

**Statement of Commissioner Dian M. Grueneich
on the California Public Utilities Commission Decision
Approving 2010 to 2012 Energy Efficiency Portfolios and Budgets
24 Sept. 2009**

Colleagues, you have before you the proposed decision approving energy efficiency program portfolios for the 2010 to 2012 program cycle.

This decision was a true team effort that required an inhuman amount of work. I start by thanking president Peevey for his strong leadership and his commitment to energy efficiency and clean energy.

I would like to acknowledge the letter of support for this decision from the energy commission and thank them for their cooperation and analytical support in the energy efficiency area. We look forward to continued collaboration with the cec to coordinate the implementation of our energy efficiency programs with the efficiency projects funded through arra, the federal stimulus package.

I thank administrative law judge gamson, who has done an incredible job throughout this proceeding, as well as cathy fogel and jeanne clinton from the energy division, and the entire energy efficiency team. Finally, i would like to thank my advisors, theresa cho, jamie fordyce, michael wheeler, and kelly hymes.

Our economy and environment are at a turning point. A new study released by hsbc global research last friday found that the climate sector has surpassed the size of the global aerospace or defense industry. And, energy efficiency recorded the highest investment returns in the year to date, at 30%.

Today's decision is a win for energy efficiency and it is a win for California's new green job economy. In the next three years alone, it funds between 15,000 and 18,000 skilled green-collar jobs. The new statewide residential retrofit program can

create between 6,000 and 9,000 jobs alone. To aid in the creation of these jobs, this decision will devote over \$100 million dollars to education and training programs at all levels of our educational system.

This decision approves a three year budget of \$3.1 billion for Southern California Edison, Pacific Gas & Electric Company, San Diego Gas & Electric Company and Southern California Gas Company. Over 2010-2012, these programs will create energy savings of almost 700,000 gigawatt hours, 1,500 megawatts and 150 million therms. This is the equivalent of three 500 megawatt power plants and will avoid 3 million tons of greenhouse gas emissions.

These numbers are breathtaking in their own right, but what is as important is the content of these portfolios.

- * for the first time, the utilities will run twelve programs that are consistent statewide.

- * these programs include the new, California statewide program for residential energy efficiency (calspree)-- the largest and most comprehensive residential retrofit program in the united states. The goal of this program is to reduce energy consumption by 20 percent for up to 130,000 California homes by 2012.

- * for the commercial sector, we expand building benchmarking and also offer comprehensive retrofit programs.

- * industrial facilities will be offered continuous energy improvement programs designed to enhance energy management practices.

- * local governments will draw upon \$265 million to produce energy savings from retrofits of public buildings and direct installation programs, and also from innovative programs such as building codes that go beyond title 24 standards.

- * these portfolios also contain innovative programs to promote zero net energy new construction through aggressive design and delivery methods.

- * we make a substantial investment in advanced lighting technologies that will produce savings for future years.

* and, this decision continues our progress towards implementing a new, statewide marketing, education and outreach program which has the goal of transforming the way Californians think about and use energy.

The fundamental change embodied by this decision and the programs approved in the decision, is to shift the priorities for ratepayer funded energy efficiency programs away from rebates on widgets to sustained energy savings in the built environment. Buildings in the united states consume 40 percent of our electricity production and are responsible for a similar percentage of ghg emissions.

If we can make changes in the way buildings are constructed and used we can go a long way towards solving our climate change problems, while reducing our energy bills and improving our comfort. Further, this focus on changing what we call the “building envelope” is a paradigm shift away from the approach that has been the focus of energy efficiency programs for over a decade, which has funded individual measures who savings are lost when a lightbulb burns out or if a lightbulb stays unused in a closet. The savings from the comprehensive approaches we adopt in this decision will produce savings immediately and continue, more importantly long into the future. Naomi porat, the ceo of zeta communities, a builder of affordable zero net energy homes in California stated, “this is a landmark decision that will propel California as both the leader and the stimulus of our national’s major shift to the new energy efficiency era.”

Through this fundamental change in priorities, this decision implements the vision in the California long-term energy efficiency strategic plan to make energy efficiency a way of life in California. In each area, we have measured the outcomes of the proposed programs against the interim goals set forth in the strategic plan to ensure that we are making rapid progress towards our long-term goals.

This decision also makes changes that are critical in keeping the portfolios cost-effective as California captures the easy-to-reach efficiency savings and must reach deeper to achieve the next level of savings.

First, we cap the utilities' administrative costs -- general overhead, utility labor and management-- to 10% of the total portfolio budget. We then impose a 6% cap on all marketing and outreach costs, a 25% target on non-rebate program costs, and a 4% cap on our own evaluation, measurement and verification costs.

While these caps and targets may appear to be stringent, keep in mind that a 6% cap on marketing leaves a total budget of \$108 million dollars – enough funds to do an excellent job by any measure. These caps are consistent with best practices of utility programs in other states and provide assurance to ratepayers that their money will be used prudently.

This decision also makes key changes to our own evaluation, measurement and verification (em&v) process. First, the decision freezes the parameters for calculating savings achievements during the program cycle and directs our energy division staff to initiate a comprehensive review of California's current technical and institutional em&v frameworks with the goal of streamlining and improving our processes. In a subsequent decision, planned for later this year, we will approve detailed em&v projects and budgets.

The portfolios approved by this decision create a comprehensive, coherent and cost-effective system to create demand for energy efficiency products, services and buildings; deliver comprehensive savings programs and opportunities; train the skilled workforce to implement these savings; and build the innovative technologies and services of the future.

We can be confident that the action we take today will move our state forward in achieving our clean energy goals by providing reliable, cost-effective energy efficiency resources to ratepayers.

We also recognize that utility efficiency programs are a critical component in California's ability to mobilize the hundreds of millions of dollars available to

California's households, businesses and governmental agencies for energy efficiency purposes through the federal economic stimulus package and provide green jobs for the future. We value this additional federal investment support that will further leverage efficiency investments in California. We look forward to continued exchange of future efficiency strategies and initiatives with energy policy leaders in Washington.

In this decision, we take the first step not in imagining new and better portfolios of energy efficiency programs, but in their actual implementation. Embodied in the direction given to utilities is unprecedented cooperation and cost sharing among all levels of government, multiple state agencies, and emerging market actors. We are confident that the quality of programs implemented by utilities and their partners over the next three years will be a national model and keep California at the forefront of addressing our nation's energy and climate challenges.

This morning I received a statement from John Doerr, a partner in Kleiner, Perkins, Caufield & Byers, and a member of President Obama's Economic Recovery Advisory Board, on the decision: "Let's pay attention to this. California's commitment to home efficiency is profoundly important for consumers, businesses and investors. Home efficiency should be the largest, cheapest, and fastest payback energy source of the next decade. It is smart economics, geopolitics, and carbon reduction. Plus, savings stay in the pockets of Californians. The CPUC's leadership will set the pace for energy innovation in California and beyond."

And finally, in partnership with President Peevey we dedicate this decision to CEC Commissioner, Art Rosenfeld. Art's vision and leadership first started California on the path of energy efficiency 30 years ago. Today we launch the next generation of energy efficiency in his name.