

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Regarding  
Building Decarbonization.

Rulemaking 19-01-011  
(Filed January 31, 2019)

**OPENING COMMENTS OF THE  
CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL  
ON THE ORDER INSTITUTING RULEMAKING  
REGARDING BUILDING DECARBONIZATION**

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**I. INTRODUCTION**

The California Efficiency + Demand Management Council (the “Council”) appreciates this opportunity to submit its Opening Comments on the Order Instituting Rulemaking Regarding Building Decarbonization (the “OIR”), pursuant to Rule 6.2 of the Rules of Practice and Procedure of the California Public Utilities Commission (“CPUC” or “Commission”) and the instructions accompanying the OIR issued February 8, 2019.

The OIR reflects an extensive effort by Energy Staff to build a framework on how best to achieve building decarbonization throughout California. The Council looks forward to working with staff on the improvement of this framework. Through these opening comments, we suggest the Commission focus on the following needs:

- Establishing clear short- and long-term goals and criteria to enable the success of Senate Bill (SB) 1477’s BUILD and TECH programs.
- Selecting program administrators that can best implement the Commission’s goals and criteria, once they are established, and the intent of SB 1477 legislation.
- Selecting program administrators that have a comprehensive understanding of the interconnectedness of the topic of building decarbonization and are capable of leveraging existing opportunities to achieve the Commission’s established short- and long-term goals.
- Maximize to the extent practicable the use of competitive bidding and implementation by industry third parties to provide the benefits of increased performance and decreased cost.

## **II. THE BACKGROUND**

The Council is a statewide trade association of non-utility businesses that provide energy efficiency, demand response, and data analytics services and products in California.<sup>1</sup> Our member companies employ many thousands of Californians throughout the state. They include demand response and grid services technology providers, implementation and evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and manufacturers of energy efficiency products and equipment. The Council's mission is to support appropriate demand response and energy efficiency policies, programs, and technologies to create sustainable jobs, long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement.

The Council regularly participates before the Commission to support appropriate energy efficiency and demand response policies, programs and technologies to create sustainable jobs, long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement. The Council is a party to numerous Commission proceedings, including, but not limited to Demand Response proceedings (R.13-09-011 and A.17-01-012 et al.), the Resource Adequacy Rulemaking (R.17-09-020) Energy Efficiency proceedings (R.13-11-005 and A.17-01-013, et al.), Integrated Distributed Energy Resources ("IDER") rulemaking (R.14-10-003), Distribution Resources Plans (R.14-08-013, et al.) and the Integrated Resources Plan ("IRP") rulemaking (R.16-02-007). The Council understands the importance and role that building decarbonization will have moving into the future as California looks to achieve its ambitious climate and energy goals. We look forward to the opportunity to participate in the proceeding and to represent the energy efficiency and demand response industries to achieve the low-cost, low carbon energy future we need in California.

## **III. COMMENTS ON ISSUES TO BE CONSIDERED IN THIS PROCEEDING**

The Council appreciates the Commission issuing of this Order Instituting Rulemaking and offers the following comments in response to the questions proposed by the Energy Staff.

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<sup>1</sup> Additional information about the Council, including the organization's current membership, Board of Directors, antitrust guidelines and code of ethics for its members, can be found at <http://www.cedmc.org>. The views expressed by the Council are not necessarily those of its individual members.

## **A. The Council's Responses to Questions Posed in Section 3 of the OIR**

- 1. Do you agree or disagree with the organization of the proceeding into the four proposed categories (Implementing SB 1477, Potential Pilot Programs for Decarbonization of New Construction in Areas Damaged by Wildfires, Coordinating with Title 24 Building Standards and Title 20 Appliance Standards, and Building Decarbonization Policy Development)? Explain your reasoning.***

The Council generally supports the proposed organization of the proceeding but encourages the Commission to maintain a level of flexibility to adapt to new information or programmatic findings that may hinder the success of implementing SB 1477's programs or achieving the state's long-term building decarbonization goals.

The OIR identifies 4 general categories of issues to be considered in this proceeding including: the implementation of SB 1477, Low-Emissions Building and Sources of Heat Energy Act, the potential pilot programs for Decarbonization of New Construction in Areas Damaged by Wildfires, Coordinating with Title 24 Building Standards and Title 20 Appliance Standards, and Building Decarbonization Policy Development. The Council supports the Commission's decision to host a Public Workshop in this proceeding on April 8, 2019, to discuss the Commission's approach on these topics, the proposed timelines for each and potential tracks. The long-term success of these programs and the broader goal of long-term building decarbonization will require robust stakeholder engagement from all parties. The proposed workshop will serve as a good first step towards accomplishing this goal.

- 2. How should the Commission go about determining the administrative structure for SB 1477 BUILD and TECH programs, from among the options listed in the statute?***

The Council believes that the determination of an administrative structure should be based on an analysis of which entity is best positioned to achieve the Commission's desired goals and the established criteria. To ensure the successful and on-time launch of the BUILD and TECH program in Fiscal Year (FY) 2020 the Council encourages the Commission to quickly define the metrics of success and implementation criteria for both programs. The Commission should also ask Energy Staff to propose program administrators who are positioned to achieve the program objectives. As the Commission and Energy Staff develop these proposals, the Council encourages the consideration of the following factors:

- The BUILD and TECH programs defined in SB 1477 are structured as four-year pilots that serve as a test bed for new construction and retrofit building approaches and technologies that maximize building emission reductions. Given the short-term nature of these programs, the Commission should allow for enough flexibility in the program administration to nurture innovation and achieve program success.
- The Commission should not only consider the short-term goals of these programs, and how best to administer them, but also consider what the end goal of these two programs should be in the context of the Commission’s overall goals and proceedings, such as the IRP and IDER. If the Commission views the programs as pilots, as the Council does, it should establish goals that enhance the long-term opportunity to create a decarbonized marketplace where the industry can bring new technologies, appliances, and strategies to achieve the identified goals at the lowest cost, and with the greatest results.
- As noted in the ruling, Building Decarbonization spans across various open proceedings at the Commission, as well as various code cycles, existing initiatives, rule changes, and reports that are being issued by sister agencies, including the California Energy Commission (“CEC”). Acknowledging these interconnections and utilizing the resources made available by these other agencies and programs will be essential to the successful implementation of both programs.
- We encourage the Commission to require the select program administrators as part of their program guideline development to identify a list of established programs, rules and related reports that can be leveraged in the BUILD and TECH programs to minimize administrative burden and ensure success of the programs. The program administrators should update these lists on an annual basis as new information becomes available.

**3. If the Commission chooses a third-party administrator, what process should it use to select the administrator?**

If the Commission determines that either the BUILD or TECH programs will best be implemented by a third-party administrator, it is important to establish criteria that will result in a successful, stable, low-administrative-cost market that encourages robust competition and innovation in alignment with the establish programmatic goals. Among the most important of those criteria should be those designed to attain marketplace certainty, which is in turn needed

to support the robust competition that will drive performance higher and costs lower. Those criteria include:

- Statewide uniformity
- Customer clarity
- Economic stability
- Credit Risk
- Ability to Contract

In addition to the criteria above the Commission to the extent practicable should encourage the use of competitive bidding and implementation by third parties to provide benefits of increased performance decreased cost. We propose a thorough discussion of the criteria Energy Staff should analyze to help recommend a program administrator structure that will best fit the Commissions goals.

- 4. How should the Commission establish the budget for each program?  
What portion of the budget should be reserved for program evaluation?  
How should the program evaluator be selected?**

The Council reserves comment on the budget for each program, and on how much of the budget should be reserved for the program evaluation.

- 5. What program design parameters should be established by the Commission independent of the program administrator, and which aspects should it allow the selected program administrator to develop on behalf of the Commission?  
For example:**

- a. Technology eligibility criteria**
- b. Process for evaluating new technologies**
- c. Guidelines and evaluation metrics**
- d. Criteria for scoring and selecting projects**

The Commission should first focus its efforts on establishing clear short and long-term goals of the BUILD and TECH programs and allow industry to propose parameters on how best to achieve the identified goals in alignment with the intent of legislation. Once clear goals have been established, the Commission should then move forward to adopt key design program principles and take into consideration the following:

- As noted in the guiding principles section of the OIR, the Commission “*should avoid picking technology winners and encourage competition among technologies, vendors and approaches.*”<sup>2</sup> By ensuring the program administrators keeps the technology eligibility criteria broad and in alignment with the statutory and Commission established goals, the Commission is in alignment with a key guiding principle of the OIR.
- The evaluation process proposed by the program administrators should be transparent, clearly tied to statutory and commission objectives and not otherwise discriminatory.
- The scoring criteria for technologies needs to be clearly linked to reliably achieving the maximum programmatic benefits at the least cost in alignment with the statutory and commission objectives.

The Council encourages the Commission to provide additional incentives for including passive or active grid support capabilities to any equipment installed under the BUILD and TECH programs. “Advanced energy efficiency” is defined by SB 1477 as one of the zero emission technologies to be addressed. Energy efficiency’s load shaping capabilities are essential to enabling a least-cost, least-emissions, equitable and reliable grid, and incentives for deployment of efficiency measures that contribute to reducing stress and costs of grid management are an important focal point for this proceeding. The Commission should also encourage the incorporation of Demand Response capabilities in deployed equipment through additional incentives.

**6. Should the Commission consider proposals for new rate designs as part of the design and implementation of the BUILD and TECH programs?**

The Council does not believe it is appropriate for new rate design proposals to be considered as part these programs. It is not a statutory requirement of the legislation. In the development, implementation and evaluations of the BUILD, TECH, and other programs, such as Sonoma Clean Power’s Advanced Home Rebuild Pilot program, the Commission should identify barriers and challenges that existing rate structures impose on the goal of achieving building decarbonization. Those lessons learned and the opportunity to explore additional principles during this proceeding as it relates to rates should be a clear requirement of the evaluation report and inform future rate settings proceedings.

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<sup>2</sup> R.19-01-011 (Building Decarbonization) OIR, at p. 16.

**7. What goals should the Commission set for building decarbonization?**

The Council believes that the Commission should establish short- and long-term building decarbonization goals that lay the groundwork for a thriving marketplace of new technologies, appliances, and strategies that industry can implement to achieve the Commission’s and state’s long-term goals emissions goals.

**8. What other specific initiatives should the Commission examine to further the goals outlined in the question above?**

The Council would like to acknowledge and provide support to the policies and incentives that have been developed to help the communities impacted by California’s wildfires rebuild their homes in a more efficient, grid flexible and environmentally sound ways that exceed current Title-24 2016 codes. In addition, the Council fully supports the continued financial support of additional communities that have been impacted by wildfires and would like to highlight Pacific Gas & Electric’s recent Advice Letter 4068-G/5479-E, which requests to expand the use of funds for all communities impacted by the wildfires in recent years. The expansion of those funds is a responsible and equitable action to take to ensure all communities impacted by wildfires can rebuild in a more efficient manner.

In addition, the Council would like to encourage the Commission to consider how to properly incentivize the adoption of additional wildfire- resilient building designs and clearance strategies. These strategies can include a range of energy efficiency and demand response designs, technologies and products, such as windows with appropriate thermal characteristics, that can be deployed in a way that enhances resilience. These strategies should not only minimize wildfire risk of the structures but still achieve the high levels of energy efficiency required for the state to achieve its goals.

**IV. COMMENTS ON CATEGORY, NEED FOR HEARING, AND SCHEDULE**

The Council does not object to the preliminary determinations regarding category, need for hearing and schedule.

**V. CONFIRMATION OF PARTY STATUS**

Pursuant to Section 7, at page 25: “Persons who file responsive comments become parties to the proceeding (see Rule 1.4(a)(2)) and will be added to the ‘Parties’ category of the official

service list upon such filing.” By filing these responsive comments, therefore, the Council requests “party status” and inclusion on the service list of R.19-01-011 as a party as follows:

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## VI. CONCLUSION

The Council appreciates the Commission’s consideration and the opportunity to provide Opening Comments on the OIR. The Council is confident that by establishing clear short- and long-term goals for its Building Decarbonization programs the Commission will empower the industry to provide innovative solutions to the market place that help achieve the least-cost, least-emissions, equitable and reliable grid for all of California. In closing, the Council asks the Commission to:

- Establish clear short- and long-term goals and criteria to enable the success of SB 1477’s BUILD and TECH programs.
- Select program administrators that can best implement the Commission’s goals and criteria, and in alignment with the intent of SB 1477 legislation.
- Select program administrators capable of understanding the interconnectedness of the topic of building decarbonization and leverage existing opportunities to achieve the Commission’s established short- and long-term goals.
- Provide continued financial and technical support to communities impacted by wildfires that not only enhance energy efficiency and environmental benefits, but also increase resiliency to future events.

Dated: March 11, 2019

Respectfully submitted,

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