Insulation Contractors Association
4153 Northgate Blvd. #6 Sacramento CA 95834
Phone (916) 568-1826 e mail <bburt@macnexus.org>

April 29, 2008

Subject: Insulation Contractors Association Comments:Docket No. 08-IEP-1

I. Introduction

a. Comes now, the Insulation Contractors Association, to provide comments. Our members install or make insulation; many also have other interests.

b. Just to re-emphasize energy efficiency's importance; to the extent that we manage to lower the total energy demand; this makes it easier to meet the 33% target.

c. Note that energy efficiency is almost always tied to specific location(s) and therefore could be mapped, thus making it easier to relate to a demand forecast.

d. We welcome the note that one objective here is to consider potential additional areas of focus for the 2009 IEPR. We here point to two very significant energy efficiency potentials that will not be realized without significant further action in the future.

II. Two Significant Energy Efficiency Potentials That Need Additional Action

a. Empty Walls Nearly every home built in California before about 1970 had empty walls. Barring accident, a typical California home lasts a century. So we have a lot of those empty walls, right now. The reason that this very serious energy efficiency potential for major reduction in heating and air conditioning loads has been little addressed to date is simple. To pump insulation into those empty walls, holes must be drilled. No matter how carefully covered, those holes look ugly. So the job is really incomplete until those walls are painted over.

We submit that the continuous rise in energy costs and in the peak demand costs caused by air conditioning would justify an additional benefit to the homeowner when empty walls are insulated: a per-square-foot allowance to cover the cost of painting. We believe that such a change would cause this very substantial energy efficiency potential to begin to be realized, all over the state.

The reasons we suggest such an allowance are two-fold:

1) It is only the wall that needs repainting

2) We do not want to suggest payment for a painting contract. The ZIP sadly proved to all of us that there is a sizable population in this state that will happily defraud an energy efficiency program.

b. Potential Small Cogeneration All over California, there are hundreds of large, point-source hot exhaust streams that could support a small cogeneration (combined heat and power, CHP) tie-in. These are the central heating and hot-

water-heating for large rental units (residential and commercial). The total energy efficiency potential is very considerable.

1) I spent a considerable portion of my youth in close association with rental real estate people. It is a simple truism that, for almost all, their attitude toward expenditure of funds is simple. If it will support rental income or, better yet, increase rental income; do it. If it will not serve either of these ends, "its too expensive." So any up-front investment to install CHP to take advantage of the considerable energy efficiency potential of those many large heat sources would require public funds. The contracts for such installation could encumber the installation so as to capture most of the savings until such time as the public investment is repaid.

2) It would not be reasonable to extract from ratepayers the very large total up-front public investment needed to take advantage of this very serious potential. So it would require a bond issue, needing Legislative approval. This would also benefit the program, since the discount rate used to calculate the cost-benefit could then use the 5% normally related to a California bond issue instead of the higher interest rate commonly used for such calculations. This would significantly improve the calculated cost-benefit.

III. Some Speculative Comments on Future Fuel Costs

1) The current number of outstanding contracts in the crude oil futures market is now about five times the number common before about 2002. Most of this increase must be attributed to speculation. The hedge funds have certainly demonstrated a proclivity to commit large sums to expectedly favorable speculation. The almost unbroken rise in oil futures would certainly attract such speculation. Every futures contract requires both a buyer and a seller. It seems likely that the losses of the last few years have pretty well cleaned out the funds of the oil futures bears, so most sellers are now those who control oil production and desire to fix a sure future price for themselves. Enough people in the oil business remember $9/barrel oil to provide a steady stream of such sellers. Those speculating on the long side are limited to that flow of sellers; no matter how eager they are to look forward to $200/barrel oil.

2) Right now, natural gas is a spectacular bargain, as an energy source, compared to oil. This is especially true when it is realized that, natural gas supplies are becoming tight and to actually provide useful energy, oil depends upon expensive refining from facilities that are in short supply. Natural gas, mostly methane (CH_4), provides less CO_2 per unit of energy than more carbon-rich fuels. This adds to its desirability as a fuel. Thus, there is a serious likelihood that hungry speculators will see the natural gas futures as a fine new playground; at least until the energy cost of gas gets closer to that of oil. This would almost double the cost of natural gas, even at current oil prices.

Respectfully submitted, Robert E Burt

Robert E. Burt
Executive Director