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MEMORANDUM

TO: Local Government Sustainable Energy Coalition Members

FROM: Jody London

DATE: August 4, 2008

SUBJECT: Recommendations for Reply Comments on CPUC Draft Energy Efficiency Strategic Plan, Summary of Opening Comments (R.08-07-011/A.08-06-004)

This memo provides recommendations for reply comments on the California Public Utilities Commission (“CPUC”) Draft Energy Strategic Plan, which are due this Thursday, August 7, as well as a summary of the opening comments submitted last week. We should use the reply comments to identify the areas of agreement with our proposal that the Strategic Plan anticipate a different way for local governments to engage on energy planning issues. Several parties suggested that California needs an entity similar to the Northwest Energy Efficiency Alliance, a suggestion that was in an early draft of our opening comments but was eliminated in the editing and review process; we should endorse this idea in our reply comments, as well. A brief summary of the comments by party, in note form, is included in Attachment A.

Many Parties Agree with LGSEC

Over 20 parties submitted opening comments. Many of them agreed with the Local Government Sustainable Energy Coalition that a neutral, third-party entity should be leading the market transformation and Strategic Planning efforts around not only energy efficiency, but the broader issues raised by implementation of the Global Warming Solutions Act. Very few of the other parties have our particular focus on the issues that affect local government, hence the need for our ongoing involvement. Several other parties also observed that the process for developing the Strategic Plan and participating at the CPUC is resource and time intensive and disadvantages smaller stakeholders. Several parties, including the utilities (who filed joint comments) also agreed that utility ratepayers alone will not be able to fund the massive efforts that will be required to meet the State’s energy and environmental goals.

Other issues that were raised by several parties included issues related to low-income energy efficiency programs, and how to better value, design, and integrate those programs with standard energy efficiency programs; issues related to heating, ventilation, and air conditioning; concern about whether it is realistic to think that medium and large commercial buildings will be zero net energy by 2030 under the existing definitions; and more focus on multi-family housing, among others. The utilities of course are interested in preserving their shareholder incentives.

Next Steps

As indicated above, reply comments are due this Thursday (yes, there is only one week turnaround). I will prepare draft reply comments for your review based on the discussion above. If there are additional issues you would like us to include, please let me know Tuesday, as I aim to have a draft to you for review by Wednesday morning.

As always, please contact me with any questions or comments.

ATTACHMENT A

Notes on Opening Comments on Draft Energy Efficiency Strategic Plan R.08-06-004

Air Conditioning Contractors of America – Need better education within the HVAC distribution chain. Need very good coordination on code enforcement in order to maintain level playing field. Must have adequate enforcement provisions. Title 24 should adopt ANSI standards for QI and QM. Don't need a new certification program for technicians, just use the one in place from North American Technician Excellence. Consider establishing a contractor accreditation program. Dubious about goals for installing radiant cooling, ductless systems, GSHPs, etc. Same for goals around new hot/dry climate technologies. Concerned can't be done, will squeeze out current efficient technologies, won't have customer acceptance. Concerned that lowering the replacement threshold for equipment will lead to customers choosing instead to just change out components, rather than entire systems.

Architecture 2030 – Need more aggressive goals for new home construction and major renovations in short term, otherwise continue to build high consumption units. This will eliminate need for future renovations and level the playing field for architects and builders. Need code-based interim goals for commercial sector.

California Attorney General – If going to have 100% zero net energy homes by 2020, and greatly reduced energy use, will need much more distributed generation. Include actions to address the legal and/or regulatory barriers that 1) restrict the ability to install solar PV systems that supply power to residents of condominiums and apartments and 2) prevent using a solar PV system on one building to generate electricity for multiple residences.

California League of Food Processors – CPUC needs to work closely with other state agencies to ensure a united regulatory front. Like idea of pilot projects in different parts of the state for food processors. To coordinate all the activity, need an industrial energy efficiency alliance. Model could be Northwest Energy Efficiency Alliance.

California Center for Sustainable Energy – Plan must outline strategies for inclusion of all stakeholders in each utility service territory. It's not enough to just state that everyone needs to be included. Need early EM&V, with interim results, not just ex post evaluations. Should have outreach goals as well as kWh savings goals. Need progress report meetings throughout the State. Need better integration of energy efficiency with utility long-term resource procurement activities. Need better coordination with the California Solar Initiative. Also need to integrate with rollout of AB 32 implementation plan. Need to allocate energy efficiency funds as well as climate change funds to educate all sectors and provide tools to accomplish AB 32 goals. Agree that need a statewide clearinghouse for energy efficiency information. On codes and standards, identify where Title 24 overlaps with other certification programs, like LEED.

City and County of San Francisco – CPUC must continue leadership with Strategic Plan implementation. CPUC should create an organization like the Northwest Energy Efficiency



Alliance. Call it the California Sustainable Energy Alliance. Need better and more opportunities for progress reports and updates. Need to include California Building Officials and California Building Standards Commission as non-CPUC partners, as well as local governments. Commercial building labeling is a challenge; consider a statewide pilot that engages local governments.

City of San Diego – Supports the Strategic Plan goals for local government. Supports creation of a California Energy Efficiency Alliance and agrees with San Francisco’s earlier comments that the entity should have statewide responsibility for all strategies, including those that are beyond the utilities’ reach. Concerned about giving the utilities full credit for savings associated with market transformation activities. Concerned it could impede local government ability to reach greenhouse gas reduction targets. Need to look at rate design statewide. Right now it’s fractured and confusing. Concerned about SDG&E’s application for 2009-2011 programs; it has only an overall amount for partnerships, nothing specific. This creates uncertainty and jeopardizes ongoing programs.

California Municipal Utilities Association – Need an independent and neutral forum for considering appropriate energy efficiency goals and how to achieve them. Need to consider how the energy efficiency goals are related to AB 32 goals. Given diversity of communities in California, Strategic Plan should recognize that not all strategies will be appropriate for all entities. Concerned that the Strategic Plan has become a statewide document that could impact the public utilities. Need a better way to develop policy moving forward – the Northwest Energy Efficiency Alliance could be a good model. The Renewable Energy Transmission Initiative (RETI) is another example of an independent and neutral forum. Moving forward, process must recognize the limited resources of smaller stakeholders. The Strategic Plan has not looked at cost-effectiveness of the various strategies. Plan should identify where a goal is a stretch goal. Absolutely need to include water efficiency and the energy-water nexus. Recognize that zero net energy homes means more distributed generation, and costs to the grid. Be mindful of the cost allocation.

California Building Industry Association – For the residential sector, need to include the top two recommendations from the residential working group: existing residential buildings achieve 40% reduction in energy use by 2020, and all new homes meet or exceed Title 24 by 2011.

Community Actions Agency of San Mateo – There was not enough time or focus on the low - income section. Just focus on expanding the current LIEE program. Low-income programs must be evaluated not only on cost-effectiveness, but on reducing the hardships facing low-income households. Problem with proposal in current utility LIEE applications to install more measures where energy usage is greater, and fewer in places where usage is lower. This is contrary to the law and previous CPUC decisions.

Division of Ratepayer Advocates -- The goals from CARB and CPUC are much broader than the utilities’ purview. Need statewide coordination and collaboration in the long-term; in the short-term, can continue the work across agencies that the CPUC has initiated. Ultimately must be a statewide market transformation entity. Should consider the carbon footprint of a product’s or program’s life cycle. Strategic Plan needs to include additional issues: water-energy nexus,



transportation, Smart grid (for transmission and distribution), funding for these programs that goes beyond ratepayers. Need to include local governments on a par with other government entities and sister agencies; reconcile with CEC efforts on codes and standards. Like “whole house” approach for residential programs. This effort should be managed at State level; utilities are one conduit for conveying this message. Need to figure out solution to plug load, which is not controlled by the State. Delegate this to the statewide market transformation entity. Need to develop a cost-effectiveness criterion for low-income programs, recognizing that some of the objectives of low-income programs, and the usage patterns of the customers, are different (usage per capita is lower). Mentions County of Los Angeles as a model for commercial buildings Green Building Initiative. In industrial sector, need to emphasize that sustainability has value to businesses. Need a different plan for codes and standards led by the statewide market transformation entity. This entity also should oversee workforce education and training.

Greenlining Institute – Need a more intentional and inclusive process to engage the low-income community. Slow the process down so there can be meaningful participation. CPUC has stated there is no cost-effectiveness analysis of the Strategic Plan: this must be corrected. Will not be able to hit energy usage reduction targets if you don’t have a good strategy for engaging low-income households, which comprise one-third of State’s households. Also need to look at how to convert existing homes to be zero net energy. Consider engaging the mortgage industry in approach to low-income customers.

Ice Energy – Comments limited to the HVAC sector. Really need to focus on differentiating peak usage, and how time-of-use rates are implemented. Peak energy should be priced much higher. Consider permanent load shifting as a demand response measure.

Latino Issues Forum – Earlier versions of the Strategic Plan (prepared by the utilities) at least discussed non-energy benefits of energy efficiency programs; the current draft does not. Need to use low-income energy efficiency programs to provide workforce training and job development. Plan seems to understand leveraging with local governments, but not with low-income programs. Non-energy benefits should be an explicit goal of the Strategic Plan. Don’t disqualify low-income homes from “whole-house” programs because they have previously received “widget” programs. Need to target low-income services at large households with high energy use. Notes that Latinos in general live in larger households than the rest of the population; budgets are stretched providing food and clothing to all the members of the household. Linking the low-income program marketing to the overall energy efficiency marketing should be helpful in extending the marketing message and convincing people to participate. Need to do a better job at educating the general public about energy efficiency. Emphasis on reducing peak power is good, particularly because many peaking plants are located in low-income communities. LIF is developing a Latino Energy Plan for California.

Modesto Irrigation District – The process for developing the Strategic Plan was not accessible to smaller stakeholders like MID. Not enough staff and not enough time to adequately evaluate the draft Strategic Plan. Prior activities on the Strategic Plan were focused on the investor-owned utilities, but this draft would apply to the public utilities as well. This type of planning should be performed by an independent, neutral forum that is equally accessible to all stakeholders. CPUC



should slow down and take time to examine cost-effectiveness, implementation methodologies, and achievement measures.

National Association of Energy Services Companies – Don't defer consideration of measures for multi-family homes to later versions of the Strategic Plan. Need to quickly develop M&V for innovative third-party programs so their results can be incorporated into DEER database. Don't apply TRC constraints on third-party or innovative water-energy programs until there's a methodology in the E3 calculator for capturing their results. In the residential sector, CPUC should not expect contractors to suddenly become pro-active in promoting energy efficiency; rather, should encourage energy service companies to enter this market segment. ESCOs offer ability to market and are willing to take project development risk. In the commercial sector, NAESCO members have been offering comprehensive programs for years. Problem is that building owners aren't willing to take on multi-year paybacks. CPUC may need to look at more radical solutions, for example, heavily tiered rate design that forces energy efficiency.

Natural Resources Defense Council – Need metrics in place to determine when a technology has penetrated the market. Need utility-administered energy efficiency programs to bring the next generation of energy efficient technologies to market. Supports looking at multi-family programs in further iterations of the Strategic Plan. Supports strengthening codes and standards to include plug loads. Need comprehensive plug load programs in the commercial sector. CPUC should do more to promote program like the Home Energy Rating System, which look at building energy performance.

Santa Barbara Community Environmental Council – For medium- and high-rise commercial buildings, need to modify definition of “zero net energy” to allow for offsite renewables or other low- or zero-carbon energy sources to count toward the goal. Those buildings can't do it otherwise. Create an organization like the Northwest Energy Efficiency Alliance. Strengthen the local government section to make goals more explicit and eliminate contradictory language about adopting codes that are above Title 24. Need numerical targets in the HVAC section. Adopt a regional approach to modifying HVAC standards by working with other states and U.S. Department of Energy. During the workshop process that led to development of the Strategic Plan, SBCEC was disappointed at how hesitant local government representatives were to “even the most innocuous language” in the plan. (Perhaps he means the League?) Adopt strong, bold expectations for local governments; the plan is not binding on them. Another explicit goal for local governments should be that they adopt the Architecture 2030 challenge. Need to include transportation sector electricity and natural gas, as they will become more prominent in the future. Urge Energy Commission to take over local code enforcement if local governments can't do it.

The Utility Reform Network (TURN) – Add a chapter to the Strategic Plan that focuses on the role of customer incentives and other non-codes and standards strategies that make energy efficient appliances and equipment more affordable at the retail level. Need a more nuanced discussion of lighting market transformation in California, which recognizes that there have been changes nationally and internationally occurring that have influenced outcome in California.



Western Cooling Efficiency Center at UC Davis – Wants to be listed as a partner for all strategies that address space cooling. Also should include UC Davis Lighting Technology Center and UC Berkeley Center for the Built Environment. Need to add strategies that include partnerships between utilities, manufacturers, and customers to help emerging technologies make it to market. Need to analyze peak power (kW) impacts separately from energy (kWh) impacts and then value them at the cost to build and maintain a peaking power plant.

Utility Joint Comments – Unrealistic to set a goal of 50% of existing buildings becoming zero net energy by 2030. This is a huge challenge, much larger than any of the other goals. Because CPUC is defining zero net energy as one project, it eliminates ability to use central station renewables to offset building energy use. Do additional research first. Need more clarity about roles of other agencies and decision makers. Emphasize that grid technology upgrades and metering technology are important. On codes and standards, make clear that compliance and enforcement is responsibility of state and local governments, not the utilities. The local government chapter should describe more of the efficiency-related roles and responsibilities of local government (but these are not listed). In Marketing and Outreach chapter, need to distinguish between general marketing messages and program-specific marketing. There are some policy changes that are prerequisites to achieving the Strategic Plan goals, and they should be identified with a timeline and action plan. Specific areas of concern include the shareholder incentive mechanism, a process and goals for market transformation, changes to cost-effectiveness models. Achieving the zero net energy goals will require more money than the utilities have – need other sources. Need to work with the financial community. CPUC should continue to play a leadership role in implementation. For the future, let the utilities lead the Strategic Plan update process, then take it through a CPUC application process.

