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 LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION ON ASSIGNED COMMISSIONER'S RULING SOLICITING COMMENTS ON ENERGY EFFICIENCY SAVINGS GOALS AND OTHER PORTFOLIO PLANNING MATTERS

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For THE LOCAL GOVERNMENT
SUSTAINABLE ENERGY COALITION

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I. INTRODUCTION

As directed by the November 17, 2010, *Assigned Commissioner's Ruling Soliciting Comments*, the Local Government Sustainable Energy Coalition ("LGSEC") submits these reply comments on energy efficiency savings goals and portfolio cycle. The Opening Comments show that there is very little support for the Commission to continue on the current schedule for the 2010-2012 and subsequent energy efficiency cycles. While parties in general favored extending the current program cycle through 2013 (Option B in the Energy Division White Paper), closer examination shows that support is conditional and accompanied by proposed modifications; there is no party that outright supports Option B (four-year program cycle). Other areas of unanimous agreement are that any extension to the current cycle, for example extending it through 2013, must be implemented with much greater planning and attention to budget and targets than occurred for 2009, and that stakeholder input is desirable in the process of deciding on the array of issues regarding potential, goals, and metrics under consideration.

The Opening Comments support the LGSEC position that the Commission should set aside the first half of next year to allow time to study and discuss the numerous items in question before locking into an arbitrary extension of one year and continuing 4-year cycles. Similarly, while the Commission is hearing from parties now on how it might structure a proposed four-year cycle, there is no need for the Commission to make a final determination on this issue at this time. With this Ruling, parties have been given an early alert that such a change is under serious consideration and that they should be prepared to engage in discussions beginning early in the new year. LGSEC's specific recommendations in these Reply Comments include:

- The Commission should adopt a rolling program cycle;
- The Commission should consider a modified administrative process; and

- Any “bridge” year must be implemented with care.

II. THE COMMISSION SHOULD ADOPT A ROLLING PROGRAM CYCLE

As the Commission looks at how to revamp the energy efficiency planning and program cycle, its goal should be a rolling program cycle. There are certain administrative activities in which the CPUC is always going to be engaged, such as updates to savings goals, adjusting metrics, integrating with other programs, and updating Strategic Plans. But the process of actually doing the energy efficiency work is not linear. California needs a better process than currently exists, where everything is expected to be held static while a 12- or 18-month planning process occurs. We require a process that provides certainty in terms of budgets for a reasonable planning period, but not one that is arbitrarily tied to regulatory reviews irrespective of the negative impact on program success. The process must be dynamic and also must provide on- and off-ramps for programs that should be introduced or removed from the portfolio based on their ability to perform at a given time in a given market.

In Opening Comments, no party offers outright support for a four-year program cycle as described in the White Paper. Where parties are in favor of Option B, they attach conditions or make ancillary suggestions. Similarly, parties that favor extending the current cycle by one year do so with conditions attached. Where these conditions expand the scope of items the White Paper proposes to consider before the outset of the next program cycle, there is no allowance for more time to accomplish such tasks.

The utilities support Option B, but argue that they need more than the six months allowed in the proposed timeline for 2010-13 to prepare their portfolios for the next cycle. The utilities do not indicate which activities in the timeline might be shortened as a result and by how long.

There does not appear to be recognition that suggested stakeholder processes take time and may result in conclusions that require adjustments to a pre-set schedule and/or policies that impact the portfolio process. While parties emphasize the importance of setting and adhering to a schedule, most also acknowledge that history demonstrates that delays have become the norm. The LGSEC observes that some of the programs for 2010-2012 are only now beginning to hit the ground, particularly some of the local government pilots that in some instances are still wending their way through the regulatory approval process.

Where parties support a decision on extending the current cycle to four years, they also call for stakeholder input on an array of topics before the onset of portfolio planning for the next cycle. NRDC proposes a number of policy issues to be addressed during a one-year extension of the current cycle, including a comprehensive review and advisory body.[1] NRDC also recognizes that a rolling set of solicitations and periodic reviews is a more manageable method of portfolio development and one that offers new ideas over time. NRDC further suggests the next cycle be extended to five years instead of four.

The California Energy Efficiency Industry Council provides a compelling argument for why a hybrid approach makes sense: "Efficiency provider-customer relationships are ideally not limited by artificial program cycles but are long enough to allow implementers to work with customers to develop tailored long-term but dynamic efficiency plans. ….there must be a regulatory environment that accounts for the reality that customers must make many successive decisions over time… not just those that can be adopted in a single program cycle."[2]

All the above recognize the problem with arbitrary cycles that are set up to accommodate the utility shareholder incentive mechanism, not the changing marketplace in which programs

[1] NRDC Opening Comments, p. 4.
[2] Efficiency Council Opening Comments, p. 11.

must operate. Regardless of the length of a program cycle, there will always be an artificial start/stop problem under the current framework. The Commission must take this opportunity to address this inherently restrictive issue. Some energy efficiency programs can be continuous and evolving by design, others have a specific role for a specific timeframe. There is no logical need to intentionally shut down an entire suite of energy efficiency programs representing a multi-billion dollar industry on a given day every few years, with all its attendant costs and disruption. California has to devise a more effective, intelligent framework.

III. MODIFIED ADMINISTRATIVE PROCESS

TURN's Opening Comments provide a sound analysis of how the current system under the complete administrative control of the utilities is proving not to be the most cost-effective use of billions of dollars of ratepayer dollars. TURN calls for a mid-term correction of the portfolio and consideration of alternative administrative models for future portfolio periods.

The LGSEC agrees that there must be a better way to allow comprehensive review of entire portfolios, with opportunity to make additions and adjustments, but not hold everyone hostage to the timeline. During the next six months, the Commission should remind itself what occurs in other states and regions and include these in stakeholder workshops. Several years ago, during development of the *California Energy Efficiency Strategic Plan*, the Commission looked at various models for implementing energy efficiency objectives. The Commission should refresh that information in the context of where California is at this time.

The Commission also must examine the quality of partnership between utilities and local governments. Since 2004, local governments have shown a commitment to energy efficiency by becoming partners with the utilities. However, our ability to follow programs established solely by the utilities with no local government input makes the success of these partnerships a concern.[3] By working together to create programs, energy efficiency in California can truly advance. Commission rhetoric says local governments are the utilities' partners, not their contractors; the administrative process needs to reflect this. In Southern California Edison's service territory some local governments now are implementing strategic plans. In many instances the local government strategic plans are linked to climate action plans. These local government plans should be the foundation for future program cycles. The Commission's administrative process must be re-aligned to reflect the changing role of local governments and their increasing ability to contribute to Statewide goals through federal programs such as the American Recovery and Reinvestment Act and other local initiatives. Currently, utilities have the ability to direct local government staff and contractors based on utility interpretation of CPUC administrative requirements on the focus and content of plans; this has proven to be tedious and counterproductive for local governments and limits their ability to make a larger contribution.

IV. ANY "BRIDGE" YEAR MUST BE IMPLEMENTED WITH CARE

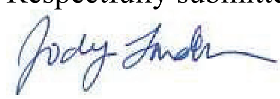
The Opening Comments show unanimous agreement that if there is an additional year on the current cycle, it must be implemented with much greater planning and attention to budgets and targets than occurred for 2009. LGSEC continues to advocate that the Commission wait until it has stakeholder input in the first half of 2011 before determining whether an additional year is needed. Furthermore, we suggest that during any extended year that might be adopted,

[3] The utilities have not just denied local governments adequate input. Their decision processes have directly hamstrung our programs. One program in Northern California was ready to commence its low/moderate residential program at the beginning of 2010. The program was co-opted by a new utility concept, and the program was not able to begin work until the utility settled all the details of that program, delaying roll-out by a year. Much of the program (clearly detailed in the Program Implementation Plan and Program Management Plan) has been taken out of local government control, and even now the jurisdiction is getting weekly mixed messages about how much control it will actually have. Not only is this bad for savings goals; it makes it nearly impossible to achieve results that will improve program delivery over time in support of the *California Energy Efficiency Strategic Plan*.

the Commission should refine the discussion and engage in direct dialogue with local governments to consider a rolling program cycle and administrative alternatives as described above. The Commission must recognize that local governments are a valuable ally with "24/7" on-going operations and can be effective partners, particularly in working on the goals of the Strategic Plan. We look forward to working with the Commission in the coming year and throughout the portfolio development and implementation process.

Dated: December 10, 2010

Respectfully submitted,



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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a copy of "Reply Comments of the Local Government Sustainable Energy Coalition on Assigned Commissioners' Ruling Soliciting Comments on Energy Savings Goals and Other Portfolio Planning Matters" on all known parties of record in R.09-11-014 by transmitting an e-mail message with the document attached to each party named in the official service list, and by serving a hard copy on the Administrative Law Judge.

Executed on December 10, 2010

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