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LGSEC Comments on AB 758 Draft Action Plan

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BEFORE THE CALIFORNIA ENERGY COMMISSION

Docket 15-IEPR-05

**COMMENTS OF THE
LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION
ON
*DRAFT EXISTING BUILDINGS ENERGY EFFICIENCY ACTION PLAN***

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For THE LOCAL GOVERNMENT
SUSTAINABLE ENERGY COALITION

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I. Introduction

The Local Government Sustainable Energy Coalition¹ (“LGSEC”) is pleased to provide these comments on the March 2015 draft of the California Energy Commission’s (“CEC”) *Existing Buildings Energy Efficiency Action Plan* (“Draft Action Plan”). The Draft Action Plan holds the potential to bring about broad change in the efficiency of California’s existing buildings, through the leadership of the CEC. We find this appropriate, given the CEC’s role in implementation of Assembly Bill 758, which we have been monitoring closely.

We are pleased to see bold action by the CEC, particularly in the area of access to energy usage data, and recognition of lingering problems, notably the challenge of bringing existing buildings to code. We encourage the CEC to continue to pursue opportunities in the residential sector. And of utmost importance, we highlight below the many ways local governments can be of assistance and identify more areas where local governments should be included as partners. The comments below are intended to strengthen the Draft Action Plan.

II. The Draft Action Plan Should be Commended

In general, the LGSEC supports and applauds the Draft Action Plan, and believes the strategies outlined will increase energy project flow. We particularly appreciate the commitment to:

- Broader and more standardized tools and more streamlined statewide program processes (S 3.1);
- Longer timelines for program implementation (i.e., rolling cycle);
- Greater and easier access to data for decision making, particularly on both regional and local scales to accelerate strategic energy planning and local initiative development (p. 61);

¹ The LGSEC is a statewide membership organization of cities, counties, associations and councils of government, special districts, and non-profit organizations that support government entities. Each of these organizations may have different views on elements of these comments, which were approved by the LGSEC’s Board. A list of our members can be found at www.lgsec.org.

- Including local governments as key partners in marketing, education, and outreach efforts;
- Recognizing the unique role of local governments in code enforcement and streamlined permitting;
- Consumer education as an important component to achieving energy savings whether those savings are behavioral, plug load, or a whole house retrofit; and whether the impetus is building efficiency, reductions of greenhouse gas emissions, or locational grid support.
- Addressing the disconnect between codes and standards and existing voluntary energy efficiency programs;
- Providing a specific funding opportunity for local governments via the Local Government Challenge;
- A modular approaches that recognize that not every project needs to be comprehensive and that resources are needed to help move all types of consumers as far as they are willing to go;
- Enhancing water efficiency; and
- Affordability and financing, and development of a State Finance Council.

III. Opportunities to Strengthen the Draft Action Plan

A. Local Government Role Should Be Expanded

Local governments look forward to helping the State implement the strategies outlined in the Draft Action Plan. The Draft Action Plan could do more to adequately leverage the expertise, resources, and strategic advantages of local governments. Local governments' role in existing buildings is often presumed through a limited lens of permitting, codes, and inspectors when, in fact, local governments routinely monitor, engage, process, address, and reach out to existing buildings (commercial and residential) through multi-departmental consortiums executing a host of public service obligations (local and state).

Over the last decade, local governments have demonstrated leadership across the State in coordinated community energy saving strategies, such as:

- Innovative financing options including those that bring private capital to the industry;
- Energy advising, auditing, and benchmarking;

- Climate adaptation strategies for the energy sector (with present energy efficiency/conservation benefits as well as future resilience);
- Energy and water project qualification for financial incentives;
- Energy data tracking and analysis;
- Localized education, outreach, and consumer support across sectors, including promotion of utility incentives/programs;
- Innovative building retrofit programs;
- Scoring, labeling, and certification for various initiatives (i.e., Green Business Program);
- Workforce development and contractor management;
- Public building retrofits;
- Code development and streamlined permitting;
- Joint procurement;
- Active, continuous participation in the process to implement a Rolling Portfolio for energy efficiency, as members of the Coordinating Committee, subcommittees, and the Joint Parties building the full rolling portfolio model proposal; and
- Active, continuous contribution to and participation in several California Public Utilities Commission (“CPUC”) and CEC proceedings and initiatives

Many of these strategies are already helping to make progress toward AB 758 objectives. In addition, over 200 local governments in California have adopted climate action plans, helping to meet the State’s 15% emission reduction targets by 2020. With funds from the American Recovery and Reinvestment Act (“ARRA”), some of which are still being leveraged today, many local governments have built programs that integrate resources from key community resources including lenders, energy utilities, contractors, workforce trainers, and others, to help the marketplace take advantage of efficiency opportunities.

Some localities have joined forces within a region to enhance program delivery and reduce redundancies. As stewards of distinct geographies, local and regional program administrators are uniquely positioned to evaluate community usage and needs, develop programs that fill gaps and provide hands-on consumer assistance, provide on-the-ground service delivery, and aggregate and track the savings generated within various market segments of a

community. The development of Community Choice Aggregators (“CCA”) is also positioning local governments for a much stronger and more independent role in advancing regional clean energy programs.

Strategy 1.7 focuses on Local Government Leadership. We appreciate this, and suggest several ways this strategy can be strengthened. The primary strategy in this area is the Local Government Challenge Program. We appreciate the intention of this proposal, and encourage the CEC to seek the funding identified as important to maintaining it. We also suggest that the program design be flexible so that local government can use the Challenge Program funds to leverage other funding to which they may have access.

Strategy 1.7.2 should not be limited to Local Government Partnerships through the utilities; rather, it should include the Regional Energy Networks, CCAs, and professional associations of local governments working on energy issues in existing buildings, such as the LGSEC. In addition, local government alliances and networks can be deployed as an asset (under Opportunities) and as a meaningful response (under Challenges) under the Public Sector review (pp. 19-20, Draft Action Plan), and should be specifically called out in this section for that purpose.

The Final Action Plan should recognize these unique contributions and competencies from local governments. We ask the CEC and its sister State agencies to engage more deeply with local governments as partners in achieving California’s building efficiency goals. Further details on recommended actions are provided below.

B. Energy Data Is Crucial to Success of the Action Plan

The Draft Action Plan in several places makes a strong case for the importance of and need for data on energy use in existing buildings. And there are opportunities to strengthen this further vis a vis local governments, which are judged based on a standard that presumes key

resources (data) we do not have currently. The LGSEC and its members vigorously support accountability standards, and respectfully suggest that compelling local governments, alone, to rebuild portions of data fields that already exist, is not cost-effective and injects unnecessary and avoidable inequities into local government programs and portfolios.

Strategy 1.7 should recognize that local governments often lack the data to design effective energy efficiency programs, and that improving access to building specific, non-aggregated interval data would greatly enhance the ability of local governments to help the State achieve its AB 758 goals. We note that p. 58 of the Draft Action Plan states “Specifically, data tailored to the following audiences is critical: State and local policy makers and program implementers, to enable properly conceived and targeted initiatives that consistently and effectively address their respective, complementary long term goals.” This clearly identified need should be used to guide data considerations in Strategy 1.7.

To support Strategy 1.8 in treating energy efficiency as a clean distributed energy resources that is analogous to utility procurement model for large-scale generation, the LGSEC supports the position advanced by the Southern California Regional Energy Network in ongoing proceedings at the CPUC to use “*advanced metering infrastructure (AMI) data to assess the system constraints and identify where and when energy efficiency resources will provide the highest value.*”²

Related, Strategy 2.1.4 should be revised to clarify that the data needed for local governments is building-level, non-aggregated interval data. Whole building monthly energy use data should be available to interested local governments upon request, using a consistent non-disclosure agreement that allows the sharing of data with those contractors assisting local

² *Comments Of The County Of Los Angeles, On Behalf Of The Southern California Regional Energy Network (CPUC #940), On Rolling Portfolio Phase II, Workshop 1, page 6, April 6, 2015, in CPUC Rulemaking 13-11-005.*

governments with program delivery. The CEC should convene a proceeding in 2015 to develop the process and rules for utilities to provide this data.

The LGSEC is confident of a model where equitable access to data and privacy protections transect. In fact, there is precedent for such a model. On a limited pilot basis, access to this level of data (combined with county assessor data on buildings) has informed the development of the City of Los Angeles' benchmarking and reporting ordinance and initiated a pilot in Los Angeles County that will explore similar, region-wide ordinances. The CEC should develop a statewide model that would match local governments with academic partners who would act as stewards of the data, following the model being used in the Los Angeles region.

C. Ensuring Accessible and Affordable Solutions

We note that Financing is an important part of a continuum of energy service delivery, but it is not a silver bullet and must be delivered within the context of other assistance. The Draft Action Plan notes on p. 84 that "achieving the policy goal for existing building energy efficiency upgrades is estimated to require investment of at least \$8 billion per year, with private capital accounting for the majority." As indicated below, local governments are sponsoring highly successful financing programs right now that use private capital, work that started several years ago with ARRA funds. The Draft Action Plan envisions an ongoing role for this work. We encourage the CEC to include local governments as leads and partners in the many strategies listed on pp. 87-89. We suggest the CEC convene a focused workshop or series of conversations on how local governments can play leading roles in this work.

As the energy industry evolves, there will likely be new opportunities for local governments to participate in evolving energy management programs. For example, the investor-owned utilities are issuing requests for offers for local resources that target areas of high demand. The CPUC's ongoing proceeding on Distribution Resources Plans (R.14-08-013) is expected to

explore new approaches at a level not traditionally employed by the utilities. This should introduce new opportunities for local governments, particularly as they look at climate resiliency efforts.

D. Bring Existing Buildings to Code

The LGSEC is encouraged by the strong language in the Draft Action Plan regarding the current disconnect between codes and standards and voluntary efficiency programs, and the increasing challenges in bringing existing buildings in to compliance with increasingly stringent building codes. The Draft Action Plan must put policies in place that will help existing building owners get up to code. First, we recommend re-assessing the current cost-effectiveness protocols used in code development to accommodate existing conditions as the appropriate baseline for assessing actual costs and benefits to existing building property owners and customers. Currently, the cost-effectiveness analysis used for codes development is based on the cost of incorporating efficiency measures in to new construction, which is significantly less expensive than adding these measures in to existing buildings, as the Draft Action plan notes on p. 7. Second, the Draft Action Plan correctly recognizes that not all building owners are ready to undertake whole building retrofits. While there is always a role for customer education and outreach, programs must also be designed to meet customers where they are and engage them over time in retrofits that make their buildings more energy efficient.

Related, Strategies 1.5.5 through 1.5.8 – Building Efficiency Standards Compliance Improvement - are appreciated, and correctly highlight the need to consider the complexity and lack of resources provided to enforcement and compliance gaps. Toward this end, we refer the CEC to a recently published report by the Bay Area Regional Energy Network, *Permit Resource*

*Opportunity Program: Final Report and Resource Guide.*³ This report finds that full conformance with all aspects of energy code documentation requirements is rare for all types of buildings and at all stages of construction. While many buildings in the study were compliant with minimum code requirements once discrepancies were corrected, the presence of the errors represents a lost opportunity for energy savings. The report finds that local governments, building departments, and their staff are influential in encouraging best building design and construction. The BayREN report recommends developing new ways that energy information can be referenced in the field. It also recommends incorporating energy code information into electronic permitting systems, and then integrating those local building department databases with the State Home Energy Rating System registry. Additionally, it recommends the adoption of best practices, including specialized energy code training, promotion of consistent review and inspection procedures, permit-specific handouts and checklists, and complete and well-documented project submittals.

E. The Residential Market Should Not Be Overlooked

The Draft Action Plan on pp. 8-13 identifies a host of opportunities and challenges in the residential sector. The Draft Action Plan then signals a greater focus on non-residential energy savings opportunities. The CEC should revisit this, as there is still a great deal of untapped savings value within the residential market. We have come a long way in this area (i.e., Energy Upgrade California, financing programs) and this momentum needs to be continued with new and different strategies, not just with Energy Upgrade California. There is evidence that different approaches are yielding good results. For example, under ARRA, local governments designed and implemented highly successfully residential program. Santa Clara County had a

³Benningfield Group, Inc., BKi, Association of Bay Area Governments, *BayREN Codes and Standards Program Permit Resource Opportunity Program: PROP Final Report and Energy Resource Guide*, April 1, 2015. Can be found online at https://www.bayren.org/sites/default/files/BayREN_CS_PROP_Final_Report_2015_0401.pdf.

43% conversion rate during ARRA, increasing to 47% with a subsequent statewide award, and Fresno County enjoyed similar results. More recently, last year an additional \$3.3 million was channeled to the BayREN Multifamily program, as the program was fully subscribed more quickly than anticipated and wanted to continue to enroll projects, rather than turn customers away.⁴ We anticipate additional approaches that embrace an easier, more modular and tailored approach as the energy efficiency industry transitions to the Rolling Portfolio.

It seems there is opportunity for both the CPUC and the CEC to leverage the current trends in residential Property Assessed Clean Energy (“PACE”) programs. Residential PACE is outperforming Home Upgrade and Advanced Home Upgrade. Local governments are integral to authorizing and administering these programs. Increasingly, PACE programs include renewable distributed generation, which allows local governments in their role as PACE administrators to partner, contract, and license in ways that support the State’s loading order for resources. This should be explored at both the CEC and the CPUC; the LGSEC has proposals on how to make this happen and looks forward to engaging with the agencies on this

IV. Recommendations

The LGSEC recommends the following modifications for the Final Action Plan.

In general, the LGSEC strongly encourages fast-tracking research and evaluation of “societal and private value” propositions (see p. xi of the Draft Action Plan under “Future Discussion and Evolution”), on the presumption that the greater the retinue of demonstrated energy efficiency co-benefits, the more likely the public and key-channel stakeholders (e.g., real estate appraisers and professionals) are to collaborate in transformation of the existing building

⁴ See PG&E Advice Letter 3478-G/4435-E, June 14, 2014. “According to BayREN, it has paid incentives for 356 units (18 projects) out of 5,944 reserved incentives. Another 1,340 units are on a waitlist pending the \$3.3 million budget increase. In addition, BayREN anticipates providing further technical assistance, above and beyond the 24,000 units serviced to date, and above its 2013-2014 filed target of 9,000 units.” P. 3.

markets. The valuation of co-benefits (whether quality-based or quantified) is a meaningful tool – and perhaps a game-changer – in a number of other goals and initiatives the Draft Action Plan endorses for timely action. In fact, the Draft Action Plan itself seems to make this temporal connection under “Challenges” on p. 9 of Chapter 1.

Specific modifications we recommend include:

- Add local governments to these strategy sections as implementing partners:
 - **1:** 1.6.5, 1.6.7, 1.9.2
 - **2:** 2.1.4, 2.1.8, 2.1.10, 2.2. For Strategy 2.2 in particular, local governments serve as administrators and implementers, particularly the RENs and the CCAs. They should be included as such for each strategy in 2.2.
 - **3:** 3.1.1, 3.2.2, 3.3
 - **4.1.1** – the description of the strategy includes local governments as partners, but the Lead/Partners column omits that
 - **4.1.3** – because this strategy incorporates 4.1.1, local governments could be considered as partners here.
 - **5:** 5.1, 5.2, 5.3, 5.4, 5.5 and 5.7
- In the section on Public (pp. 19-20), include local government alliances and networks in both Opportunities and Challenges.
- Anticipate that local governments participating in the local government challenge may be able to leverage funding from other sources, and explicitly allow for this, while simultaneously pursuing a permanent funding source for the base program.
- Work with the CPUC to avoid limiting services to only “above code” activities.
- Continue the momentum started in the residential sector with the investment made in Energy Upgrade California Home Upgrade and ARRA programs, but not just within the Home Upgrade construct. Broaden the approach to include easier opportunities for residential consumers to make progress on energy savings, and allow local governments to design and implement such initiatives.

Respectfully submitted,

A handwritten signature in blue ink that reads "Jody S. London". The signature is fluid and cursive, with a long horizontal stroke at the end.

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