Local Government SUSTAINABLE ENERGY Coalition

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MEMORANDUM

To: LGSEC Energy Efficiency Committee

From: Jody London and Nathan Wyeth, Regulatory Consultants

SUBJECT: Reply Comments on Energy Efficiency Proposed Decision

DATE: October 25, 2014

This memo summarizes Reply Comments submitted October 13 on the Proposed Decision regarding 2015 Energy Efficiency Programs and Budgets. We realize that the final Decision 14-10-046 was adopted on October 16. This summary is provided to help you track parties' positions and whether/how they were addressed by the CPUC.

Overview of Parties' Comments

1. Pacific Gas & Electric ("PG&E")
2. Cal-Ucons
3. California Energy Efficiency Industry Council ("CEEIC")
4. Energy Producers and Users Coalition ("EPUC")
5. San Diego Gas & Electric ("SDG&E")
6. First Fuel
7. The Utility Reform Network ("TURN")
8. Southern California Edison ("SCE")
9. Natural Resources Defense Council ("NRDC")
10. Office of the Ratepayer Advocate ("ORA")
11. SoCalGas ("SCG")
12. BayREN
13. SoCalREN
14. Marin Clean Energy ("MCE")
15. Local Government Sustainable Energy Coalition ("LGSEC")

Reply comments cover a wide range of specific and general topics. A small number of common themes emerged:

- All commenters that addressed ORA's suggestion for month-to-month funding opposed it strongly.
- A number of additional commenters that had not addressed pilots clarified that they also supported the approval of pilots and general encouragement of new programs.

- There is continued back and forth around baseline issues, including whether it is appropriate to utilize working groups to begin examining this, as they are limited-participation groups (a point raised by TURN).
- IOUs generally expressed support for proposals made in opening comments by other IOUs but that they had not specifically address previously.

SUMMARY OF INDIVIDUAL PARTIES' COMMENTS

1) PG&E

PG&E says that "the [Local Government Sustainable Energy Coalition]'s request for PG&E to be ordered to implement a robust partner engagement process does not adequately recognize PG&E's current process." PG&E says its Local Government Partnership program already does this.

Agrees with the Proposed Decision ("PD") that for Marin Clean Energy ("MCE"), additional funds for marketing should come from unspent funds or shift funds to cover needs, rather than an increased budget. Suggests budget increases should be addressed in Phase II for all administrators.

CSE requested additional support for local government enforcement of codes and standards. PG&E says this should be denied as it is already provided for in the Codes and Standards Compliance Improvement subprogram. Code enforcement should not be funded by ratepayers through EE programs.

Urges Commission to reject ORA suggestion to limit funding to 2015 rather than a long-term funding mechanism. Commission should use prerogative to address this earlier than Phase II; decision can be revised later so "no harm" in addressing now. PG&E suggests ORA's concern about unspent funding should be addressed in Phase II.

Agrees with NRDC that statements about historical IOU energy savings failures is unsupported and should be deleted.

Suggests NRDC's proposal on water bill savings should stay with Rulemaking 13-12-011.

TURN proposes returning unspent funds but PG&E agrees with SCG that such a return should not reduce 2015 budgets. PG&E believes procedure to return unspent funds should be decided in Phase II.

Urges Commission to reject TURN proposal to limit compact fluorescent (CFL) savings counted towards GWh savings. Suggests setting a target rather than a goal and a much higher target (20% minimum).

Commission should deny EPUC request for EE incentives on bottoming-cycle CHP. This is distributed generation and should not be included in energy efficiency ("EE").

Commission should not follow the Center for Sustainable Energy ("CSE") proposal to transition MASH and SASH programs into Integrated Demand-Side Manangement ("IDSM") from EE. MASH and SASH are not part of the EE portfolio.

2) Cal-Ucons

Seconds the Local Government Sustainable Energy Coalition ("LGSEC") that Proposed Finding of Fact 76 should be clarified; already launched pilot should be allowed to proceed.

Suggest Commission clarifies that all investor owned utilities ("IOUs") are allowed to conduct pilots.

Concurs with the National Association of Energy Service Companies ("NAESCO") that ratepayers should expect more new programs. Use EM&V funds to do this.

3) CEEIC

Reiterates support for long-term EE funding. Disagrees with ORA that nobody asked for long term funding.

Agrees with NRDC comments on baseline and want final PD to support prior Commission orders that there is "no presumption one way or another on whether to use an early replacement baseline or a new equipment baseline." Agree with NRDC that Appendix I is inconsistent with prior rulings on this count and should be revised. This should be further reviewed in Phase II.

Support IOUs undertaking new programs in 2015 budgets and customer decision-based approaches for 2016.

4) EPUC

Suggests that the PD should address combined heat and power ("CHP") as narrowly as possible in Phase I, in contrast to PG&E's suggestion, and address broader policy issues in Phase III.

5) SDG&E

Reiterates request for approval of IDSM and Energy Marketplace pilots, despite no use of EE funds.

SDG&E urges the Commission to reject ORA's proposed return to month-to-month bridge funding.

Finds TURN's suggestion for a year-end compliance filing to be redundant on top of already-complex financial filings. No new requirements should be added until the Commission can fully evaluate its information needs.

Supports PG&E, SCG, and SCE proposal to make change to Home Upgrade program for SoCalREN available to all program administrators.

Opposes CSE proposal for MASH and SASH to be included in IDSM offerings, saying this should be addressed in R. 14-10-003.

Notes that its own request for a $50 customer charge for HVAC assessment was erroneous and has withdrawn it. This is in relation to TURN's request that it be denied.

6) First Fuel

First Fuel agrees with PG&E that the 2015 Goals and Potential Study should incorporate existing conditions baseline savings potential when developing 2016-19 EE goals.

7) TURN

TURN disputes some of NRDC's assessments of baseline savings counting, but agrees with PG&E that if the Commission gives Program Administrators ("PAs") credit for savings below code for Prop 39 projects, these savings should be backed out of the Codes and Standards program to avoid double counting.

Supports PD decision on Prop 39 application requirements, opposing PG&E and SCE's suggestion that it should be possible to submit paperwork after project completion. TURN supports SCG's suggestion for an info-sharing mechanism between the California Energy Commission/Chancellor's office, the Commission and PAs to facilitate timely updates regarding approved Prop 39 expenditure plans.

TURN opposes SCG's proposal to use the Technical Collaboration Group to develop an alternative baselines proposal because it is a limited-participation group.

Supports PG&E's proposal to address Energy Upgrade California incremental costs through the EM&V work plan.

TURN opposes PG&E and SDG&E proposals to fold Lighting programs into Residential programs. More evidence is required to show that shifting funds in this way is warranted.

TURN agrees with PG&E that the PD should reflect costs associated with EE employee benefits.

Finally, TURN suggests modifying PG&E's proposal for Ordering Paragraph 20, to require that unspent pre-2013 funds are used to offset new revenue requirements. While ORA suggests smaller budgets to protect ratepayers from paying into accounts that go unspent, TURN concurs with Cal-Ucons that new programs would be "more exciting for California."

8) SCE

SCE agrees with LGSEC that the PD should be modified to authorize the continuation of pilots, and suggests modifying Finding of Fact 76 to authorize remaining 2013-14 pilot funds and a budget of $750,000 for administrative oversight.

SCE opposes TURN's suggestion to cap CFL savings at 5% of savings, saying that is inconsistent with code. SCE maintains that what's appropriate is to support cost-effective CFL measures while reducing installations by 5% per year.

SCE supports PG&E's suggestion on making language regarding Effective Useful Life more precise.

SCE also supports the PD's decision not to provide EE incentives to CHP, as suggested by EPUC.

9) NRDC

NRDC supports BayREN's request for funding for its compliance programs.

NRDC supports SoCalGas's request that its full budget be approved, based on corrections of the DINI cost percentages that had been used to reduce their budget. Furthermore, unspent funds should back out additional collection of new funds but should not be used as evidence to reduce budgets.

NRDC opposes ORA's suggestion to push off long-term funding consistency.

Notes that the PD would not preclude MCE from seeking a funding modification as needed, as allowed in the PD (p. 156). Because this may be a concern of many PAs, they suggest scoping Phase II to include allowing PAs to propose adjusted budgets as they transition to a Rolling Portfolio approach.

NRDC disagrees with ORA that changing the baseline would result in paying customers to do things they would do anyway. They focus on enabling schools to use Prop 39 in tandem with funds from ratepayers to comprehensively bring buildings and/or systems up and beyond code.

Supports PG&E and SCG suggestions that weighted average cost of capital should be used in all programs, not only locational efficiency programs.

Finally, NRDC supports CSE and MCE in bringing discussion of code baseline issues forward to Phase II, and supports SCE in suggesting leveraging existing working groups to begin addressing these questions.

10) ORA

ORA agrees with LGSEC, CEEIC, PG&E, and SCG that the Commission must "gather the necessary empirical data before making changes to the Commission's current baseline estimates.

It also supports TURN in suggesting that unspent funds offset 2015 revenue requirements, and that this should reach back to before 2013-14 funds by resolving outstanding accounting issues promptly.

ORA suggests using 2015 EM&V funds to conduct research on baselines in preparation for Phase III. It suggest PAs should research code compliance for specific regions, buildings and technologies, while adhering to guidelines set by the Commission to ensure high quality research and supplementing rather than replicating existing efforts such as those that BayREN has under way.

11) SCG

SCG reiterates that the Commission should fund its full requested budget.

SCG also supports TURN's proposal that PA's utilize unspent and uncommitted funds, as is long-standing practice, and opposes ORA's suggest that month-to-month funding be adopted.

SCG agrees with other IOUs that PD language creating a cap on incentive funding relating to Prop 39 should be removed, and suggests the PD be amended to clarify that alternate baselines be allowed for Prop 39 projects. SCG supports SCE's recommendation for clarification on expedited review of custom projects.

12) BayREN

BayREN joins IOUs in requesting that changes to Home Upgrade requirements for SoCalREN be allowed for all Home Upgrade implementers.

It supports SCG and SCE's request that a letter of notification rather than an Advice Letter serve to update the Commission on executing an agreement with SoCalREN and suggests the same be applied to PG&E's contract with BayREN.

BayREN urges the Commission to disregard comments by NAESCO, which it says are unsupported by facts.

13) SoCalREN

SoCalREN supports SCG and SCE request that a notification letter suffice in terms of confirming to the Commission that a new contract has been concluded with SoCalREN.

14) MCE

MCE reiterates it concern with use of 2015 as a "year zero" for budgeting in a Rolling Portfolio cycle, but opposes ORA's suggestion for month-to-month budgeting. MCE reiterates a bridge funding time frame for the next one to two years.

MCE also notes support for changes to Home Upgrade standards for SoCalREN to apply statewide.

MCE agrees with CSE on the need to accelerate baseline discussions to Phase II and enable local government participation in Codes and Standards work, and agrees with NRDC's suggestion to include water rates in the E3 calculator.

MCE seeks to clarify that in its comments on eligibility of RENs for gas funding, SCG errs in suggesting that MCE is an REN.

15) LGSEC

LGSEC urges the Commission to disregard ORA's suggestions on month-to-month funding of EE programs.

Agrees with suggestions from MCE regarding topics the Commission should tackle in Phase II, including enabling non-IOU PAs to evolve their program offerings and clarifying what constitutes "encumbered" and "committed" funds. It also supports comments that baseline questions should be addressed in Phase II.

The LGSEC supports CSE's comment that local governments receive additional support for enforcement of codes.