



MEMORANDUM

To: LGSEC Members

From: Jody London, Regulatory Consultant

SUBJECT: Energy Regulators Discuss Future of Energy Efficiency

DATE: June 27, 2014

The memo provides a summary of an all-day hearing Tuesday, June 24, before the California Public Utilities Commission (“CPUC” – four out of five Commissioners), California Energy Commission (“CEC” – two out of five Commissioners), and California Independent System Operator (“ISO” – CEO/President) on “The Future of Energy Efficiency.” The agenda included a morning session of “thought leaders” talking about the role of regulatory agencies in fostering energy efficiency markets and technology. The afternoon featured the investor-owned utilities and a couple of other practitioners talking ostensibly about energy efficiency and grid reliability, but actually focusing more on what they think is needed to nurture the energy efficiency industry in California. You can see the full agenda at [Energy Future En Banc](#), as well as the webcast.

Interesting takeaways for me included:

- Widespread recognition of the gap between the majority of existing buildings and the new Title 24 building codes, and the disconnect with incentives only being available for project that help a building exceed Title 24. The Commissioners seemed to understand this (particularly CEC Commissioner Andrew McAllister), and had hopeful words for those who want opportunities to help existing buildings become more efficient. This discussion included an observation that perhaps the pendulum is swinging away from whole building approaches. The main group from which I heard concern about creating conditions that would allow more buildings to participate in energy efficiency was the CPUC Energy Division staff. CPUC Commissioner Sandoval observed that price tiers are not as relevant to most consumers as actual bill costs.

The LGSEC has formed an ad hoc task force on this issue that is working to develop possible solutions. If you would like to participate, please contact me.

- Several Commissioners, particularly CPUC President Peevey, talked about moving to a system that measures reductions in greenhouse gas emissions, rather than energy savings. Peevey suggested that perhaps it would make more sense to insulate buildings

in the Central Valley than provide low income ratepayer discounts. If insulating can both reduce bills and reduce the need to cool or heat the building, less energy would be used, thereby reducing emissions.

- There was a lot of discussion by speakers and Commissioners about identifying areas of highest load and deploying energy efficiency programs in those areas. For example, ISO CEO and President Steve Berberich suggested a focus on the Central Valley and Inland Empire, as well as water movement. There was an observation that currently all energy efficiency incentives are awarded based on measure/activity, not geography. On this topic, SCE talked about its ongoing location-based solicitations. PG&E expressed interest in trying something similar.
- There is concern about the current protocol in California for evaluation, measurement, and verification (“EM&V”). Gene Rodrigues, formerly in charge of SCE’s energy efficiency program and now a consultant, was particularly vocal about the rest of the country thinking California over-evaluates its energy efficiency programs. Rodrigues suggested that EM&V should focus more on program improvement, and less on what was good/bad. A later speaker pointed out the delays created by the current custom project review process, and how it drives customers away.
- Reliability was also a hot topic, particularly now that regulators are trying to include energy efficiency in long-term utility resource plans.
- In the afternoon, the discussion turned to use of usage data to inform programs, and whether a statewide database is a good idea. The utilities assured the regulators that they can provide the usage data, there is no need for a central clearinghouse, and also cited privacy concerns. Margie Gardner, Executive Director of the California Energy Efficiency Industry Council, countered that access by others to usage data is what will spark innovation. Commissioner McAllister also pushed back, observing that the utilities are not the only entities that can develop solutions, and advocating for aggregated monthly data. (This is a preview of the discussions that will occur starting July 2 at the CEC on AB 1103 data needs.)
- Twice during the day President Peevey expressed concern about community choice aggregators wanting to access energy efficiency funds to pad their local government budgets. MCE (Marin Clean Energy) spoke during public comment about how seriously it takes energy efficiency. Peevey indicated in a brief conversation with me after the fact that his impression was based on comments he had heard by representatives from a different CCA.
- There was much discussion about the ongoing consideration of a Rolling Portfolio for energy efficiency, moving from three year program cycles to ten year funding authorizations. Within this, there continues to be debate, which is scheduled to play

out at the CPUC later this year. Pete Skala, a branch chief in the CPUC Energy Division, pointed out that shorter portfolio cycles help limit risk. He also discussed the potential for a Rolling Portfolio to create a heavier workload for regulators. Skala thinks about the avoided cost tests as measuring both the avoided commodity cost and the avoided cost of infrastructure investment, with roughly 70% of the savings coming from avoided commodity costs, and the remainder from avoided infrastructure costs. He agreed that locational targeting of programs is worth exploring, although may create equity issues. He also agreed it is worth looking at solutions to the challenge of defining baseline/only offering incentives for projects that exceed Title 24, noting that this would change the benefits calculation, and potentially create an additional mandate for utilities to do more, which could in turn create rate shock.

Please contact me with any questions or comments. If you would like to see my unedited notes from the day, please let me know.