NAESCO National Association of Energy Service Companies

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Robert B. Weisenmiller Ph.D.
Chair, California Energy Commission
1516 Ninth Street, MS-33
Sacramento, CA 95814

Andrew McAllister
California Energy Commission
1516 Ninth Street, MS-31
Sacramento, CA 95814

RE: Docket # 13-CCEJA-1: Comments on the Proposition 39 Proposed Guideline Revisions

Dear Chair Weisenmiller and Commissioner McAllister:

I am writing on behalf of the National Association of Energy Service Companies (NAESCO) to provide comments on the proposed Proposition 39 Guideline revisions.

Introduction to NAESCO

NAESCO is the leading national trade association of the energy services industry. NAESCO numbers among its members some of the world's leading energy services companies, including: ABM Energy, AECOM Energy, Ameresco, CM3 Building Solutions, Clark Energy Group, ClearEnergy Contracting, Climatec, ConEdisonSolutions, Constellation New Energy, Control Technologies and Solutions, CTI Energy Services, Energy Control Inc, Energy Solutions Professionals, Energy Systems Group, Entegrity, Excel Energy, The Fulcrum Group, Indoor Environmental Services, NextEra Energy Solutions, Honeywell, Johnson Controls, Lockheed Martin, McClure Energy, Navitas, NORESCO, Onsite Energy, Opterra Energy Services, Pepco Energy Services, Performance Services, Schneider Electric, Siemens Industry, Southland Industries, Synergy Companies, Trane, UCONS, and Wendel Energy Services. Utility members include the New York Power Authority, Pacific Gas & Electric, and Southern California Edison.

During the last twenty years, NAESCO member companies have delivered billions of dollars worth of energy efficiency, renewable energy, demand response, distributed generation and combined heat and power projects to institutional, commercial, residential, and industrial customers in California. Nationally, NAESCO member company projects have produced:

- $45 billion in projects paid from savings
- $50 billion in savings – guaranteed and verified
- 400,000 person-years of direct employment
- $30 billion of infrastructure improvements in public facilities
- 450 million tons of CO_2 savings at no additional cost

Summary of Comments

NAESCO offers three comments on the revised Guidelines.

1) The Commission should promulgate standards in the revised Guidelines savings calculations to allow the full cost of maintenance savings, which will facilitate the implementation of new technologies like LED lighting that offer substantial maintenance savings.

2) The Commission should consult with the California Public Utilities Commission (CPUC) to harmonize the calculation of energy savings in the Prop 39 and ratepayer-funded energy efficiency programs to maximize the public benefits of both programs.

3) The Commission should release data on the approved Expenditure Plans to enable stakeholders to evaluate the effectiveness of Prop 39 in encouraging the implementation of comprehensive energy efficiency projects.

Discussion

NAESCO's arguments for its comments are provided in the next few pages.

1) The Commission should promulgate standards in the revised Guidelines savings calculations to allow the full cost of maintenance savings, which will facilitate the implementation of new technologies like LED lighting that offer substantial maintenance savings.

The Guidelines limit the allowable maintenance savings to 2% per year, which is an unrealistically low figure for some of the new energy efficiency technologies that the Commission presumably would like to encourage, such as LED lighting. LED bulbs can have operating lives that are 10-20 times longer than some of the HID systems being replaced. In some applications, such as parking lot lighting or building exterior lighting, the maintenance savings from the replacement of HID systems with LED systems can be higher than the energy savings, because the replacement of burned-out bulbs requires maintenance contractors using specialized equipment (e.g. cherry pickers). The arbitrary limit of 2% per year may very well be steering LEAs to implement lighting systems that have a lower first cost and a higher lifetime operating cost. We also think, based on anecdotal evidence (see discussion of comment 3 below) that this 2% limit may also affect other technologies the Commission wants to encourage. So we urge the Commission to allow LEAs to promulgate standards for the documentation of maintenance costs that are higher than the 2%.

2) The Commission should consult with the California Public Utilities Commission (CPUC) to harmonize the calculation of energy savings in the Prop 39 and ratepayer-funded energy efficiency programs to maximize the public benefits of both programs.

The Commission is no doubt aware of the ongoing issue of savings baselines in the ratepayer-funded energy efficiency programs administered by the CPUC. NAESCO, the utilities and a number of other stakeholders have urged the CPUC to revise its policy on the baseline to be used in calculating cost cost-effectiveness: use the existing conditions of the customer facility rather than the current Title 24 code as the baseline. Our reasoning is that there is no evidence that we know of that indicates that California home and building owners upgrade the energy efficiency of their properties every three years, so the result of the CPUC policy is that the vast majority of cost-effective energy savings is not available to the ratepayer-funded programs, and the utilities must procure more expensive and more polluting energy supply instead of lower-cost and less polluting energy efficiency.

The CPUC, in a series of decisions in proceeding R13-11-005, recognizes this problem, but has elected to put off addressing it until the later phases of the proceeding. This means that a new CPUC policy with a more realistic savings baseline standard is probably at least two years into the future. By then the Prop 39 program will be more than half over, and the opportunity to use a combination of Prop 39 and ratepayer-funded EE programs to maximize the savings from this “once in a generation” opportunity will be lost.

The Prop 39 program employs more reasonable baseline standards, based on the actual history of retrofits in California public schools, and so we urge the Commission to undertake immediate consultations with the CPUC to convince the CPUC to allow the use of existing conditions baselines in Prop 39 projects. We think that such consultations will be effective, because one of the reasons for maintaining the Title 24 baselines offered by the CPUC in its recent decision is that it can’t make changes without harmonizing the changes with both the Commission and the California ISO.

3) The Commission should release data on the approved Expenditure Plans to enable stakeholders to evaluate the effectiveness of Prop 39 in encouraging the implementation of comprehensive energy efficiency projects.

NAESCO and other stakeholders have commented to the Commission that the Prop 39 program represents a “once in a generation” opportunity to upgrade the energy efficiency of California schools. Fully exploiting this opportunity involves the implementation of comprehensive energy efficiency and renewable energy projects, using a combination of Prop 39 funds, incentives from ratepayer-funded programs, available grants, and debt financing (which is today available at historically low interest rates). Unfortunately, it appears from anecdotal evidence that the Prop 39 projects approved for implementation in 2014 are not comprehensive, but are rather quick-payback projects, often employing a single technology. If this anecdotal evidence is accurate, the Commission and program stakeholders should understand what is driving the schools in this direction and come up with solutions to get schools to implement more comprehensive projects.

The way to start this process of analysis is for the Commission to publicly release data on the approximately 160 Expenditure Plans (as of November 5, 2014) that have been approved. There should not be any privacy or confidentiality concerns related to this data release, because the data involves the expenditure of public funds by public agencies and the Commission has already released the only arguably sensitive data – the amount of the grants – which an LEA might not want publicized in advance of its procurement of implementation contracts.

So we urge the Commission to release the data on the approved Expenditure Plans immediately, and to regularly release this data on new Expenditure Plans as they are approved. We think the Commission should then convene a set of workshops at which stakeholders and Commission staff can present evaluations of the data and suggestions about how the Guidelines and/or Commission procedures might be modified to encourage more comprehensive projects.

Conclusion

NAESCO appreciates the opportunity to offer these comments, and urges the Commission to act as follows:

1) The Commission should promulgate standards in the revised Guidelines savings calculations to allow the full cost of maintenance savings, which will facilitate the implementation of new technologies like LED lighting that offer substantial maintenance savings.

2) The Commission should consult with the California Public Utilities Commission (CPUC) to harmonize the calculation of energy savings in the Prop 39 and ratepayer-funded energy efficiency programs to maximize the public benefits of both programs.

3) The Commission should release data on the approved Expenditure Plans to enable stakeholders to evaluate the effectiveness of Prop 39 in encouraging the implementation of comprehensive energy efficiency projects.

Respectfully submitted by,

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