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**ConSol Comments and Requests for Clarification on
Preliminary State Energy Program Guidelines, Released
July 16, 2009 (CEC-150-2009-004-D)**

ConSol appreciates the opportunity to provide comments and questions to the Commission on the Preliminary Guidelines. Having worked in residential energy efficiency for over twenty-five years ConSol is cognizant of the unique circumstances that give the state of California an opportunity to revitalize its economy through resource conservation and fully supports the Commission's approach. It is no small task to change the inner workings of such an essential market. ConSol is keenly aware of the impact of failed markets and considers its mission to transform markets starting from research and development through retail deployment. ConSol practices what it preaches developing programs and services using grant money and attempting to develop them into subsidy-free sustainable products

Critical to market transformation for EE retrofits is to appreciate both the building science and owner economics that influence market behavior. ConSol encourages the Commission to view this market as a set of inter related systems, much like the basic philosophy of home performance. ConSol would urge the Commission to allow diverse approaches to the residential retrofit market and not

create restrictive guidelines related to retrofit packages so long as the programs are cost effective (or some other quantitative metric) ensure quality control and are safe.

General Observations

Implicit in the Preliminary Guidelines is that the Commission is seeking proposals which create support infrastructure that can advance multiple types of EE efforts. For example a region which uses common marketing, reporting, and technical support can offer economies of scale improving the overall cost effectiveness of each activity. Certainly from a jurisdictional perspective having regional data helps each entity with its AB32 and SB375 objectives. The Commission should articulate the value regional approaches will be given in evaluating proposals.

The Commission is rightly concerned about “time criticality” and ensuring that the ARRA money is spent within the state on shovel ready projects. Much could be done now to prepare for the eventual allocation of these funds. Resource strapped cities (in particularly in geographically disadvantaged areas) are struggling to develop the programs and feasibility studies necessary to respond to the CEC opportunities, including the small city and county EECBG. Building industry participants such as ConSol are ready to start work immediately. Similarly legal work to set up AB811 type districts could be initiated now. ConSol recommends that the Commission consider allowing pre-award work to be compensated post-award so long as the grant is awarded pursuant to the criteria required by the Commission. If this was allowed, partnerships between jurisdictions and other supporting organization could be formalized with the clear understanding that if the grant was not approved the “preparatory” work would go uncompensated. This would generate more well considered programs with proposals significantly closer to deployment that would contain the detail required for a meaningful review. All collaborators, especially private industry,

would have stake in the outcome, and would be incented to make the joint proposal worthy of funding.

The Commission has encouraged jurisdictions to work with Building America teams such as ConSol. However, ConSol has not yet received (nor, to the best of our knowledge, has any other Building America Team tasked to develop retrofit) funding from DOE. On a limited basis ConSol is working with certain jurisdictions to research the operation of existing homes and document the conditions therein. However ConSol's ability to more fully develop programs with jurisdictions is limited. ConSol would invest additional resources in the development of both residential and commercial retrofit programs if it knew there was an opportunity to receive compensation if the pre-award work passed CEC muster. ConSol still expects to receive funding from DOE that it would leverage in this effort, but as the Commission can appreciate the timing of those funds is uncertain.

In the meantime, other entities in the field have funding that may well be leveraged to develop responses to the SEP funding giving those entities a jump start. The CEC should be sensitive to this discrepancy when considering proposals. As an alternative, the Commission could allow pre-award work to count as leveraging or matching funds where required. Without this clarification, advanced program development will be limited to entities that have other sources of funding for related activity and the commitment of those that do not have that funding may not be adequately represented in their applications. This could result in over funding of entities that already receive significant funding. Allowing pre-award work to be compensated post-award would solve this problem.

The Commission also requests proposals address "sustainability." ConSol supports this criterion and requests the Commission elaborate on the definition. ConSol would advocate for a definition that is based on market acceptance of the program, excluding exclusive subsidy. That is, the programs that transform the

market without “special backing” not available to all programs are more likely to be sustainable in a competitive market. If a program’s sustainability is based on a unique subsidy it receives that criterion fails to advance market-based solutions.

In general it would be helpful if the Commission allocated weight to the various evaluation criteria to provide applicants a more quantitative guidance.

AB811

The Commission requests that proposal for municipal financing districts include a set of information starting on page 19. To answer these questions, substantial work must be completed and in some cases the information may not be able to be provided until the district has been initiated. For example, questions related to bond rating are impossible to determine until a bond is issued. The interest rate one can offer the public depends on the bond interest rate which will not be determined until the bond is issued. If pre-award work were allowed, some of the data that the Commission needs to review the application would become available.

Page 20 the Draft Guidelines lists the 7 possible uses of the funding but it did not include funding for bond validation which seems to be a necessary legal step. Is funding for bond validation an excluded activity?

An important element to making an AB 811 district succeed and scale is interim financing. In reviewing the costs associated with creating an AB 811 district it is unclear to what extent the Commission is willing to create interim financing and whether it plans to do so on a state basis or based on requests from each proposal. Since the amount of money needed for interim financing is significant clarification on the Commission’s plans on interim financing would be extremely helpful.

California Comprehensive Residential Retrofit Building Program

ConSol fully supports the Commission providing seed funding to establish regional retrofit programs. Additionally, similar to the Commission's Tier approach ConSol has long advocated for creating a series of simple packages. ConSol appreciates, and experience tells us, that consumers entertain retrofit projects in varying degrees based on a variety of factors, including access to capital, value of efficiency, comfort, ease of program administration, existing home operation. Consumers may well be move to deeper tiers of work if they are not adversely impacted by their initial experience.

The Commissions' Tiers are based on a division of labor or contractor model. ConSol requests the Commission clarify that the Tiers are not prescriptive and that applications must not necessarily include the exact same activities and Tier points that the Commission is recommending. ConSol believes certain of the Commission Tier II and Tier III activities could be combined in a very cost effective way.

For example ConSol is currently assessing several communities to test and evaluate our proposed analytical approach to existing homes. Current modeling software makes assumptions about how homes operate and use default assumptions to predict savings results from energy efficiency measures. ConSol's intent is to validate these default assumptions, determine where energy efficiency measures provide savings synergies and where those measures create double counting, and generally document existing homes conditions across a large sample size, including the effect of the vintage of the home and the climate zone. ConSol supports providing each homeowner participant in a retrofit program a HERSII rating and continued monitoring of the savings in relationship to rating predictions of energy savings.

A rigid prescriptive approach would have a dampening effect on this research and perhaps limit the leveraging that ConSol could bring to California

from its anticipated DOE contract. Similarly, if the Commission wants regional approaches to collaborate with weatherization programs or neighborhood stabilization efforts, prescribing activities makes collaboration that much more difficult.

It is unclear whether the Commission is requiring proposals to “collaborate with” or be certified as Home Performance with Energy Star (HPw/ES). Prior to an award a proposal may not have a HP w/ES sponsorship and should not be downgraded because of it. ConSol supports HP w/ES but believes that requiring certification as a HP w/ES program could present a barrier to alternative approaches. HP w/ES requires a sponsor which typically is a utility. If a jurisdiction wants to support a particular approach to retrofit and the utility HP w/ES sponsor do not like that approach, then the requirement will limit or dictate what the jurisdiction can do. The Commission should err on the side of providing flexibility so long as the proposal provides for cost effectiveness, quality assurance and safety. Programs should be judged on an objective measurement such as HPw/ES requirement of 20% energy savings, and predetermined sampling size for quality control audits. Common metrics allow proposals to be assessed irrespective of their relative maturity or political clout.

The Commission should clarify what role cost effectiveness plays in the evaluation of residential retrofit proposals. In the municipal/commercial and small grant EECBG guidelines the cost effectiveness criteria is clear and it should to be better articulated in the residential guidelines. Total Energy and GHG Emissions reductions are criterion, but not reductions per dollar spent. Is the Commission going to evaluate programs on a savings per dollar basis or some other cost benefit metric?

Again ConSol sincerely appreciates the opportunity to give the Commission input and looks forward to begin work transforming these markets.