



July 30, 2013

Commissioner Mark Ferron
 California Public Utilities Commission
 505 Van Ness Avenue
 San Francisco, CA 94102

Re: Recommended Priorities for the Post-2014 Energy Efficiency Rulemaking

Dear Commissioner Ferron:

The Natural Resources Defense Council (NRDC), The Utility Reform Network (TURN), BKi, Brightline Defense Project, Build it Green, Building Performance Institute, California Construction Industry Labor Management Cooperation Trust, The California Energy Efficiency Industry Council, Ecology Action, Efficiency First California, Environmental Health Coalition, Global Green USA, Greenlining Institute, Local Government Sustainable Energy Coalition, National Association of Energy Services Companies, OPOWER, Pacific Gas & Electric, San Diego Gas & Electric, Southern California Edison, Southern California Gas Company (“Joint Parties”) join together to provide recommendations for the Commission to prioritize in the forthcoming Order Instituting Rulemaking (OIR) regarding post-2014 energy efficiency policy and programs.¹ Our goal is to help ensure that California fully captures all cost-effective energy efficiency to reduce customer bills, create a more efficient power system, support a strong efficiency industry offering widespread economic opportunities and benefits, and achieve the state’s ambitious climate and other environmental goals.

Meeting the state’s economic and environmental goals requires a dramatic scale-up of energy efficiency. The Commission has established bold policy goals, which require new approaches to advance efficiency. The Joint Parties support these goals, and our recommendations aim to further the Commission’s efforts to advance energy efficiency.

As explained below, we recommend that the Commission focus its resources on strategic priority issues, high-level portfolio development and implementation guidance, and increasing transparency while fostering dynamic and inclusive collaboration, creativity, and innovation among stakeholders in carrying out Commission policies and directives. Focusing on these issue areas could help reduce workload for Commission Staff, lessen contention among stakeholders, and enable more resources to be allocated to ensure strong program implementation and improved outcomes.

The Joint Parties’ urge you to prioritize the following four issues in the new Rulemaking:

- Providing consistency in the market for consumers and other market actors and an opportunity for continuous program improvement by establishing a *Rolling Program Cycle* approach to long-term planning and implementation.

A rolling cycle that provides long-term funding for efficiency programs will support a robust efficiency industry and enable the state to rely on efficiency as a resource in procurement processes, increase

¹ While we are in broad agreement on these priorities, each organization will continue to advocate for individual implementation strategies, seeking consensus when possible.

flexibility to optimize program implementation, and make the regulatory process more efficient. The Joint Parties suggest the following items be considered in the OIR as key components of a rolling cycle: (a) long-term funding authorization (e.g., 10 years) with periodic updates; (b) a collaborative approach to planning and implementation; (c) a system for updating, modifying, ending, or adding programs in light of refinements in policy or as new information becomes available; (d) a schedule for assessing portfolio design regarding market segments or technology types; and (e) regular opportunities for additional third parties to bid into the portfolio as market conditions dictate, rather than only following the regulatory schedule.

- Maximizing cost-effective efficiency and expanding opportunities to capture efficiency potential.

The OIR should include in the scope a consideration of how best to establish, continue, and/or improve upon current processes to: (a) ensure assumptions and methodologies accurately assess the costs and benefits of programs to support Commission long-term goals; (b) modify the current approach to determining efficiency potential to support new program approaches; (c) provide regular opportunities for a broad range of energy efficiency providers; (d) explore how to improve the quality of installation and maintenance through contractor selection, credentials and certification, worker qualifications, linking workforce training programs with efficiency career opportunities, and other strategies (e.g., improved data collection, targeted programs to low-to-moderate-income customers, availability of financing for underserved segments); and (e) optimize integrated demand-side management (DSM) strategies to better assist customers of all incomes in taking advantage of demand side opportunities. We appreciate the Commission's current efforts to address many of these challenges, and we believe these issues require continued and/or renewed attention in the new Rulemaking.

- Relying on energy efficiency in planning by improving confidence in energy-saving estimates and targeting constrained areas.

Ensuring that savings estimates are reliable is critical to enable stronger integration of efficiency into procurement planning, as well as distribution and transmission infrastructure planning. In addition, determining key system constraints (location and timing) and strategically designing efficiency programs to relieve these constraints would enhance the economic and environmental benefits of efficiency. As such, the Joint Parties recommend that the scope of the OIR address how the Commission and stakeholders can best: (a) build confidence in energy-saving estimates, including through the EM&V process improvements discussed below; (b) target efficiency programs to relieve system and local constraints; (c) integrate location specific avoided costs in DSM planning; and (d) improve the integration of efficiency into generation, distribution and transmission planning to ensure the most cost-effective investment decisions.

- Improving upon the existing EM&V process by prioritizing evaluations that best support Commission long-term goals and improving the timeliness and transparency of results.

To improve the timeliness and value of EM&V results for informing mid-cycle modifications and supporting a rolling cycle approach, we recommend that the scope of the OIR address how the Commission and stakeholders can best: (a) ensure evaluations address strategic data needs for efficiency program design and long-term planning processes; (b) implement a rolling evaluation approach that complements program planning, implementation, and reporting; (c) focus data collection in the field to improve the quality of engineering estimates; (d) identify data needs to enable geographic targeting of efficiency; (e) increase the transparency of the EM&V decision-making process; and (f) allow for meaningful stakeholder input throughout the EM&V process in a manner that would enable diverse and non-traditional stakeholders of all sizes to participate. The Joint Parties appreciate the current processes to address these matters but believe continued attention is warranted.

We appreciate your attention to these critical issues. We look forward to working with you, Commission staff, and stakeholders to further advance these principles and develop concrete proposals and directives that will help ensure California captures all cost-effective energy efficiency to reduce customer bills, support a strong efficiency industry, further improve our power system, and achieve the state's ambitious climate and other environmental goals.

Sincerely,

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