

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Application of Pacific Gas and Electric
Company for Approval of 2013-2014
Energy Efficiency Programs and Budget
(U39M)

Application No.12-07-001
(Filed July 2, 2012)

Application No. A.12-07-002

Application No. A.12-07-003

Application No. A.12-07-004

And Related Matters

**PROTEST OF
THE DIVISION OF RATEPAYER ADVOCATES**

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I. INTRODUCTION

Pursuant to Rule 2.6 of the California Public Utilities Commission's (Commission) Rules of Practice and Procedure, The Division of Ratepayer Advocates (DRA) hereby files its Protest to the to Applications of Pacific Gas and Electric Company, A.12-07-001 (PG&E); San Diego Gas & Electric Company, A.12-07-002 (SDG&E), Southern California Gas Company, A.12-07-003 (SoCalGas); and Southern California Edison Company, A.12-07-004 (SCE) (collectively referred to as the Investor Owned Utilities or IOUs). These Applications seek approval of their Energy Efficiency programs and budgets for the Program Years (PY) 2012-2014, as ordered by Commission Decision D.12-05-015.¹

¹ The Administrative Law Judge has consolidated the Applications.

This Protest includes a response to the related Motions of the San Francisco Bay Regional Energy Network (BAY REN) and the Southern California Regional Energy Network (SoCal REN). The Applications were filed on July 2, 2012 and the Motions were filed on July 16, 2012. DRA reserves the right to comment on Marin Energy Authority's Motion later in this proceeding.

II. DISCUSSION

A. Burden of Proof

The Applicant must meet the burden of proving that the application is reasonable and that it is entitled to the relief it is seeking.² Applicants, therefore, carry the burden to demonstrate the reasonableness of each aspect of their Applications.

B. DRA Supports the IOUs' Proposed Collaborative Framework for Whole House Market Transformation Except for the Treatment of Labor Costs

The IOUs propose a collaborative framework to advance whole house market transformation. This proposal is consistent with the requirement in D.12-05-015 that programs that embrace comprehensive retrofit strategies are to be a hallmark of the 2013-2014 portfolios.³ The IOUs' framework includes three key elements. An outside consultant would first be hired by the utilities to redesign the program and to develop program cost effectiveness, evaluation, and measurement methodologies. A process would then be employed to secure input from market participants and other stakeholders. Finally, an advisory group, comprised of non-market, non-financially interested stakeholders, would be established to facilitate the sharing of confidential and market-sensitive information. Forming such a group would allow candid discussions (especially related to market characterization assessments) and greater understanding of program

² Opinion on Southern California Edison Company's Test Year 2006 General Rate Case Increase Request (2006) D.06-05-016, p. 7.

³ D.12-05-015, p. 20.

strategy and design (i.e., targeted market intervention to remove or mitigate barriers).⁴ This type of advisory group is already employed by the Commission as an element of its regulatory framework for utility supply side procurement.⁵

DRA, NRDC, and the utilities worked together to develop this collaborative framework, but were not able to formalize an agreement before the IOU applications were due. DRA believes the success of this framework will depend on the following factors:

Market Transformation Consultant - It is critical that the utilities hire a firm that devotes all of its focus, resources, and organization exclusively to designing, implementing, measuring, evaluating, and improving market transformation programs in energy efficiency. Additionally, this firm already should have an established, time-tested, and proven market transformation program design methodology as well as an evaluation, measurement and verification methodology that it can leverage for this effort. For example, one such organization is the Northwest Energy Efficiency Alliance (NEEA).⁶ NEEA's sole mission is to advance market transformation. Its national reputation, and well known ability to cultivate and establish collaborative relationships with utilities, market participants, and other stakeholders would provide the Commission with greater confidence that the proposed collaborative framework will have a higher probability of success.

Institutional Support for Innovation - Whole house market transformation may be the most difficult initiative in energy efficiency. It requires a firm commitment to a disciplined approach to innovation and a necessarily iterative process that includes failures along the way. But with setbacks come discoveries and increased knowledge that

⁴ DRA also suggested the establishment of a non-market participant advisory group (similar to that established for utility supply side procurement [the 'Procurement Review Group']) in its comments to the market indicators workshop. See, R.09-11-014, DRA's Comments on the November 7, 2011 Market Transformation Indicators Workshops, November 21, 2011, p. 7, which can be found at: <http://docs.cpuc.ca.gov/efile/CM/154061.pdf>.

⁵ For example, see: D.02-08-071, pp. 24-25, D.03-12-062, pp. 44-48, and D.07-12-052, pp. 119-126.

⁶ <http://neea.org/>.

result in solutions. DRA hopes the proposed collaborative framework for whole house market transformation will facilitate an adaptive process that can more easily and rapidly accommodate adjustments in program strategies, approaches, and designs, that can be applied to the utilities' whole house programs. This requires a commitment to such an adaptive process by the utilities, which are the program administrators of their whole house program, by market participants that have contracts with utilities, by other stakeholders, and by the Commission. Recognizing that the Commission must preserve its oversight role and still accommodate this adaptive process, the Commission should require the utilities to file a Tier 2 Advice Letter to seek approval in the whole house market transformation program to: (1) change the cost effectiveness methodology, (2) implement a significant change in program redesign, and (3) increase the budget for the program. At the end of the transition period, the Commission can assess whether this collaborative framework should continue and, if so, what changes if any are necessary to improve its effectiveness.

Clear Accountability - As program administrators the utilities should be singularly accountable for whole house market transformation program outcomes. Prescriptive regulatory oversight of program strategy, design and implementation could confuse accountability. It would be preferable, therefore, for the Commission to focus on establishing the desired program outcomes for whole house market transformation and to provide the program administrators with the discretion and flexibility to develop (and change/adjust) the program strategy, design and implementation to meet the desired program outcomes under the guidance of a trusted market transformation expert. In the proposed collaborative framework, the utilities would seek input from market participants and other stakeholders. Additionally, the utilities, as program administrators, would seek input from an advisory group comprised of the Commission's Energy Division, DRA, TURN, NRDC, and other non-market participant, non-financially interested organizations. While input and advice from a broad spectrum of stakeholders is provided, it should be clear that program decisions rest with the utilities. They would be

the single point of accountability for meeting the desired program outcomes established by the Commission for whole house market transformation.

Financing - Not many households can afford to pay for whole house energy upgrades without financing. As the Commission already recognizes, it is necessary to leverage ratepayer capital with the vast resources that can be provided by the financial industry. Therefore, financing is a critical element and should be included in the proposed collaborative framework for whole house market transformation.

C. Issues Identified

The Commission's Decision D.12-05-015, spanning over 500 pages and 171 Ordering Paragraphs and incorporating the feedback of dozens of parties, included extensive requirements for the Utilities and Local Governments in filing their plans for the 2013-2014 energy efficiency transition cycle. DRA appreciates the volume of work produced and the tight time constraints IOUs and local governments worked within to produce their respective applications and motions, consolidated under A.12-07-001, that address the Decision's wide spanning requirements. DRA notes, however, that the resulting applications, motions and supporting documents are in some respects vague and scattered. The program proposals within these documents did not, in many cases, provide sufficient support for the estimated savings claims at the funding levels requested. [DRA provides evidence of this in several program areas further in this protest, including in Codes and Standards, Integrated Demand Side Management (IDSM), and Water Energy Nexus] This poses a serious challenge to DRA, its fellow stakeholders and the Commission. The task at hand is to determine how much of an incomplete, unsubstantiated picture can and should stakeholders and ratepayer investors in energy efficiency live with, to identify a list of issues that require further exploration, substantiation and improvement, and what part of these proposals should be eliminated altogether. DRA is clear about one path, which it helped develop; the need for a collaborative framework to advance an expert-led whole house market transformation as described in Section B. above. For the remaining parts of the consolidated applications, DRA has identified preliminary questions and issues listed below. It is evident that the

scope of the Applications is broad in that it covers all areas of energy efficiency. DRA may identify more issues through discovery or further analysis as the proceeding progresses.

The preliminary list of issues falls into the following two categories.

Broad Multi-Program or Portfolio-Wide Issues

1. Budget, savings, and Total Resource Cost (TRC);
2. Allocation of Unspent Funds;
3. EM&V and spillover effects;
4. Whole House Programs;

Program-Specific Issues

5. Custom Projects alternative;
6. Codes and Standards;
7. Water Energy Nexus programs; and,
8. IDSM.

These are discussed in more detail below.

1. Budget, Savings, and TRC

a) Recommendation

DRA recommends that the scope of the proceeding:

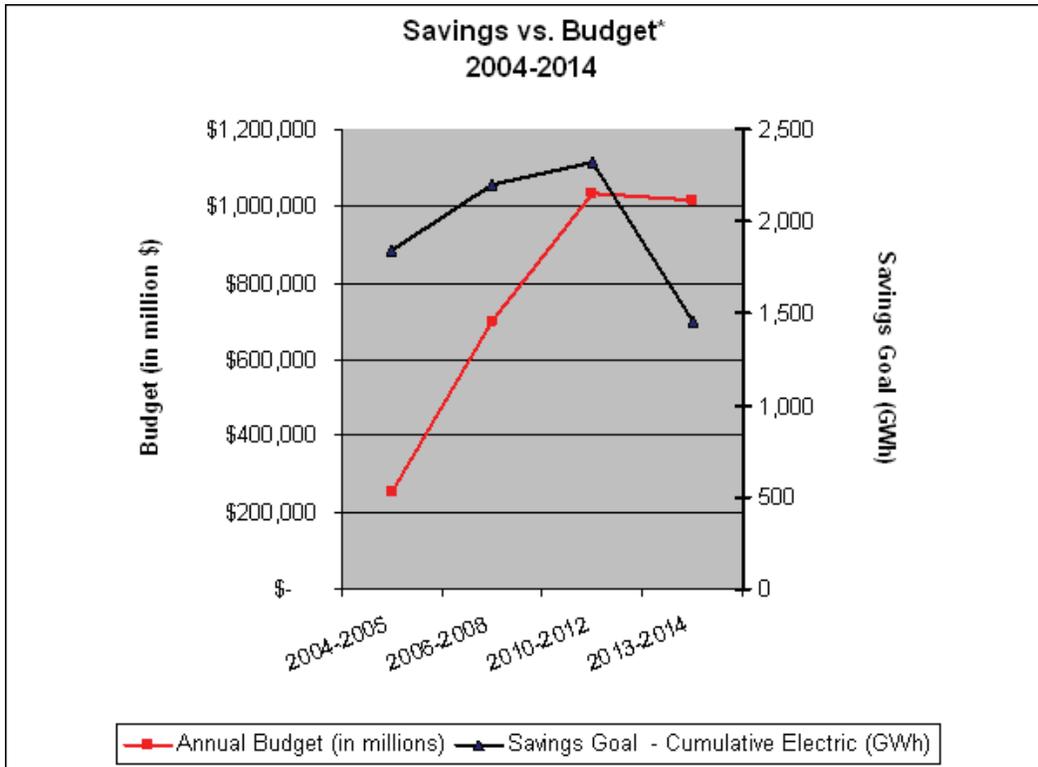
- Consider whether it is appropriate for Utility-requested budgets to continue at near-current levels given declining savings levels; and,
- Determine how to increase savings and reduce costs as a means of achieving cost-effective energy demand reductions via energy efficiency rather than simply changing the metrics of calculating cost effectiveness.

b) Background and Support

DRA is concerned that the IOUs' proposals are may not actually be more cost effective, but rather tinker, often at the direction of the Commission, with numbers such that the program appears cost effective. Examples of this kind of tinkering include the use of different cost tests (such as the Program Administrator Cost Test), adding spillover effects estimates that are not derived from programs in the portfolio, and leaving out

labor costs in whole house programming.⁷ The table below illustrates the diminishing returns, or diminishing cost effectiveness, of the energy efficiency portfolio budgets since 2004. This table compares and generally trajectory of energy savings goals (GWh) 2004 and their associated budgets, between 2004 and 2012.

Table 1



*Annualized by program cycle
 Source: p. 4 of D.08-07-047 referencing D.04-09-060, Energy Division 2006-2008 EE Evaluation Report, D.09-09-047, Navigant Potential Study 2013 and Beyond update and IOU 2013-2014 energy efficiency applications.

2. Allocation of Unspent Funds

a) Recommendations

DRA recommends that the Commission determine in this proceeding how to fairly allocate the over \$315 million in unspent funds from previous cycles and the current cycle and what part of these unspent monies should be used to offset 2013-2014 program costs. This determination includes:

⁷ Spillover is a market effect where a non-participant adopts energy efficiency measures because s/he is influenced by program-related information and marketing efforts.

- how to harmonize of the Ordering Paragraphs (OP) in D.11-10-014 and D.12-05-015 and transparency on the status of all unspent funds;
- resolution of D.11-10-014, OP #5 (orders Utilities to file a list of all of their gas Public Purpose Programs in rank Total Resource Cost order) and OP #8 (orders utilities to conduct an audit of the unspent funds listed in rows 3-5 of Table 1 above) for purposes of transparency in vetting the Utilities’ consolidated applications of this proceeding; and,
- how to allocate unspent funds towards program funding is just and reasonable to utility consumers.

b) Background and Support

The IOUs and Local Governments (LG) RENs have submitted their proposals for the allocation of unspent funds from prior and the current cycles. As a result of SB 87 and the ensuing controversy around the State’s attempted transfer of the Gas Public Purpose Program surcharges to General Fund, there are EE funds that have been collected from ratepayers from the current cycle that are neither being spent nor refunded.⁸ Further, the status of *other* unspent funds (see table below) that were authorized for the prior program cycle (D.11-10-014) to make up for the loss of the PPP remains unclear. This is a sizable amount collected from ratepayers; up to and above \$315 million. This is the case, despite the fact that it is clear that some of these transfers are not needed (see, for example, high levels of unspent gas funds in the SoCalGas Gas EE program in the table below).

Table 2

⁸ For example, PG&E Prepared Testimony, Chapter 6-E, p. 6-5.

**Estimated Summary of IOU Available Funds
(million \$)**

		PG&E	SDG&E	SCG	Total
1	Forecast Gas PPP Collections and Budget for FY2011/2012	\$89.9	\$20.7	\$66.0	\$176.5
2	Pro Rata Reductions if SB 87 Transfer Occurs	\$63.55	\$15.5	\$75.95	\$155.0
3	Pre-2010 Uncommitted, Unspent, Available Funds:				
	• Gas	\$ 7.2	\$6.9	\$28.1	
	• Electric	\$47.9	\$14.6		
4	Pre-2010 EM&V	\$ 13.5	\$4.3	\$3.2	
5	Estimated June 30, 2011 Underspent Gas EE Funds for 2010-12 Portfolio	\$(1.8)	\$0.7	\$53.9	
6	Total Available (lines 3,4,5)	\$66.8	\$26.5	\$85.2	
7	Net Expected Surplus or (Shortfall) (line 6-line 2)	\$3.25	\$11.0	\$9.25	

Source: from D.11-10-014.

3. Ex-ante values, EM&V and Spillover Effects

a) Ex ante values for the 2013-2014 cycle planning

DRA believes the Evaluation, Measurement and Verification (EM&V) process can and should be improved to produce timely results that are useful to both the evaluation of energy efficiency programs and the procurement planning proceedings. Further, while the Commission's Guidance Decision invites the IOUs to develop spillover estimates in their portfolios applications, the Commission should refrain from accepting these alternative methodologies without first vetting them in this proceeding. DRA expands on these recommendations below.

b) Evaluation, Measurement and Verification of the 2013-2014 Programs

i) Recommendations

DRA recommends that the scope of this proceeding include the development of an Evaluation, Measurement and Verification (EM&V) Plan addressing, among other things:

- A process for improving Evaluation, Measurement and Verification (EM&V) approaches such that the resulting energy savings/demand reduction determinations can be reliably used for demand forecasting at the California Energy Commission, in the Commission’s Long Term Procurement Planning and Resource Adequacy proceedings, in the CAISO’s Transmission Planning Process, and in the utilities’ overall supply side procurement practices.
- How to utilize AMI and billing data so that evaluations can be used as geographic inputs to long term procurement planning for both system and local capacity requirements, and resource adequacy determinations.

ii) Background

With regard to the EM&V of the 2013-2014 portfolio cycle, the IOUs do not include in their applications a detailed EM&V Plan.⁹ Ordering Paragraphs 154 through 156 direct the Utilities and Commission Staff to collaboratively gathering information for evaluation to be used for refining and improving programs and portfolio design “on an on-going basis” (OP #156). This information is to be made available to stakeholders as it becomes available.

c) Spillover Proxy Estimations

i) Recommendations

DRA recommends that the proceeding make public any Energy Division analysis on utility spillover estimates and further requests that the scope of this proceeding examine whether the IOU’s calculation of spillover effects:

- is an adequate proxy for actual spillover effects;
- adequately addresses Energy Division analysis and concerns listed in Attachment A; and,

² PG&E Testimony, Chapter 5, p. 5-1.

- should be considered only in tandem with a concrete plan for measuring actual spillover effects in California from this point onward.

On the last point, DRA urges that at the very least, baselines for spillover effects be a priority for the “detailed assessment of the type and amount of measurement and evaluation needed to support future spillover estimates” that will be developed by Energy Division and IOU EM&V staff.¹⁰

ii) Background

With regard to spillover effects, D.12-05-014, the Decision allows utilities to present for the Commission’s consideration estimates of spillover that may result from the proposed programmatic activities for inclusion in the IOUs’ projections for 2013-2014 portfolio cost-effectiveness. A description of types of spillover is provided in Section 20, p. 362 of the Decision. The Decision indicates uncertainty that spillover impacts can be projected for the 2013-2014 portfolio cycle in its statement that IOUs *may be able* to reasonably quantify these impacts (p. 363) (emphasis added). Although IOUs presented estimates of spillover, or a spillover proxy (since actual program spillover has not been calculated), initial pre-application estimates of were questioned by Energy Division experts (see Attachment A). Energy Division’s review of Utility spillover proxies recognized the lack of compatibility of spillover estimates to the design of the TRC calculations. On a measure and measure-group-specific level, the review calls into question the fundamental logic of the methodologies used in all four sectors (residential, commercial, industrial, and agriculture) and the relevance of the data inputs used. For example, it noted that Energy Upgrade California was under-subscribed despite a high degree of marketing and outreach in this program area. It highlighted key missing inputs and a lack of distinction between concurrent versus causal non-program savings. Further, the review cites issues of double counting where spillover is already captured in the program EM&V (e.g. upstream lighting) or as part of Codes and Standards (e.g. Residential New Construction) or in cases where Commission decisions have elevated

¹⁰ PG&E, Appendix, A.2, p.5.

the Net-to-Gross ratios of programs beyond the levels determined via evaluation (e.g., Energy Upgrade California, lighting), resulting in TRCs that reflect savings that more than capture the total market effect.

A second issue with regard to IOU spillover proxies relates to the execution of the Commission's direction that utility proposals should be vetted with stakeholders prior to the applications'. DRA notes that spillover effects are extremely complex EM&V issues requiring the review of numerous-sourced data inputs across program years that require processing and standardization. Stakeholders do not have the adequate resources and did not have adequate time to fulfill the function of "vetting" IOU spillover proposals in a meaningful manner. Most stakeholders did not have access to the Energy Division's review of IOU spillover estimates that provide key insights to Utility calculations [see Attachment A.

4. Whole House Program

a) Recommendations

To adequately leverage the potential of this program, the Commission should require All Whole Home Upgrade Program (WHUP) and FlexPath/FlexPackage Program implementers to collect and report post-treatment measurements from billing data (along with possible support from data received from smart meters) consistent with the guidelines given the IOUs in Public Utilities Code Section 8380 (e)(1) and currently being examined in Rulemaking (R.)08-12-009 and A.12-03-002. Towards this end, the Commission should develop a protocol for the sharing of this data with LG RENs for customers who receive FlexPath/Flex Package incentives.

b) Background

The residential whole building retrofit programs are a unique program area that provides multifaceted opportunities for energy efficiency innovation and development. These programs exemplify the challenge of achieving cost effective savings in long-lasting deeper savings initiatives. They also provide an opportunity for absolute consumption reductions as prescribed in the Energy Efficiency Strategic Plan and Energy

Action Plan. Finally, they allow for the use of billing and smart meter technology to provide empirically verified or *real* consumption impacts that can be used for geographically targeted efficiency program planning.

Commission Decision D.12-05-015 recognizes this sector's importance:

We expect programs that embrace comprehensive retrofit strategies to be a hallmark of the 2013-2014 portfolios. The Strategic Plan sets bold retrofit targets for the existing building stock, including (a) 40% consumption reduction in residential dwellings by 2020 These goals will require immediate action to drastically increase the uptake and scale of deep retrofit projects across the building sector. The 2010-2012 portfolios made notable steps towards this undertaking, but more needs to be done to expand deep retrofit programs in multifamily and non-residential buildings, streamline program designs, address cost-effectiveness issues, and incorporate financing into retrofit project transactions.¹¹

DRA believes that the goal of residential consumption reduction is better achieved with the use of pre- and post- billing data that could convey absolute consumption changes. Absolute consumption data has a stronger applicability and linkage to demand forecasting and procurement planning than does the current method. The EM&V protocols that are currently being used and expected by the IOUs and LG RENS, i.e., deemed savings estimates, convey a partial picture about a building's total energy demand reduction and are of little use as inputs to procurement planning.¹²

5. Custom Measures and Projects Alternative Scenario

a) Recommendations

While DRA agrees with the stated intentions for the Utilities Alternative Custom Project review – to enhance the Custom Program and customer experiences through

¹¹ D.12-05-015, pp. 20-21.

¹² Reduced procurement is the biggest component of the assumed avoided cost of energy efficiency. The veracity of avoided cost estimates could potentially be improved by the use of billing and AMI data analysis. D.12-05-015 acknowledges the requirement that Utility portfolios be cost effective (p. 3 and Section 2.1).

timeliness of project disposition – it is unclear that the proposed changes achieve this outcome and may actually achieve reverse outcomes. Therefore, DRA recommends that the scope of this proceeding include a determination of:

- whether the proposed changes would improve the timeliness of project disposition;
- whether the proposed alternative provides meaningful improvements to the Custom Program;
- whether the proposed alternative provides adequate protections of ratepayer capital applied to the Custom Program that advances the objectives of energy efficiency; and,
- a process to develop ways to improve the Custom Program’s contribution to energy reductions and the customer experience that works for both custom project customers, their implementers *and* ratepayers.

b) Background and Support

Custom Projects are those projects within the energy efficiency applications for which pre-determined engineering analysis cannot be applied to estimate and determine project savings. The idea of custom projects is that each custom project is unique, and thus, a site-specific analysis is conducted to determine energy savings (unlike rebates on lighting and appliances, where energy savings levels can be determined based on the product specifications and other pre-determined assumptions instead of site-specific analysis). This site-specific analysis is conducted by customer contractors, utility third party implementers and sometimes utilities. The energy savings estimates that are determined prior to installation of the custom project energy savings measures are called *ex-ante* estimates. The Commission’s Energy Division selects a small percentage of these projects for evaluative review.

In their applications, Utilities present an alternative proposal to their energy efficiency portfolio proposal as given in OP #171 of D.12-05-015.¹³ Elements that have been chosen for inclusion in this alternative include, among others, an alternative to the

¹³ See, SDG&E Application, Volume II of III, pp. TR-24-TR-43.

review and approval process for custom measures and projects. Custom project review is an area that is truly a black box to most stakeholders. Among the alternative proposals for custom project review, the Utilities propose to:

- eliminate conditional approvals for projects that rely on post-installation data
- eliminate the use of post-installation reviews to modify ex ante estimates (i.e., – estimates of savings made prior to efficiency installation) if the review-derived savings turn out to be different.
- modify evaluation (EM&V) protocols for project baseline calculations such that they be used for prospective changes to “similar” projects rather than the project in question.
- “split the difference” between the utility and reviewer when project ex ante savings values are within 20% of the reviewer’s determination. When the difference exceeds 20%, a separate independent third party would be contracted to determine the outcomes.¹⁴

It is not evident that this alternative proposal would achieve the desired outcomes. It is clear; however, that these changes would diminish the value of independent evaluations, as they defer actions arising from evaluation findings to future projects.

Codes and Standards

c) Recommendations

The IOUs’ applications lack detailed information on their respective Codes and Standards (C & S) programs that would allow for reasonable review of budgets and proposed activities. DRA recommends that each utility provide a supplemental application that contains the following:

- A Program Implementation Plan (PIP) that is aligned with each IOU’s budget;
- A PIP that describes implementation activities and measures within subprograms, and the respective energy savings expected for each subprogram;

¹⁴ SDG&E Application, Volume II of III, pp., TR-29.

- Timelines and milestones within each subprogram area (specific to each IOU);
- A rationale for advocacy targets selected;
- A rationale for the ratio of advocacy expenditures to compliance expenditures;
- Specifically within the Compliance Improvement Subprogram:
 - Activities proposed for tracking the efficacy of training efforts;
 - Measures proposed to track/verify actual compliance with 2013 Building Energy Efficiency Standards and Reach Codes during the Transition Period;
 - Explain robust data collection for compliance activities;
- With respect to the Reach Code Subprogram, information that describes how jurisdictions and appropriate Reach Codes will be identified; and,
- An explanation of how local government efforts and IOU expenditures will not be duplicative.

d) Background and Support

The IOUs anticipate high energy savings relative to their C & S budgets (e.g., PG&E net TRC values for the 2013-2014 cycle are estimated at 3.82; and see, PGE Appendix D, Tables D1, D2, with energy savings reaching up to 35% of its portfolio). It is essential that each IOU provide sufficient information to support their anticipated energy savings. The supplemental PIP should describe implementation activities and measures, respective energy savings and budgets within each subprogram. IOUs should also present timelines and milestones within the subprograms.

D12-05-015 states that these transition and future portfolios should emphasize “both ends of the product development and adoption cycle. At the ‘front end’ of the cycle, we need to improved our processes for identifying and fostering emerging technologies that show promise of producing cost-effective energy savings at scale. At the ‘tail end’ of the cycle, we need to identify strategies for ensuring that the utilities are targeting the right measures for codes and standards adoption and for increasing

compliance levels for measures that are adopted into codes and standards.¹⁵ It is unclear if the proposed C & S programs achieve an appropriate balance between advocacy for new standards and compliance.

The funding levels of the “front and tail end” components within the IOUs’ C&S budgets vary, with PG&E spending \$10.1 million on codes and standards advocacy, and less than \$1 million on compliance; SCE proposing \$5.87 million on advocacy and \$1.38 million on compliance; SDG&E is proposing \$870,000 on advocacy and \$580,000 on compliance; and SoCalGas proposing to spend about \$680,000 on advocacy and \$452,000 on the compliance subprogram. PG&E’s proposed budget appears front end heavy and tail end light.

Code compliance is critical to achieving the energy saving goals estimated by these portfolios. As required by the Decision (OP #92), the IOUs discuss workforce training as a significant part of their program to improve compliance. Given the complexity of the recently adopted 2013 Building Energy Efficiency Standards, and continuing work developing new building codes and appliance standards, as well as the clearly constrained local government budgets and commensurate inspection personnel, ratepayer funded training for technicians, trades people, and building/planning departments is a fundamental part of a strong program. The Regional Energy Network formed under the auspices of ABAG provided a proposal with a much greater level of detail, indicating timetables, objectives and discussions regarding how training would occur throughout the nine-county region.¹⁶ This application could surely inform the C & S training programs of the IOUs.

OP #94 requires that the IOUs develop pilot programs to test the use of incentives to improve compliance in low performing codes/standards, other existing codes, Reach Codes, and future codes/standards in the development process. In this and other aspects of the Compliance Improvement Subprogram, baseline data (demonstrating existing

¹⁵ D.12-05-015, p.24.

¹⁶ San Francisco Bay Area Regional Energy Network Program Implementation Plan, July 16, 2012.

levels of compliance) is critical, as is data that demonstrates the progress of pilots and any other compliance programs. A tracking and verification component to compliance work is the only way to confirm program savings. DRA recommends that the IOUs (and RENs) have a statistically robust verification vehicle (moved into the EM&V program if necessary) to provide the data necessary to discern compliance rates with the 2013 Building Energy Efficiency Standards and Reach Codes.

Finally, the ABAG REN proposal puts in focus the work of local governments in the areas of code development and advocacy (e.g., Reach Codes) and implementation (including stakeholder training, permitting, and building inspection). It also calls into question what program components, provided by the REN and IOU programs are duplicative in terms of ratepayer expenditures, and the attribution of energy savings. As OP #95 suggests, all local jurisdictions are not created equal with respect to Reach Code interest and the IOUs need to ferret out the lowest performing local governments. Those with Climate Action Plans, for example, may be free riders, or at least need little more than a solid model ordinance and streamlined state facilitation to adopt Reach Codes. The jurisdictions that are slow to adopt and implement codes for political and economic reasons should be identified in the PIPs for Reach Code programs.

Utilities should provide solid and detailed program plans with activities and other measures that line up with budgets and energy savings goals. DRA requests a rationale for budget decisions, (“front end vs. tail end”), as well as a tracking component that generates robust data that will provide a foundation for decision making for the next cycle.

6. Water-Energy Nexus Programs

a) Recommendation:

DRA recommends that the IOUs be ordered to file a supplement to their applications to present more specific and detailed program implementation plans to address the water-energy nexus area, particularly in the agricultural and industrial segment. The supplement to their applications should only address the water/nexus

program with citations to any part of the application that is related to the subject. The utilities should also identify the costs related solely to water/energy nexus efforts. These steps will allow all participants in the proceeding to see in one place a consolidation of everything that each IOU is proposing and requesting related to the water/energy nexus.

b) Background:

D.12-05-015 in R.09-11-014¹⁷ directed IOUs to develop proposals to increase targeting of agricultural and industrial customers for water conservation because these customers are the largest end users of water in the state (OP #113).¹⁸ The IOUs were also directed to include measures and services to the water sector through their calculated energy efficiency savings program proposals in the 2013-2014 portfolios (OP #114).¹⁹

D.12-05-015 also directed the IOUs to propose 2013-2014 efforts on leak-loss detection and remediation and pressure management services for water entities that are IOU customers (OP #115).²⁰ This was to be done either through limited, water sector focused pilot programs or through targeted efforts within the existing calculated savings programs. The decision emphasized that efforts should build on the results of the previous pilots.²¹ The Commission directed that the proposals for these programs (or projects) should be designed to calculate reductions in water consumption, quantify

¹⁷ On November 25, 2009, the Commission initiated R.09-11-014 address the policies, programs and evaluation, measurement and verification activities related to the post-2008 energy efficiency activities. This Rulemaking also served as the forum for initiating the next planning cycle for 2013-2015 energy efficiency program plans, funding levels, and related issues.

¹⁸ D.12-05-015, page 284 OP #113 states that PG&E, SCE, SDG&E, and SoCalGas shall include proposals in their 2013-2014 applications to increase targeting of agricultural and industrial customers.

¹⁹ D.12-05-015, p. 284 OP #114 states that PG&E, SCE, SDG&E, and SoCalGas shall propose to continue to offer measures and services to the water sector through their calculated energy efficiency savings programs in the 2013-2014 portfolio, as they currently do.

²⁰ D.12-05-015, pg. 284 OP #115 states that in their 2013-2014 applications, PG&E, SCE, SDG&E, and SoCalGas shall propose 2013-2014 efforts (either through limited, water sector focused pilot programs or through targeted efforts within the existing calculated savings programs) that go to leak-loss detection and remediation, and pressure management services for water entities that are utility customers.

²¹ D.12-05-015, Discussion on Water/Energy Nexus, p. 284.

embedded energy savings, and capture water and energy avoided costs to support cost-effectiveness determinations.²²

D.12-05-015 further directed Commission Staff to develop a robust record in the 2013-2014 application proceedings or in another energy efficiency rulemaking to identify potential cost-effective water-energy nexus efficiency programs, including strategies to overcome barriers to adoption and deployment of the identified measures (OP #116).²³

DRA reviewed the IOUs' proposals and found them to be incomplete and vague. The water-energy nexus discussion appears to be dispersed throughout those applications.

PG&E, for example, states that it will explore a water leak detection option for non-residential customers with water distribution systems. In a separate section, PG&E explains that in addition to exploring a water leak detection option, it will explore collaborating with the other IOUs to develop water-energy pilots to determine best practices for achieving combined water-energy savings. PG&E's proposal does not provide critical information which would help DRA identify potential cost effective water –energy nexus efficiency programs. PG&E's proposal lacks the specifics of the efforts required in OP #115.

SCE, for example, proposes to explore integration of water leak detection services and water energy savings recommendations in audit reports during the 2013-2014 cycle.²⁴ SCE does not provide the necessary details, such as subsidies for conservation measures in their proposal. Similarly, SCE's Statewide Agriculture EE program's Agriculture Energy Advisor proposes to use a simple assessment process to determine which audit service provides the proper type and level of information for participating customers. SCE states that this process will ensure that audits are cost-effective and can successfully

²² Ibid.

²³ D.12-05-015, p. 285 OP #116 Commission Staff shall develop a robust record in the 2013-2014 application proceedings or in another energy efficiency rulemaking to identify potential cost-effective water-energy nexus efficiency program, including strategies to overcome barriers to adoption and deployment of the identified measures.

²⁴ SCE, Statewide Industrial EE Program, p. 57.

motivate customers to implement the audit recommendations.²⁵ However, SCE does not provide the proposed water and energy savings, the methodology used or the costs related solely to this offering, which prevents DRA from determining the cost effectiveness of the program.

SoCalGas in its application states that it plans to issue a Request for Proposal (RFP) to utilize a contractor to implement leak-loss detection and remediation, and pressure management services applicable to water storage, pumping and distribution through SoCalGas core or Third Party Program. However, SoCalGas fails to provide a copy of the RFP, which should detail the program's proposals. The application provides no further detail as to the goals, scope, plans, costs, or targeted reductions in water consumption, nor does it attempt to quantify embedded energy savings, or discuss its plans to capture water and energy avoided costs to support cost-effectiveness determinations. Further, DRA did not find any discussion of the proposed cost effectiveness.

DRA believes that none of the proposals submitted adequately conforms to OP #115, which requires that utilities propose 2013-2014 efforts that go to leak-loss detection and remediation, and pressure management services for water entities that are utility customers. These proposals lack the specifics of the efforts required which would enable DRA to determine whether these measures are cost effective.

Therefore, DRA recommends that in response to the Energy Efficiency programs and budgets for 2013 and 2014 the utilities filed, utilities should file a supplement to their applications to present more specific and detailed program implementation plans to address the water-energy nexus area, particularly in the agricultural and industrial segment. The supplemental application should only address the water/nexus program with citations to any part of the application that is related to the subject. The utilities should also identify the costs related solely to water/energy nexus efforts. These steps

²⁵ Ibid.

will allow all participants in the proceeding to see in one place a consolidation of everything that each IOU is proposing and requesting related to the water/energy nexus.

7. Integrated Demand Side Management

a) Recommendation

DRA recommends that utilities file a supplement to their applications in this proceeding in addition to the water energy nexus supplement requested in this Protest in Section II.8 to address the concerns detailed below.

b) Background

Decision D.12-04-045 within the Demand Response proceeding acknowledges that Utilities did not provide detailed information about what they have accomplished in the 2009-2011 DR cycle. Because IOUs did not have adequate information about IDSM successes, the Decision determined that it would not be prudent to increase the scope of these activities. The Decision authorized 2012 funding to continue activities operating within the scope of 2009-2011.

The Decision directed the IOUs to submit their request for continued IDSM activities beyond 2012, in the Energy Efficiency proceeding, specifically in their requests for 2013-2014 EE transition funding for IDSM activities. The utilities were required to include a discussion of achievements of each IDSM activity to justify the funding request. The follow table summarizes the Utilities’ DR IDSM requests submitted in their 2013-2014 EE applications:

Table 3

DR IDSM Requests in IOUs’ EE Applications for 2013-2014

	Authorized for 2009-2011 DR IDSM (3 years)	Requested DR IDSM for 2012-2013 (2 yrs)	Authorized DR IDSM for 2012 only	Requested DR IDSM for 2013 in EE app	Requested for 2014 in EE app
PG&E	\$13.841	\$12.5	\$6.243	\$3,299 ²⁶	\$3,299
SCE	\$9.658	\$15.248	\$4.052	\$11.283 ²⁷	\$12.208

²⁶ It is not clear if PG&E is requesting a separate amount for EE IDSM in their EE budgets.

SDG&E	\$10.011	\$4.709	\$4.305	\$4.944 ²⁸	\$4.944
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With regard to their justifications for requested funding, DRA has the following concerns:

1. Since SDG&E shows a separate budget request for EE IDSM, it is not clear whether PG&E and SCE are also requesting separate EE IDSM requests in their EE budgets in the applications or whether their EE IDSM budgets are included in the DR IDSM requests.
2. SCE's DR IDSM request for 2013 and 2014 is about \$11-\$12 million in each of those years compared to only \$4.0 million funding it received in 2012. SCE has not explained why such a huge increase in 2013 and 2014 (unless it includes budgets for EE IDSM for some reason).
3. Only SCE appears to have provided a detailed DR IDSM budget broken into as many as fourteen tasks with a detailed description of the purpose and activities covered under each task. PG&E and SDG&E could and should provide at least the same level of detail that SCE provides.
4. D. 12-04-045 (2012-2014 DR cycle decision) requires that "IOUs' requests in 2013-2014 EE transition funding should include a discussion of achievements of each IDSM activity to justify the funding request."²⁹

Although SCE has provided some description and purpose of IDSM activities, it has not expressly described the achievements of each activity as the Commission decision requires. PG&E and SDG&E do not appear to have provided any description of their IDSM achievements. PG&E and SDG&E could and should provide at least the same level of detail that SCE provides.

(continued from previous page)

²⁷ It is not clear if SCE is requesting a separate amount for EE IDSM in their EE budgets.

²⁸ SDG&E shows an additional \$6.882 million request in 2013 and \$6.4266 million request in 2014 for EE IDSM program budget (SDG&E App, Volume II of III, p. TR-19).

²⁹ D. 12-04-045, pp. 173-174.

III. CATEGORIZATION, HEARINGS, AND SCHEDULE

DRA does not object to the consolidated proceeding' categorization as ratesetting.

DRA believes that hearings are needed, but acknowledges that Workshops may be ordered. DRA requests that the Commission set a schedule that provides adequate opportunity for discovery, analysis, preparation of testimony, and preparation for evidentiary hearings.

If Workshops are ordered, DRA requests that they be facilitated by an Alternative Dispute Resolution (ADR) trained Administrative Law Judge so as to allow for as much interaction between and consensus among the parties as possible. There should also be a formal method of recording the agreements reached along with other elements the facilitator deems appropriate for recordation, such as questions that remain outstanding and documents to be shared.

IV. CONCLUSION

DRA looks forward to participating in these consolidated proceeding regarding this important subject and believes that the issues outlined in this Protest must be considered to achieve the goals sought by the Commission.

Respectfully submitted,

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