BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs, Evaluation and Related Issues.	Rulemaking 13-11-005 (Filed November 14, 2013)

COMMENTS OF CLEARESULT ON RULING OF ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENT ON MARKET TRANSFORMATION STAFF PROPOSAL

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Pursuant to the September 29, 2018 Ruling of the Administrative Law Judge Seeking Comment on CPUC Staff Proposal for Market Transformation ("Ruling"), CLEAResult Consulting Inc. ("CLEAResult") provides these opening comments. CLEAResult first provides a brief description of itself and the services it provides, then provides general comments that address the proposed strategic direction implicit in the Ruling and its implications for California's long-term energy goals, and finally responds to certain of the specific questions set out in the Ruling.

I. CLEARESULT

CLEAResult is the largest company dedicated to providing energy efficiency and other demand-side management programs in North America. With over 2,500 staff delivering over 600 active programs to more than 200 utilities across 42 states and Canadian provinces, CLEAResult helps utilities process over 50 million customer applications annually working with a network of over 30,000 contractors. In 2016 alone, CLEAResult programs helped utilities and their customers save over 4,500 GWh and 54 million therms, resulting in customer energy cost savings of over $530MM.

With California offices located in San Bruno, Oakland, Los Angeles, and San Diego, and a distributed field and support team across the state, CLEAResult has an active team of over 80 California staff running over 50 programs supported by functional and technical expertise from across the country. CLEAResult provides program design, implementation, technical support,

engineering, marketing, outreach, training, and incentive services to most of the utilities (both investor owned and publicly owned) in California across the commercial, residential, industrial, agricultural, and public sectors and in workforce education and training, and in emerging technologies.

II. GENERAL COMMENT

CLEAResult welcomes the return of a focus for California in Market Transformation ("MTx") initiatives. Such initiatives and direction were a large part of direction in the original language of AB758 in 2009 but have been de-emphasized in the past several years as the focus of energy efficiency for many Program Administrators ("PAs") has switched to resource acquisition, investment deferral opportunities, and the struggle to maintain cost-effective portfolios.

We are strongly appreciative of the Commission's connection of the current proposal to the goals of SB350 as we believe California's long-term goals set out in the SB350 legislation are a better guide for California's policy environment then short-term concerns and regulatory churn. With that in mind, we offer the following overall summary points that we have woven into our answers to the individual questions that were raised:

1. It may be prudent to use the opportunity to incorporate market transformation initiatives that focus on decarbonization rather than only on energy savings.
2. Any proposed Initiatives must be incorporated into the Rolling Portfolio of programs to avoid cannibalization of savings, double-counting of savings, or an undue burden of proving attribution of savings.

3. Third-parties should be allowed and encouraged to propose and implement Initiatives that would be governed under Accords. Solicitations to implement such Initiatives should be incorporated into the PAs schedule of solicitations in the Rolling Portfolio.
4. The formation of a separate oversight body from existing bodies, such as the California Energy Efficiency Coordinating Council is an undue and unnecessary burden of administrative costs and process for all Parties.
5. The number of proposed Initiatives should not be unduly constrained by the PUC-proposed budgets. Placing a series of bets on a portfolio of Initiatives would likely lead to a better series of successful long-term outcomes.
6. Initiatives should define their budgets rather than limiting budgets to a pre-defined number. Initiatives should cover interventions in technologies, market channels, customer or market processes, and customer segments – not just technologies).
7. The Commission should recognize the mounting issues with cost-effectiveness calculations and inputs – particularly when focusing on Initiatives that by their nature will likely have high initial costs and will run for many years. An undue burden of cost-effectiveness at this early stage will likely lead to a very limited number of feasible Initiatives.

We look forward to continuing to work in the public process to iterate the PUC proposal towards a Final Decision. The proposal has provided a good basis for the expected outcomes and we believe the details that require clarification can best be handled in public process. We

III. CLEARESULT'S RESPONSES TO SPECIFIC QUESTIONS

1. What are the best characteristics of the market transformation framework in the Staff Proposal? What attributes are the most valuable and should be retained?

The best attributes of the proposal are in the recognition of MTx as a series of long-term initiatives and efforts to implement those initiatives. The proposed framework is encouraging, and we support the designation and definition of Initiatives to govern MTx efforts. We think the creation of a governing structure akin to the proposed Accords is O.K. with some modifications. The recognition of the need for oversight and the inclusion of industry subject experts is good but we highlight that such oversight need not be separated from other supporting bodies in the California EE ecosystem such as the CAEECC.

2. Do you agree with the staff recommendation to begin the development of market transformation initiatives initially separately from the business plan portfolios? Why or why not?

We do not agree with this recommendation. As we have stated in many comments since the original ruling on third-party and statewide programs in 2016, the transition of the majority of energy efficiency programs to third-parties in the coming three years will create significant disruption and risk to all actors in the energy efficiency industry. With that transition has come an increasing expectation that the entire risk of energy savings be borne by customers, contractors, or implementers and that such risks need to be reflected in the compensation structures to those parties. Such risk allocation comes at a time when no party will provide performance insurance for a market with the depth of regulatory risk as exists in California – particularly on the valuation of energy efficiency savings. If the proposed MTx proposal creates a separate pathway for energy savings, the largest risk is that savings proposed by third-parties in

resource acquisition ("RA") programs will be cannibalized by MTx or vice-versa. Concurrently, there is a risk that efforts to attribute savings between the proposed MTx efforts and the RA program will create such an undue burden of administrative costs as to deflect from the dual purposes of both TA and MTX efforts – namely to drive deeper savings towards the goals of SB350.

Furthermore, in our experience of working on both RA and MTx programs, the two work best when they are managed in concert with each other and at best complement or integrate with each other to serve the overall goal. We believe this is the model we see best characterized by the Northwest Energy Efficiency Alliance and its interactions in with the universe of utilities, stakeholders, and third-parties active in the Pacific Northwest.

3. Do you agree with the budget limit of $12 million per PA for operations outside of the business plan portfolios suggested in the Staff Proposal? Why or why not?

We do not agree with setting arbitrary limits for budgets without clarification for the reasons of setting those limits. In the PUC proposal, it is unclear if the proposed $12MM is an annual budget or a lifetime budget for the Initiatives. Furthermore, the PUC needs to clarify whether all current PAs are authorized for these budgets or whether the efforts are limited to IOU PAs – and whether future PAs (e.g. CCAs who elect to administer funds, or newly forming RENs) would also be authorized to request such funding. If the proposed $12MM is expected to govern the entire life of an Initiative, we would be surprised to see Initiatives evolve that deliver the deep savings at the heart of the PUC proposal.

Regardless of the clarifications above, we question why budgets should be set at this stage before any Initiatives have been proposed or selected for implementation under an Accord.

As an alternative, we suggest the PUC allow the expending of a smaller budget during the remainder of 2018 and 2019 solely for the purpose of defining the Initiatives and Accords and that the question of total budgets then be raised with validation and justification for why such budgets would be appropriate.

4. Should there be a limit to the time period for how long market transformation initiatives may operate outside of the business plans before being integrated with the overall portfolio? If so, what is your proposed time limit? Explain your rationale.

We do not believe market transformation initiatives should operate outside of the PA Business Plans so we don't believe such a time limit should be set. Further we do not believe that it's necessary to wait until the next development and filing of Business Plans - expected in the mid 2020s) to integrate these efforts into the overall portfolio. We do, however, recognize that the budgets that may be ascribed to market transformation may require supplemental budgets above and beyond the currently approved budgets in the Business Plans. We suggest that the topic of supplementing Business Plans or modifying Business Plans for the purpose of integrating market transformation could be delegated as a topic for discussion by the CAEECC.

5. Do you support the Staff Proposal elements with respect to cost-effectiveness? Why or why not? Describe in detail any changes you would suggest.

We defer discussion on this point to other Parties given the uncertainties that were raised in the PUC workshop on the Proposal – especially about attribution of savings for Codes & Standards.

We do, however, take this opportunity to recognize that there are mounting concerns across all Parties in this proceeding as to the applicability of the TRC test to govern energy efficiency in California. While several Parties have deemed questioning the TRC test as out of scope, we would simply point out that portfolio cost effectiveness has been in decline for several years, that the test does not recognize the value of many benefits of energy efficiency, and that the accuracy of many inputs, particularly participant costs and net-to-gross values, is yielding an increasingly unviable portfolio of programs. Since the proposed framework for MTx is expected to last several years, it is very unlikely, at least to CLEAResult, that we will still be using the current test to govern these sorts of initiatives by the end of their life. As such, ascribing a high bar standard to the effort today seems counter-intuitive not least when the costs of MTx Initiative by their very nature would be expected to be high in the early years of such initiatives – especially if focused on new [expensive] technologies, processes, or innovative customers.

6. Do you support the concept identified in the Staff Proposal for Market Transformation Accords? Why or why not? Describe in detail your suggested improvements.

We support the idea of a governing Accord. The four items included in the scope of the Accord (long-term funding commitments, coordination with other programs, methods for recognizing savings, and schedule of progress) are absolutely critical to ensure Initiatives will work.

7. The Staff Proposal includes an allocation of funding for market transformation planning efforts. In some cases, such planning efforts may fail to produce a workable Market

Transformation Accord. Should spending on such planning efforts be subject to separate budget caps or time limitations? If so, what should those limits be and why?

See our comments to Question 3. We believe budgets should be defined by the requirements of the Initiatives. It may be appropriate to assign a budget to support the initial planning efforts.

8. Do you agree with the Staff Proposal's recommendations with respect to the interaction with statewide and third-party program requirements in the business plan portfolios? Why or why not?

See our comments to Question 2. We don't believe these efforts should be separated from the as-yet unbid statewide ("SW") and new third-party ("3P") programs. Separating them creates risks for both SW, 3P, and MTx program success.

9. Do you support the Staff Proposal recommendation for how to conduct evaluation, measurement, and verification on market transformation initiatives? Why or why not?

We suggest that the PUC raise this question with their incoming EM&V consultants and share the responses of those consultants with the record of this Proceeding. We support the separation of EM&V consultants from implementation companies to avoid conflicts of interest.

10. Comment on the Staff Proposal's discussion of milestone-based performance assessments.

The only comment we would make at this time is that many MTX initiatives might not get it right first or second time. Requiring of PAS to terminate an Initiative on the basis of their initial schedule of milestones without providing the PA, or potential consultants supporting the

Initiative, the opportunity to cure issues with the Initiative would seem to place an undue burden on a process that is just relaunching. Further, requiring any action to continue or terminate be subject to a Tier III Advice Letter is a high burden to place at this stage. The PUC should consider some flexibility in this aspect of the proposal to allow Initiatives to put themselves back on track to their overall goals prior to termination.

11. Do you support the Staff Proposal's recommendations for the administrative aspects of management of the Initiatives, particularly in Section 5 on procedural approach? Why or why not?

We don't see it as our place to define the steps proposed in the procedural approach. We think the sequence of proposed steps is reasonable. We do believe, however, that concurrent with our overall comments above to seek more market input to define initiatives and with several elements of the framework still needing iteration and development, that the Commission might reduce its current burden by adding a step or steps between the proposed completed Step 1 and the proposed Step 2. The interim step would be to seek more market input from stakeholders on the Proposal, seek input from stakeholders on potential Initiatives, and to allow the CAEECC, and PAs, to discuss and propose how to manage oversight of the MTX framework and more importantly, how to ensure the integration with PA Business Plans would occur. These questions of integration and oversight would seem critically important before the Commission can propose its Decision to enable Steps 2 to 5 to continue.

12. Are there other ways (besides those represented in the Staff Proposal) to engage and leverage stakeholder expertise effectively? If so, describe them.

We re-iterate that we really really really would prefer not to see the formation of another oversight or stakeholder body to guide the MTx framework. The burden of participating in the many activities in California is very high for parties that are not compensated for their participation – which includes most third-parties. More importantly, we believe that the overall effort would be strongly aided by the participation of manufacturers, distributors, and individual ,or associations, of contractors. If such participation is to become realistic, there is no reasons to separate that participation from other activities that happen under the auspices of the CAEECC. The participation of some parties is so valuable that we suggest some portions of planning budgets be ascribed to support participation of parties who might otherwise not provide their input.

13. Are there characteristics of market transformation initiatives that are not sufficiently embodied in the framework described in the Staff Proposal? If so, describe them and suggest ways these characteristics can be integrated into the framework or requirements.

No Comment.

14. Are there elements in the Staff Proposal that are missing or unclear? Describe.

In our opening comment, we take the opportunity to raise the idea that the Commission consider the opportunity now to incorporate, allow, or direct market transformation Initiatives that are aimed at goals broader than energy savings. We fully recognize that the Rolling Portfolio is limited in its scope to allow such consideration but we also firmly believe that California must begin placing bets and activities that will guide the goals of SB100. Since market transformation is one of the few avenues to enable such long-term planning and initiatives, we think this is an

excellent opportunity to begin consideration of such Initiatives and to not constrain these by the limitations of the energy efficiency framework. We look forward to discussing this point in this and other forums.

15. Ultimately, do you recommend that the Commission adopt this framework, or a version of the framework with your suggested modifications described in answers to the above questions? Why or why not?

We will defer our overall comments on this question to ongoing comments and future activities. We strongly advise the Commission do not adopt the current framework without substantial modification and that such modification continues to be iterated in public process. The main modifications that we would like to see in a modified framework include:

- Incorporation of third-parties to define Initiatives and potential solicitation of service for those Initiatives.
- Re-consideration of the cost-effectiveness standard governing Accords. No limitations on proposed budgets until Initiatives have been proposed and selected.
- Incorporation of the framework into the PA Business Plans and integration of oversight and advisory functions with existing bodies such as CAEECC.
- Addition of steps to the procedural proposal to further define the bullets above.

16. Include any other comments or recommendations not covered by the above questions.

No Comment.

IV. CONCLUSION

CLEAResult commends the Commission for its continuing work in the Rolling Portfolio Proceeding and for devising a starting point for the future of market transformation in California. At the same time, we respectfully request that the Commission take our collective comments on the proposed framework into consideration in the ongoing development of the staff proposal.

Respectfully submitted,

/s/

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