* results inform the Commission of what future levels of energy efficiency potential would be if suppressed to levels consistent with past achievements.

right for today.” We agree it is the *Commission’s* role to set efficiency goals that are right for today. The point of *the model* is to fully inform the Commission about potential – both present and future - to aid in short- and long-term decision making. We urge the Commission to ensure that in the future uncalibrated information is readily presented.

In addition, the Commission should correct the assumption that it is not feasible to separate the uncalibrated potential.<sup>27</sup> When a calibrated result must be derived from an uncalibrated result, it remains unclear why it is not feasible or useful to do so, despite reference to Navigant’s updated report.<sup>28</sup> Furthermore, the Commission noted that the uncalibrated model is akin to the “mid-high case scenario.”<sup>29</sup> That statement – albeit representing a somewhat uncalibrated result - validates our point that it is feasible to provide uncalibrated information. We offer the following language to p.19 and Ordering Paragraph 10 to correct the record:

Calibration is effectively built into the model underlying the potential and goals study, ~~and cannot be feasibly disentangled.~~

2. *The Commission should correct NRDC’s position on calibration*

The PD errs when it claims that NRDC states that tomorrow *will* be much different from yesterday or that our arguments miss the point of calibration.<sup>30</sup> NRDC did not make that statement and thoroughly understands the value of calibration. Rather, our position indicates that the future *may* be different from the past and therefore while it may make sense to use the calibrated information to set shorter term energy goals, an uncalibrated potential is critical to help inform the Commission how to make the most-informed policy modifications to best achieve available future potential. We request the following language modification at p.20:

“The upshot... is, in effect, that tomorrow may ~~will~~ be much different from yesterday, and so adjusting a forward-looking model by fitting it to past performance actually makes the model less rather than more predictive. ~~This misses the point of calibration.~~”

3. *We suggest clarifying language around Navigant’s derivative variable-implied discount rate with the actual discount rate used to inform valuation of energy savings in cost-effectiveness tests to avoid confusion.*

In determining how to value energy savings from energy efficiency, the Commission assesses cost-effectiveness using tests that rely on particular discount rates to represent the

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<sup>27</sup> PD, p.19

<sup>28</sup> PD, p.19-20

<sup>29</sup> PD, p.21

<sup>30</sup> PD, 20

present value of future savings for a particular perspective (e.g., utilities or customers). However, the PD language could be interpreted that the cost-effectiveness discount rate should be compared to that of the “implied discount rates” used by Navigant, which in fact represents much more than just the present value of efficiency.<sup>31</sup>

This is not a one-to-one comparison and is therefore misleading since the “implied discount rate” is derivative of the fact that customers do not always invest in cost-effective efficiency, incorporating *every* possible market barrier reason for why this is the case, not just the customers’ value of future savings.<sup>32</sup> We urge the Commission to modify the language in the PD to ensure that it is not used as a rationale for modifying the cost-effectiveness discount rates.

p.14. These are ~~different than the type of discount rates significantly higher than the discount rates~~ used to represent present value of efficiency savings in the TRC test.

Footnote 32, p.14. The TRC test evaluates “cost effectiveness” from the regulatory perspective, and uses ~~an implied~~ a discount rate equivalent to each IOU’s weighted cost of capital (approximately, 8.5% pre-tax; the exact value varies by utility).

#### IV. Conclusion

NRDC appreciates the consideration of our recommendations and looks forward to working with the Commission and stakeholders to advance energy efficiency.

Dated: September 8, 2015

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<sup>31</sup> PD, 14

<sup>32</sup> There is a long history of literature explaining the numerous market barriers. See, for example: ACEEE, 2013, *Overcoming Market Barriers and Using Market Forces to Advance Energy Efficiency* <http://aceee.org/sites/default/files/publications/researchreports/e136.pdf>