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Subject: Followup Comments:Docket No. 08-IEP-1

Comes now, the Insulation Contractors Association, to provide a hopefully more cogent summary of points made at Tuesday's Workshop, together with a couple of added comments.

I There is likely to be a much greater potential for Energy Efficiency.

Unless our statutory global warming target is abandoned (as is possible, once the public realizes the serious economic hardship involved) then the potential for energy efficiency (EE) will greatly expand.

All our projections for future demand are going up. But the means to satisfy those demands with generation which will not create greenhouse gases (GHC) does not show any tendency to even keep up, let alone allow the proposed statutory GHG cutback. EE is a serious secondary approach, because generation which does not occur, creates no GHG.

This will greatly increase the EE potential, because the cost of CO2 sequestration (even allowing for a positive demand for the purpose of increased recovery from old oil fields) will be very expensive. This greatly increases the "benefit" element in the EE cost/benefit calculation.

With increased benefit, EE would greatly expand. We can point to one specific EE with very serious added potential. Virtually every house built in California before 1970 had empty walls. Since most California homes last a century, this is a great population of potential savings; both from air conditioning (reducing peak loads) and heating. It has not been addressed significantly to date because the holes made in the outside walls to pump in insulation are ugly, no matter how carefully repaired. So a wall insulation job picks up the added cost of a paint job, making it marginal at current benefits. With a higher benefit, a per-square-foot painting allowance can be provided for each wall that is insulated. We call for a specified allowance (instead of paying for the paint contract) because the ZIP program demonstrated to all of us that a very significant part of our population delights in the profits from fraudulent EE-related contracts.

Another very significant almost untouched EE potential is seen in the myriad large point-source heating sites scattered about California. These are almost all potential cogeneration sources. A high proportion are owned by real estate operators, who are historically very reluctant to make any investment that does not quickly raise rents. So their cogeneration installations would have to be funded up-front. The cost of this investment could be recovered by providing a payment for

the surplus electricity generated that was only sufficient to well cover operation and maintenance costs. The balance of the current's value could go to amortization of the cogeneration cost; quicker, if energy costs rise.

The very large amount of money needed for such a large group of serious EE investments should not be extracted from ratepayers. Since the primary force behind the extra demand is from California state policy, there is solid justification for a bond issue to cover the cost, to be amortized by the savings. The use of a California bond, with its lower interest rate, would further increase the EE potential, since the present value calculations for long-lived measures would be spectacularly improved by using the low interest rate of the bonds (such as 5%) for present value calculation, as compared to the approximately 8% we understand is now used.

The two examples cited above are likely to be a small part of the increased EE made available by an increase in the benefit and a reduction in the impact of present value calculations from a lower interest rate.

II EE is mostly site-specific, so its benefits should include recognition of this

As pointed out by Ms. Barbara George in related CPUC cases, nearly every EE measure has a specific location where the benefits accrue. Recognition of this could allow calculation of two benefits not now commonly considered; lower line losses and less demand for increased grid investment. Considering that line losses now total millions of dollars a year and grid investments tend to be both difficult (because of local resistance) and expensive, this should calculate to real benefits.

III The electric demand calculations do not seem to take possible automotive demand into account

There is now a strong pressure for reducing automotive GHG by increasing the share of electric cars on the road; some even receiving all their routine power demand from the grid. To the extent this effort is successful, it will certainly increase electric demand.

IV Rising fossil energy costs are partly speculative

During the course of the past five years, the number of outstanding contracts in natural gas and crude oil futures has greatly increased. It is possible that some of this increase is simply hedging by fuel users, but our contacts among fuel users tell us that such action is rare. So it is likely that most of the increase in volume is speculative. Historically, only a very small fraction of futures speculators make money; most lose. This means that there is a real possibility of a crash in fossil fuel futures, leading to a reduction in costs; very welcome to the public, though reducing the cost/benefit from EE.

Respectfully yours,

Robert E. Burt, Executive Director