BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Examine the Commission's Post-2008 Energy Efficiency Policies, Programs, Evaluation, Measurement, and Verification, and Related Issues.	**Rulemaking 09-11-014 (Filed November 20, 2009)**

REPLY COMMENTS OF THE NATIONAL ASSOCIATION OF ENERGY SERVICE COMPANIES (NAESCO) ON THE ASSIGNED COMMISSIONER'S RULING AND SCOPING MEMO REGARDING THE 2013-2014 BRIDGE PORTFOLIO AND POST-BRIDGE PLANNING, PHASE IV

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The National Association of Energy Service Companies (NAESCO) appreciates the opportunity to submit these reply comments in the above-referenced matter.

1. Website for NYSERDA Evaluation Reports

In its Opening Comments, NAESCO referred to program Evaluation Reports prepared by the New York Energy Research and Development Authority (NYSERDA) as a potential model for California EM&V activities, but neglected to provide the web URL for the reports, which is: http://www.nyserda.ny.gov/en/Publications/New-York-Energy-Smart-Program-Reports.aspx.

2. Clarification of NAESCO Comments on Local Government Partnerships (LGPs)

In its Opening Comments, NAESCO suggested that there is an inherent conflict between the goals of the ACR to reduce the number and complexity of EE programs and its goal of expanding the use of LGPs. NAESCO wishes to clarify its comments, as per the comments of Southern California Edison (SCE at 9), to distinguish between LGP administration of programs and LGP implementation of programs. NAESCO fully supports the current structure of LGP implementation of programs within the utility-managed portfolios. NAESCO believes that there is no programmatic need to encourage the proliferation of LGP-administered programs and this proliferation runs directly counter to the ACR goal of reducing the number of overall programs, while also incurring the risk of spreading too thin the limited pool of expertise in innovative program financing and Deep Retrofits.

3. Keep CFLs in the Programs

NAESCO supports the comments of several parties (e.g., NRDC at 2) that there is significant remaining potential for realizing energy savings from the increased use of CFLs. NAESCO urges the Commission to recognize that the economics of Deep Retrofit projects in both residential and non-residential buildings require a blend of short and long-payback measures. It will be much more difficult to realize Deep Retrofit goals if the short-payback measures are eliminated from programs on the grounds that the markets for these measures have been transformed. There is no empirical data supporting the argument that the market for CFLs and other innovative lighting measures has been fully transformed and complete market penetration has been achieved. Moreover, the economics of all comprehensive retrofits including Deep Retrofit projects require a blend of short and long-payback measures; eliminating short payback measures makes the economics difficult and, in most cases, the project viability is significantly weakened.

4. Re-establish the PAGs

NAESCO supports the comments of the SCG and SDG&E (Joint Utilities at 5) that the Commission re-establish the Program Advisory Groups (PAGs) that represented the broad range of stakeholders in the 2006-2008 program cycle. NAESCO was a member of all three PAGs and believes that the PAGs serve a very useful function in providing program design input and program implementation feedback to the IOU program administrators. NAESCO suggests that the role of the PAGs should be expanded to include review of the EM&V reports that are submitted to the Commission, similar to the role that the System Benefits Charge Advisory Group and its successor the Evaluation Advisory Group have played in New York for the past decade. NAESCO has participated in both of these groups and suggests to the Commission that a re-imagined PAG could help to push the various parties who have been contesting EM&V issues for the past decade into the kind of consensus that was reached successfully in New York.

5. Continue Successful LGPs and 3Ps

NAESCO agrees with the comments of various parties (PG&E at 3, SCE at 11, NRDC at 11, Joint Utilities at 9) that successful Local Government Partnership (LGP) and Third Party (3P) programs should be continued during the Bridge Period.

6. Updating Goals and EM&V Procedures Must Be Timely

It appears that all parties support the goal of the ACR to update the EE program savings goals and EM&V procedures. Parties have offered a number of specific suggestions about how the updating should proceed. NAESCO urges the Commission to establish the principle that Goals and EM&V Procedures are an integral part of the program planning and implementation process and, as such, must be completed on a schedule that allows the rest of the process to proceed in an orderly fashion with appropriate public input. If a particular update is not ready on time, then it cannot be used. We have seen in the current program cycle what happens if the Commission and parties do not adhere to this principle; critical program metrics are undetermined, two-thirds of the way through the program cycle. NAESCO suggests that in this matter the perfect is indeed the enemy of the good, and that parties that believe that certain updates are critically important should use their skills to ensure that the necessary work is done on schedule, not to bend the orderly program planning and implementation process out of shape to try to accommodate the integration of tardy reports and studies.

7. Good Proposal Writers are Not Necessarily Good Implementers

NAESCO respectfully takes issue with the comments of some parties (DRA at 7-8, TURN at 10) that the scope of LGP and 3P proposals be enlarged to incorporate an explication of Market Transformation theory and/or "market first" approaches. NAESCO reminds the Commission and the other parties of the fiasco that occurred about a decade ago, when the Commission solicited open-ended proposals from all parties. The Commission got about 450 proposals, which ranged from EE marketing programs in ethnic communities to specialized applications of industrial process technologies, and tried to rank them on a single scale.

Based on that experience, the Commission has spent the last decade directing the IOU program administrators to develop the overall portfolio strategy and program offerings and to focus their solicitations for LGP and 3P program implementers on specific program targets. Proposers are encouraged to offer innovative concepts, and the focused solicitations facilitate competition among vendors and the development of real expertise in the delivery of programs. DRA's comments seem to be endorsing this management structure -- an entity that establishes portfolio strategy and then procures specific program implementation services -- when it proposes a new (non-utility) local government coordinator (DRA at 9).

NAESCO urges the Commission to stick with the existing management structure. We fear that if the Commission once again opens up the proposal process, and requires prospective

LGP and 3P implementers to write proposals that cover the full range of Market Transformation theory and policy issues (DRA at 7-8), it will get some very good theory and policy proposals, but it will eliminate from consideration hundreds of implementers who specialize in the nuts-and-bolts of service delivery to tens of thousands of customers but are not conversant in Market Transformation theory. The creation, delivery and verification of energy savings should be the goal; moreover, the creation and delivery of energy savings provides the kind of empirical data on which market transformation theories can be tested, not the other way around. Creating programs to test market theories is the wrong approach and the experience of the last decade supports NAESCO's argument that a clear focus on the implementation and successful delivery of energy efficiency resources is the ultimate key to successful market transformation.

8. Financing is Not the Key Accelerant for Market Growth

The ACR and most parties have emphasized their belief that new financing mechanisms and programs will leverage ratepayer funding and drive the market for EE retrofits wider and deeper. NAESCO supports the development of new financing programs, but cautions other parties that the recent history of the Clinton Climate Initiative and of ARRA-funded loan programs around the country indicates that the availability of financing at attractive rates is not sufficient to create a market. Furthermore, trying to drive a market with abundant, cheap financing, rather than have financing respond to market demand, is a strategy that is fraught with significant potential abuses, as the mortgage crisis has demonstrated.

NAESCO therefore urges the Commission to concentrate its efforts on creating market demand, through a combination carrots (rebates) and sticks (mandates, codes and standards), with the confidence that the finance marketplace, which is sitting on an enormous amount of capital seeking attractive investments, will respond with innovative mechanisms and programs to meet the demand.

Respectfully submitted by:

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