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Additional submitted attachment is included below.

BEFORE THE CALIFORNIA ENERGY COMMISSION

In the matter of: **2016 EXISTING BUILDINGS ENERGY EFFICIENCY ACTION PLAN UPDATE**	**Docket No. 16-EBP-01** ***RE: Staff Workshop on 2016 Existing Buildings Energy Efficiency Action Plan Update***

JOINT COMMENTS OF THE CALIFORNIA MUNICIPAL UTILITIES ASSOCIATION, THE NORTHERN CALIFORNIA POWER AGENCY, AND THE SOUTHERN CALIFORNIA PUBLIC POWER ASSOICATION

The California Municipal Utilities Association, the Northern California Power Agency, and the Southern California Public Power Authority ("Joint POUs") appreciate the opportunity to provide these joint comments to the California Energy Commission ("Commission" or "CEC") regarding the Staff Workshop on 2016 Existing Buildings Energy Efficiency Action Plan Update ("Workshop") held on October 17, 2016. At the Workshop, the Commission reviewed and discussed the proposed 2016 Existing Building Energy Efficiency Action Plan Update ("Update"). The following comments reflect the Joint POUs perspective on the proposed Update and how it fits in the larger effort to implement Senate Bill ("SB") 350 (Chapter 547, Statutes of 2015).

The Joint POUs have been and continue to be strong proponents of energy efficiency – as an essential service for our customers, as a valuable resource to our utilities, and as key component of the state's clean energy future. In general, the Joint POUs support the strategies outlined in the Update and the underlying premise that the only way to realize California's energy savings goals is to attract private capital investment into the energy efficiency marketplace. At the same time, the Joint POUs believe that additional consideration is needed

regarding the potential energy savings, cost-effectiveness, and feasibility of implementing the Update strategies, both individually and as a whole.

I. THE UPDATE DOES NOT CONSIDER "COST-EFFECTIVENESS"

In the Abstract of the Update, the CEC notes that SB 350 codified the Governor's goal for the doubling of energy efficiency ("EE") savings in electricity and gas retail end uses by 2030, based on this mid-case estimate of additional achievable energy efficiency savings, as contained in the California Energy Demand Updated Forecast, 2015-2025.[1] However, what is notably absent from this synopsis of SB 350 is the quintessential provision that the CEC "shall base the targets on a doubling of the mid-case estimate of additional achievable energy efficiency savings…***to the extent doing so is cost-effective, feasible, and will not adversely impact public health and safety***."[2] [emphasis added] This omission is repeated in the larger discussion of SB 350 in Chapter I. Policy Update, although it is correctly noted in the footnote reference to the applicable statute.[3]

The principle of cost-effectiveness has been a mainstay of California's EE policy since the genesis of the Title 20 and Title 24 energy efficiency standards during the first tenure of Jerry Brown as Governor of California. This principle was reaffirmed in Assembly Bill ("AB") 758 (Chapter 470, Statutes of 2009), in which the Legislature directed the CEC, in developing the requirements for a comprehensive program to achieve energy savings in California's existing building stock, to consider "the most cost-effective means and reasonable timeframes to achieve

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[1] California Energy Commission. October 2016. *California's Existing Buildings Energy Efficiency Action Plan – 2016 Plan Update*. CEC-400-2016-023SD. pg. 1.
[2] Cal. Public Resources Code §25310(c)(1)
[3] California Energy Commission. October 2016. *California's Existing Buildings Energy Efficiency Action Plan – 2016 Plan Update*. CEC-400-2016-023SD. pg. 3.

the goals of the program."[4]

For the current *Existing Buildings Energy Efficiency Action Plan*[5] (Action Plan), as well as the Update, it is unclear what, if any, analysis has been conducted to evaluate the fundamental cost-effectiveness of the strategies contained within either document. This is in stark contrast to the CEC's approach to adopting building and appliance standards for which a rigorous cost-effectiveness analysis is completed to support the adoption of new, more stringent codes and standards. It is also unclear what, if any, analysis has been performed to determine that the proposed timeframes for implementing the Update strategies are "reasonable" to achieve their respective goals.

The lack of cost-effective analysis and consideration of the reasonableness of the proposed timeframes for implementation, for individual strategies or the Update as a whole, is particularly troubling to the Joint POUs as they are identified as leads and/or partners for many of the Update strategies. The Joint POUs strongly recommend that prior to adoption of the Update, the CEC, in collaboration with the CPUC and with input from the stakeholder community, formally evaluate the anticipated costs and energy savings of each strategy to inform decisions on how to prioritize the dedication of finite staff and funding resources towards implementing the Action Plan and Update strategies.

II. THE UPDATE DOES NOT CONSIDER "FEASIBILITY"

In addition to cost-effectiveness, California EE policy has frequently included a "feasibility" provision. This is true of utility EE mandates, as well as state-run programs, such as

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[4] Cal. Public Resources Code §25943(c)(2)
[5] California Energy Commission. September 2015. *California's Existing Buildings Energy Efficiency Action Plan*. CEC-400-2015-013-F.

Title 24 Building Energy Efficiency Standards. [6] "Feasibility" was also included in SB 350 as one of the constraints placed on the Commission regarding the adoption of statewide targets to achieve a doubling of energy efficiency savings in electricity and gas retail end uses by 2030.[7]

The issue of defining "feasibility" for the purposes of implementing SB 350 was discussed during the Joint Agency Workshop on Energy Demand Forecast and Doubling of Energy Efficiency held on July 11, 2016, during a presentation by Commission staff. In the presentation, "feasibility" was presented as potentially "not a functional constraint on analyses - the term is just 'stylistic' language, and the binding constraint is 'cost-effective'."[8] A representative on behalf of the Joint POUs strongly objected to this characterization of "feasibility" during the workshop, and the Joint POUs expanded upon their concern in written comments filed with the CEC on July 25, 2016.[9]

In those written comments, the Joint POUs argued that the annual statewide EE targets adopted by the Commission pursuant to SB 350 should reflect the "market potential" for energy efficiency, consistent with both IOU and POU EE modeling efforts, as market potential forecasts "the energy efficiency savings that can be expected in response to specific levels of incentives and assumptions about policies, market influences (such as competition), and barriers."[10] For the purposes of utility forecasting purposes, "feasibility" can be described by technological, economic, AND customer behavior constraints on potential energy savings from different programs and measures.

Applying a similar concept of "feasibility" – the consideration of technological,

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[6] Cal. Public Utilities Code §454.5(b)(9)(C), §454.55, §9615; Cal. Public Resources Code §25402(c)(1)
[7] Cal. Public Resources Code §25310(c)(1)
[8] Jaske, M. *SB 350 EE Targets: Design Issues*. Joint Agency Workshop on Energy Demand Forecast and Doubling of Energy Efficiency, California Energy Commission. July 11, 2016. Slide 5
[9] Joint POUs. *Comments of CMUA, NCPA, and SCPPA on Energy Demand Forecast and Energy Efficiency Workshop*. California Energy Commission, Docket No. 16-IEPR-05. Filed July 25, 2016.
[10] *See Id.* at pg. 6

economic, and customer behavior factors that will impact the anticipated energy savings – to individual strategies in the Update is required by SB 350 and AB 758, and is consistent with long-standing best practices that have been applied to utility and state EE programs. Indeed, overlooking this statutory prerequisite fails to recognize that energy efficiency programs must be considered and adopted by end-use customers – who routinely encounter robust advertising campaigns for competing alternative energy sources, such as rooftop solar. This is precisely why we have urged state regulators to dedicate sufficient resources towards undertaking a dedicated consumer education campaign to ensure that energy efficiency measures *can feasibly meet* the doubling of savings goals envisioned by and mandated through SB 350.

In its current draft, the Update makes a litany of assumptions about how the market, stakeholders, and customers will respond to the various strategies with limited documentation to support such claims. For example, the Commission states that purpose of Goal 2 – Data-Driven Decision Making, is to "[e]nsure that Californians (consumers, industry, building owners, policy makers, and professionals) have access to appropriate data sources to make informed decisions related to energy efficiency."[11] The underlying assumption here is that by simply providing access to data, decisions will automatically be made to pursue energy efficiency improvements. The state's Loading Order establishes energy efficiency and demand reduction as the preferred energy resource to be procured first by utilities; however, consumers, industry, building owners, policy makers, and professionals are not subject to any such requirement. As such, providing more data to these stakeholders does not necessarily result in their investment in deeper EE retrofits, especially if full retail net-energy metering for solar is extended in more or less its current form (in addition to other local, state and federal solar subsidies), which is discussed in

[11] California Energy Commission. October 2016. *California's Existing Buildings Energy Efficiency Action Plan – 2016 Plan Update*. CEC-400-2016-023SD. pg. 39.

greater detail below.

In 2014, the Center for Sustainable Energy ("CSE") released the report, *Energy Efficiency Motivations and Actions of California Solar Homeowners* ("CSE report").[12] The CSE Report employed a combination of survey and focus groups to examine the home energy efficiency activities and underlying motivations of California Solar Initiative ("CSI") participants. The responses of participants revealed that the energy audits required by the CSI program did not result in an increase of energy efficiency upgrades before the installation of the PV system. In addition, the CSE Report found that simple efficiency improvement measures, such as lighting and Energy Star appliances, are most commonly installed among respondents. In contrast, duct sealing/replacement, which typically yield significant energy savings are only performed by a small fraction of solar adopters.[13] The lesson to be learned with regards to strategies in the Update is that energy efficiency is not the only option available to residential customers regarding how they can better manage their energy usage – and just informing them about the options does not always translate to action.

Similarly, in 2015, the Rocky Mountain Institute ("RMI") highlighted the issue of commercial customers pursuing rooftop solar instead of cost-effective energy efficiency improvements in the article, *In an Age of Cheap Solar Does Efficiency Still Matter?*[14] The article notes that while large companies, such as Apple, Kohl's, and Starbucks, are making huge investments in solar, they "are leaving more-lucrative energy efficiency opportunities on the table." The article explains this phenomenon as happening because "capturing efficiency for a

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[12] Center for Sustainable Energy. *Energy Efficiency Motivations and Actions of California Solar Homeowners*. Presented at the ACEEE 2014 Summer Study on Energy Efficiency in Buildings, Pacific Grove, CA, August 17-22, 2014 and published in the proceedings.
[13] *See Id.* at pg. 12
[14] Rocky Mountain Institute Outlet. September 1, 2015. *In an Age of Cheap Solar Does Efficiency Still Matter?* Available: http://blog.rmi.org/blog_2015_09_01_in_age_of_cheap_solar_does_efficiency_still_matter

large portfolio of buildings is a multi-year process whereas renewable energy purchases are relatively quick and don't require much administrative overhead. Large organizations look for quick wins that make good headlines." The decision of large commercial entities to pursue solar in lieu of EE improvements is but one manifestation of customer behavior that needs to be factored into the feasibility of EE planning and customer-focused programming efforts.

Both the CSE Report and RMI article demonstrate the concept of "feasibility" in practice as it relates to customer behavior impacts on EE. "Feasibility" also has meaning for utilities as it directly relates to their ability to install infrastructure and implement new programs. Continuing to use Update Goal 2 as an example, there is no consideration afforded for the utility (or Commission, for that matter) staff resources, technology investment, and timing necessary to implement multiple Goal 2 strategies, including:

- **2.1.1 Data Exchange Protocols**: Encourage or require implementation of Green Button and Green Button Connect smart meter data exchange protocols.
- **2.1.3 Easy-to-Access Data and Analytics:** Provide simple, standardized access to customers and their chosen service providers so they can easily understand their real-time energy use.
- **2.1.4 Data for Local Government Use:** Develop a standardized process for LG access to building-level energy-related data as needed for local policy development and implementation without having to complete a comprehensive security audit required by utilities.
- **2.1.6 Public-Facing Energy Efficiency Program information:** Publish project-level, locale-specific, real-time, anonymized information for ratepayer-funded efficiency program participants within a statewide public database.

- **2.1.8 Energy Data Center:** Create independent data center(s) where consumption data are collected from all utilities, protected securely, align customer data procedures, and made available to local governments, policy makers and researchers; institute secure transfer protocols to/from energy agencies.

The Update states that these strategies, as well as the others, need to occur by certain target dates. But the Update does not consider or otherwise speak to what manner of resources would be needed to achieve any or all of these strategies.

The direction provided by the Legislature in AB 758 was not for the Commission to simply develop a program to achieve greater energy savings in California's existing residential and nonresidential building stock, but to do so considering the most cost-effective means and reasonable timeframes to achieve the goals of the program.[15] Similarly, SB 350 did not simply direct the Commission to establish targets based on a doubling of the mid-case estimate of additional achievable energy savings, but rather do so to the extent it is cost-effective, feasible, and will not adversely impact public health and safety.[16] Instead of considering the reasonable and justifiable constraints articulated in AB 758 and SB 350, the Commission has instead ignored these real-world factors, which may render the Action Plan and Update unrealistic to implement while undermining efforts towards achieving the associated greenhouse gas emissions reduction goals to meet overarching climate change goals.

[15] Cal. Public Resources Code §25943(c)(2)
[16] Cal. Public Resources Code §25310(c)(1)

III. ESTIMATING THE ENERGY SAVINGS, COST-EFFECTIVENESS, AND FEASIBILITY OF STRATEGIES IS CRITICAL TO TRACKING PROGRESS TOWARDS THE ANNUAL STATEWIDE EE TARGETS PER SB 350.

The Update to the Action Plan required by SB 350 is a component of the larger legislative effort to realizing the Governor's objective for 2030 to double the energy efficiency savings in electricity and natural gas final end uses of retail customers through energy efficiency and conservation.[17] The primary requirement of the Commission related to EE in SB 350 is to "establish annual targets for statewide energy efficiency savings and demand reduction that will achieve a cumulative doubling of statewide energy efficiency savings in electricity and natural gas final end uses of retail customers by January 1, 2030."[18]

The targets may be achieved through energy efficiency savings and demand reductions resulting from a variety of programs, including the Action Plan and Update strategies.[19] Whereas there are established processes for estimating, measuring, reporting, and verifying energy savings from utility programs and the Commission's appliance and building energy efficiency standards adopted pursuant to Public Resources Code §25402, comparable processes are not identified for many of the Action Plan and Update strategies.

The lack of accounting mechanisms for the energy savings, costs, and feasibility for the strategies in the Update complicates future Commission obligations, beginning with the 2019 edition of the integrated energy policy report and every two years thereafter, to provide recommendations and an update on progress toward achieving a doubling of energy efficiency

[17] See SEC. 2(a)(2) of Senate Bill 350, Chapter 547, Statutes of 2015
[18] Cal. Public Resources Code §25310(c)(1)
[19] Cal. Public Resources Code §25310(d)(2)

savings in electricity and natural gas final end uses of retail customers by January 1, 2030.[20] The Joint POUs strongly recommend that the draft Update be revised to include estimates of energy savings, cost-effectiveness, and feasibility for each of the strategies to facilitate prioritization of high impact strategies, allocation of scarce state, utility, and stakeholder resources, and tracking of the statewide progress towards meeting the 2030 EE goal.

IV. CONCLUSION

The Joint POUs would like to conclude by recognizing the excellent work of the Commission in the Action Plan characterizing the opportunities and challenges related to increasing energy efficiency. [21] This section clearly characterizes the building segments in California and established a foundation for developing strategies to achieve greater energy efficiency savings and demand reduction. Furthermore, the Joint POUs support the Commission's underlying premise that the only way to realize the energy savings goals in California is to attract billions of dollars in private capital into the energy efficiency marketplace.

However, successful implementation of the Update strategies hinges on additional considerations that have not been properly addressed in either the Action Plan or the Update. The draft Update should not be adopted without first assessing the energy savings potential, the cost-effectiveness, and the feasibility of each strategy, relying on the best available data. Absent this assessment, the Update is indefensible as a comprehensive program to achieve greater energy efficiency savings in California's existing residential and nonresidential building stock.

The Joint POUs appreciate the opportunity to provide these comments to the Commission

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[20] Cal. Public Resources Code §25310(e)
[21] California Energy Commission. September 2015. *California's Existing Buildings Energy Efficiency Action Plan*. CEC-400-2015-013-F. pgs. 8-22

and look forward to working with Commission staff on implementing a modified version of the Update as part of the larger effort to achieve the Governor's 2030 EE goal.

Respectfully submitted,

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