JOINT COMMITTEE WORKSHOP

BEFORE THE

CALIFORNIA ENERGY RESOURCES CONSERVATION

AND DEVELOPMENT COMMISSION

In the Matter of:	)	
	)	Docket No.
Preparation of the 2009 Integrated Energy Policy Report (2009 IEPR)	)	09-IEP-1G
	)	
Publicly Owned Utilities' Energy Policy Report (AB 2021)	)	
	)	

CALIFORNIA ENERGY COMMISSION

HEARING ROOM A

1516 NINTH STREET

SACRAMENTO, CALIFORNIA

Tuesday, June 9, 2009

9:00 A.M.

Reported by:
Barbara J. Little

CALIFORNIA REPORTING, LLC
52 LONGWOOD DRIVE
SAN RAFAEL, CA 94901
415-457-4417

CEC COMMISSIONERS PRESENT

Jeffrey Byron, Presiding Member of IEPR Committee

Laurie Ten Hope

STAFF PRESENT

Kristy Chew, Advisor

Suzanne Korosec

Kae Lewis

ALSO PRESENT

Scott Tomashefsky, Northern California Power Agency

Gary Cullin, Summit Blue Consulting

Rob Lechner, Lodi Electric

Steven Poncelet, Truckee-Donner PUD

Thomas Gackstetter, Los Angeles Department of Water and Power

PUBLIC

Lara Ettenson, Natural Resources Defense Council

Bryan Cope, Redding Electric Utility

Andrea Horwatt, Southern California Edison

David Walden, Energy Systems Manager, Southern California Public Power Authority

I n d e x

P R O C E E D I N G S

9:00 a.m.

MS. KOROSEC: All right. Good morning, everyone. I'm Suzanne Korosec. I lead the Energy Commission's Integrated Energy Policy Report Unit. Welcome to today's staff workshop on Efficiency Program Achievements by Publicly-Owned Utilities in California.

Before we get started, I need to cover a few housekeeping items. The restrooms are out the double doors and to your left out in the atrium. There's a snack room on the second floor at the top of the stairs under the white awning. And if there's an emergency and we need to evacuate the building for any reason, please follow the staff out the main doors to the park that's kitty-corner and wait there for the all clear signal.

Today's workshop's being held under the direction of the Innovated Energy Policy Report, or IEPR Committee, as part of the 2009 IEPR. The Energy Commission is required by statute to develop an energy report every two years that covers major energy trends and issues that are facing California and also to provide policy recommendations to help California achieve its energy-related goals.

In the scoping order for the 2009 IEPR, the Committee directed staff to report on progress towards meeting California's energy efficiency goals for publicly-

owned utilities in the 2009 IEPR which is required by Assembly Bill 2021, and this workshop is being held in response to that direction.

The workshop today is being broadcast through our WebEx teleconferencing system. Parties should be aware that we are recording the workshop. Also, we have been having some audio problems with people out in e-service, you know, on the WebEx, so if you could speak very closely into the microphone when you do speak or ask questions or make comments, that would be really helpful.

Kae Lewis of our staff is going to go over the agenda for the workshop, but I just want to mention that after the presentations, we will have an opportunity for public comment. We'll begin with parties in the room and then we'll move to those on the WebEx and open phone lines for them.

For those in the room who have questions or comments, you'll need to come up to the podium and speak in the microphone so the folks listening on the WebEx can hear and so we can capture it on our transcript. And it would also be helpful if you could give the court reporter your business card when you're done speaking so we can make sure that your name and affiliation are correct in the transcript.

So with that, I'll turn it over to Commissioner Byron for opening comments.

COMMISSIONER BRYON: Thank you, Ms. Korosec. Good morning, welcome everyone. I'm Jeff Byron. I chair the Integrated Energy Policy Report Committee. My associate member is Commissioner Jim Boyd. Unfortunately, he's not here today. However, I do see one of his advisors with us, Kelly Birkinshaw. And with me are my two advisors, Laurie Ten Hope on my right and Kristy Chew on my left.

This is a staff workshop as Ms. Korosec indicated. What we're interested in is discussing the progress of California Public -- that the California publicly-owned utilities have made towards achieving the energy efficiency goals adopted in the 2007 IEPR.

I understand Ms. Lewis will probably go over the scope of what we're going to cover in her presentation. It does not include the investor-owned utilities, but we might have a few questions that will look towards there as well.

I'd like the staff -- thank the staff for pulling this all together. This looks like a very interesting morning and we're keenly interested in understanding how the publicly-owned utilities are moving forward in incorporating energy efficiency in their programs.

The State is very fortunate to have a number of very good publicly-owned utilities, but we also, as you know, our State are driven by our policy and we're going to continue to incorporate the strong energy efficiency and

renewables and other energy policies on all of the investor-owned and publicly-owned utilities in the State. So today's one of those days we're going to report that out and see how we're doing.

I look forward to it and I'll turn it back over to Ms. Korosec.

MS. KOROSEC: All right. We'll start with Kay Lewis from the Energy Commission staff who will give us an overview of the workshop.

MS. LEWIS: Okay, good morning. My name is Kae Lewis. I am Demand Analysis Office of electricity supply in analysis division.

On our agenda for today is, first, I'm going to give a little background and context. And then I'm going to do a brief summary of our staff report which we call our AB 2021 Progress Report. And then Scott Tomashefsky of NCPA is going to address the POU commitment to efficiency. Then Gary Cullin from Summit Blue Consulting is going to talk about measurement and verification in the POUs. And then we're going to have three case studies. We have three POUs, publicly-owned utilities with us today; Rob Lechner from Lodi Electric, Steve Poncelet from Truckee-Donner, and Thomas Gackstetter from LADWP.

After each presentation you may ask questions and then we'll have, you know, public comments at the end as we

mentioned. Is there anything I need to say about WebEx? Or is that -- okay.

(Pause)

MS. LEWIS: Okay, now let's talk about what we're not going to talk about. What we're not going to talk about is energy efficiency in the IOUs. AB 2021 does, of course, address the IOUs and, however, what we're doing today is talking about the monitoring of program progress. And in that monitoring for the IOUs, for their efficiency programs is the jurisdiction of the PUC.

We're also not going to talk about POU impacts and the demand forecast because that is something that's happening as we speak. So the inclusion of energy efficiency impacts in the Energy Commission Forecast is going to be discussed in a later workshop. I believe it's June 26th. So then we'll talk about their impact on consumption.

What we are going to focus on is the progress of the POUs through their -- through the years 2006 to 2008 and with some projections in 2009. So that's our specific topic today.

Just a little context, overall statewide utility savings, this is energy savings in mid-watt hours, here's what the pie looks like. The IOU's constitute 92 percent. The POU's constitute 80 percent. Within that 80 percent, so within the POU part of the equation, the -- for 2008, the

heavy hitters here are SMUD and LADWP which comprised, each, 29 percent. The other large POUs, there's 13 of them, comprise 38. The remaining, and I think that's like 24 remaining, constitute just a small bit. These are the real small utilities.

So let me talk a little bit the Legislative background. So this all started, well, at least a big impetus was during the energy crisis in the early 2000. And followed from in 2003, we have the Energy Action Plan which is when the loading order, Energy Efficiency as a Preferred Resource, was established. And so that really spurned interest in having the public utilities participate in energy efficiency contributions in the State along with the IOUs. There's a major focus on that.

The first piece of Legislation was SB 1037 which obligated the POUs to report investments in their programs annually to their customers and to the Energy Commission. That Legislation was followed the next year with AB 2021, which is what we're mainly going to focus on today.

Now AB 2021 requires that the Energy Commission together with the POUs and the CPUC develop a statewide estimate of energy efficiency potential and establish savings targets for the subsequent ten years.

The Energy Commission was also charged with monitoring and reporting the yearly POU progress towards

those targets, the targets that were set in 2007. So that's specifically what we're going to do today.

I also want to mention AB 32 here because the POU Energy Efficiency Program savings through the AB 2021 targets contribute to the carbon emissions reductions goals in CARB's climate changed scoping plan of last year, 2008. And we do report, on a quarterly basis we report updates in that, in the Climate Action Report Card.

Okay. So where are we process-wise? In 2006, the POUs submitted for the first time their energy efficiency report with programs, savings, expenditures and consequences data. They actually did this before AB 2021 was passed.

In 2007, we -- the POUs, the CPUC with the IOUs and the Energy Commission developed for the first time the statewide energy efficiency potential estimate and set the goals of the POUs and IOUs, so statewide goals. And those are the targets that we're using now.

So for the next two subsequent years, we've been in a monitoring stage. And so for 2008, the POU submitted their second annual energy efficiency report and in 2009 is the report we're going to talk about specifically today, that was their third. Now, you'll notice on the front of the report, it says the second. So I did this just to see if you were awake. The fact is, the 2009 report is the second report after the targets were set.

So next year is the third year where we are going to, again, revise the potential estimates for all the utilities and set new targets. So the two key years for re-looking at the whole process are 2007 and then it will happen again in 2010. And everybody's already getting ready for that.

Okay. I just want to talk a little bit about the intent of AB 2021 because that really leads us to what Metrics we want to look at in terms of measuring progress. The designers of AB 2021 really wanted to create a process that had some similarity with what the PUC and the IOU process was for ensuring progress and efficiency.

And their main goals were, first, each POU should first require all energy efficiency resources that are cost effective, achievable and reliable. And the purpose of that ultimately was that energy sufficiency should be procured so that the State can meet a goal of reducing electricity consumption, with is our main goal, by 10 percent over 10 years. So striving for like an annual average of one percent reduction.

And then lastly, energy savings achieved since Legislation is part of the State's plan to reduce carbon emissions.

So these intentions are really the basis of the criteria that we're going to talk about, by which energy

efficiency progress can be evaluated. So we're going to be talking about magnitudes of savings, cost effectiveness, feasibility and reliability of savings.

Now, I want to point out just out of the gate here that some of these Metrics that I'm going to be talking about and showing are not in the current report. We actually did them subsequent to the draft report. But they will, of course, be in the final report. And so we are very much encouraging you to supply comments on any work that you're seeing that could be new.

Okay. The first two -- our first two Metrics are going to be talking about energy efficiency expenditures. And these are very typical ways to evaluate efficiency program efforts.

The next two we're going to be talking about are peak savings increases and relative to the targets that were set in 2007. And also talking about another very standard Metric which is savings as percent of total utility sales.

We're then going to be talking about cost effectiveness of the energy efficiency portfolios. And the last two really get at reliability. How do we ensure the reliability of savings. And that is talking about an adequate tracking and reporting systems and the measurement and verification of savings. Those two things really go hand in glove.

Okay. Okay, this is a little context again. For the most part, we're going to be talking about all POUs together, but I just wanted to point out that, for the most part, because we have very limited staff resources to look at things, we looked at the big 15 and I had them in that pie earlier. But I just wanted to list their names.

As I said before, our heavy hitters are SMUD and LADWP, but these -- the rest of these also contribute to a good large chunk of the POU savings. And so, there are some times when we're going to be talking just about the big 15.

Okay, enough of that background. Energy efficiency expenditures. So as you can see here, we're going from the 2006 reported through 2007 and 8, and then we have projects for 2009. For the most part, we have increases all -- as each year progresses. Our biggest increase was between 2007/2008 which was an increase of about 65 percent. That was for all utilities, when they spent $104 million on efficiency programs. And the good news here is that between 2006 and 2008, the PRUs nearly doubled what they were spending for efficiency.

And now, let's look at the difference as we jump. The -- from 2008 to 2009 we see, well, that's a pretty sizable jump. And it's a 46 percent increase. It actually is, if we look at what the POUs just did, it's -- it could be doable. But of course there's a concern that the POUs may

have some issues, budgeting issues, making this jump to meet the targets that these expenditures would have to take care of.

We do have some things coming into 2009 and we can hear a little bit of that from L.A., for instance, because in 2009, at least two utilities, L.A. and Pasadena, they plan to roll out some big programs, spending big dollars and getting some big savings. So although that jump in 2009 looks a little daunting, it could be feasible.

Okay, the next, this is called our coast of California and I would like to have added the average line which goes right between 1 percent and 1.5 percent, but -- oh, sorry, but I was cautioned against messing with this line, that something bad might happen to it, so I didn't. But that is where the average is. And most of our big five POUs are over that mark. The average, in fact, is 1.3 percent and that actually is an increase, a small increase, over last year.

What you do see is that most of the smaller POUs are hovered near the far right corner. Their percentages are still low. The -- we had definite increases in where L.A. sat on this same graph last year and, let's see, I think that Suisun also jumped up there. There's a number of these, actually small and large, that actually were able to increase their efficiency expenditures sufficiently enough to where it

showed as a larger percent in their total revenue.

Okay. Let's go to savings. Now, in this particular chart, the -- we're going from 2006 reported savings to 2007 reported, 2008 reported, 2009 is projected. The little black numbers are the energy savings in -- what we have in gigawatt hours. And those are the numbers that the -- actually, that the POUs reported. And in the case of 2009, what they project to achieve.

Now, what you'll notice is the -- is those little red numbers and those are the targets that were set for that year in 2007. Now, in 2007, the increase from the year before was about 50 percent, which is a healthy increase. Going from 2007 to 2008, it was almost a 60 increase.

Now, going to 2009, achieving the numbers that it says here, the 264 gigawatt hours, would be -- would require more than a 60 percent jump. Again, maybe doable, but we're going to learn later, sort of, things that might mitigate that.

Now, in 2007 and 2008, both have sort of a separate story to them. In 2007 is the SMUD story and 2008 is the LADWP story. We actually found in 2007 that 10 of the 15 large utilities did not achieve -- they did not come within 20 percent of their target. They fell outside of that band. But what did happen that year is that SMUD increased over its target by 30 percent. So SMUD lifted all boats in that year.

And in 2007, both SMUD and LADWP, they were a total of over 70 percent of the savings in that year.

So all in all, the utilities achieved about 74 percent of all targets, all utilities together achieved 74 percent of their targets. A lot of that helped by SMUD's performance.

So the 2008 story, only four of the big 15 missed the 20 percent band around their target. They did all pretty well. They didn't have SMUD necessarily to lift their boats although SMUD was successful that year, but they only exceeded their goal by about 6 percent.

L.A., however, played a bigger role. L.A. almost doubled its savings in 2008. They still fell short of their target because they had such a high target. And they were planning on rolling out a big CFL program in that year and that had to be delayed. So we're hoping to see the success in 2009 reflect the roll-out of a big program in -- a lighting program in LAWDP and also in Pasadena.

Okay. This gives you a picture of what the targets, what the overall targets look like over time. These were the targets that were set in 2007. So you can see where they've been and where they're headed. In 2007, 74 percent of the target was met. In 2008, 67 percent of the target was met by all POUs together. But they still had that jump for -- to reach the 2009. And then, just as they're ready to

flatten out, as this shows, they're going to be revising their targets.

Okay. So let's look at peak savings. Peak savings, again, you can look at the same way. Going from 2006 to 2007, there was a small increase there, 8 percent, but a much larger increase, 46 percent increase between '07 and '08. There's bigger gaps between what was achieved in reported savings and in the targets that were set in -- for peak savings.

And the peak saving target for 2009 is very high because of the way the trajectory was and I'll show you that in a moment. But the IOUs right now are planning -- or POUs, sorry, they are planning to meet about 58 percent of that target in 2009. The main players in peak savings are SMUD, LADWP and IID also has a very good program.

Okay, here's the saving -- the peak savings trajectory. It looks a little bit different and it accounts for why we've got big jumps that are harder for them to achieve. This trajectory goes up a little bit more slowly, but between some of the years, you have sizable jumps and that's what's happening between 2008 and 2009.

Okay, the next slide we're going to look at is, and this is a very common measure throughout the United States, really. States now are, according to ACEEE, states are using this Metric as a goal aiming mostly for utilities to be

within the 1 and 2 percent range and that's savings as percentage of total sales.

The USCPA, and they did the national plan for energy efficiency, they say well designed programs should be delivering annual savings on the order of 1 percent of sales. So we're actually aiming to do better than that.

What we have added here is the IOU average which is the line at the top. Now, I just want to point so you know, that LADWP wasn't on square one. That's just the way this is graphed. They were like .07, a little under -- I think it was .07 percent, actually. But although the increase is slight, it is increasing. And in the case of SMUD, they've crossed over their 1 percent mark by 2008.

Now in 2006, when we looked at the savings to sales ratios, they ranged from .01 to .81 percent, SMUD being the highest. So there is some slight improvement in this particular Metric.

MS. TEN HOPE: Kae, can I just ask a clarifying question?

MS. LEWIS: Uh-huh.

MS. TEN HOPE: These are the programs savings in advance. These are not the ex-post savings, right?

MS. LEWIS: No.

MS. TEN HOPE: Because they differ quite a bit.

MS. LEWIS: No, I'm not -- yes, that is true. Yes,

I want to make that perfectly clear, that we are only talking about ex-ante savings, reported savings. Nowhere am I talking about ex-post savings today. So, yes, that does account for one reason why the IOU line is pretty hot.

Okay. Our next Metric is cost effectiveness for the POU and this is by portfolio. So, like most programs, and this is nationwide, the TRC, the total resource cost measure is the widely accepted test. So it basically converts the program savings into avoided cost benefits and compares with the program and all participant and non-participant costs and is expressed as a benefit cost ratio.

So, and on here, we have the POU average, the IOU average and what's considered cost effective. So that's one. And as you can see, we have utilities sort of all over the map here. We have nearly all -- or all are definitely cost effective. But we only have a few that are slightly under two, which means that they're offering very cost effective portfolios.

In some cases we have very high cost effectiveness and that's really a case where we want to look at those portfolios and see where they can be expanded because they're -- they have the most promise for perhaps putting more expenditures their way.

Let's see, the next Metric is progress in measurement and verification. So I'm just going to go over

sort of the highlights here. Over the last year -- this year, in the report that was given to us by the POUs, by CMUA, for the first time, we got numerous evaluation plans. We got evaluation plans and we got actual studies.

The portfolio evaluation plans, what I have up here is the ones that were completed. For the most part -- excuse me, for the most part, the portfolio evaluation plans, which is the first step, that is the plan that outlines how a utility should go about doing measurement and evaluation. What are their most important programs in terms of savings. What programs do they have the most uncertainty. What are their tracking systems like and this gets into that reliability. In order to have reliable savings, you have to have a very reliable tracking monitoring system.

So, the evaluation plans were very good at laying all of that out and giving some direction for utilities as to what their next step should be. It also laid out a budget and a schedule.

For the most part, the northern POUs have completed their evaluation plans over the last year and the southern POUs are in the process of doing that right now. I believe they just hired a contractor in the last month or so.

As a follow-on to the plans, the plans say, okay, you should evaluate this study and here's how you probably should go about it. So the next step is to do the study, is

to look very -- in detail at that program. And we received about 10 studies and there may even be more just since we did the report. Three of those were from SMUD.

For the most part, the studies addressed lighting. A lot was non-residential lighting. And -- which is a good thing because there's a lot of uncertainty in that area.

The percent of POUs that have a plan or a study either completed or in progress is over 90 percent. So that is pretty sizable compliance with this particular requirement. And this actually, technically, is a requirement. In AB 2021, the POUs are mandated to do third-party evaluations and to send those to the Energy Commission for evaluation.

So some of the conclusions here, you're going to hear a lot more about this because that's what Gary Cullin is going to speak to, one of our next speakers. But I just want to mention the conclusions that -- the evaluation plans are being done systematically. They're -- the plans are setting priorities, budgets and time tables. They are emphasizing which programs should be evaluated and what methods are best used for those given, how much certainty you need to have, what the time constraint is and what the budget is.

In process evaluation reports, these are -- process evaluation doesn't measure impacts, per se, but it looks at other aspects that make a program or a portfolio successful.

And the -- they have worked -- in this area, they have worked a lot with looking at the data tracking systems and making recommendations on how these can be improved. And this is very important because it makes EM&V, in the future, much easier if you've got the right information to identify your baseline conditions and the right data for reporting and for evaluation.

Another thing that -- what the process evaluation did was make some interesting recommendations about measure choice. They found that some measures had high free-ridership and maybe should replaced. They've look at other measures which are maybe new in the market and so they made recommendations about what could be added or subtracted to make a more cost effective portfolio.

There are impact evaluation reports, a number of them that I mentioned. And I think non-residential lighting was probably the main end use that underwent -- impact evaluation, but there's a smattering of other measures.

And the verification rates were actually very high, the realization rates. The -- looking at claim savings at the beginning of the evaluation and going through the recommended methodologies to determine looking a how the savings were arrived and in comparing the ultimate verified savings, the difference between the claimed and verified savings was left very great.

Okay. So some conclusions. So just looking at this sort of face on, and I'm going to preface this by saying that the POUs are early on in their program development. There are some exceptions for some of the larger ones. But for the most part, they haven't dealt with targets before. They've had to staff up. They've had to contract for a lot of expertise and it's not easy to find, particularly with the IOUs also so busy. And so, they've given it a good college try.

The POUs have increased their energy expenditures by over 90 percent and their reported savings by 135 percent since 2006. They have achieved, in the two years, 65 and 75 percent of their targets. These targets were set in 2007.

Their savings and sales ratios have increased slightly. Their portfolios, according to the TRC test, have been very cost effective. And they have actively pursued independent measurement and verification and they have acted on their evaluation plans.

The current economic recession is beginning to impact program participation rates. That's just a fact that we hear from the POUs and you'll hear them talk about what that means for them. And although the direction of the efficiency savings and evaluation efforts are positive, we think they're going in the right direction.

As a staff, we quite honestly haven't had time to

pull apart all the results from all the measures. So I'm reporting to you that the verification -- the realization rates are very good, but we honestly have not had the time or expertise to really dig deep into the summaries and see how they maybe differing from how the POUs are -- IOUs are evaluating those. So, it's cautious optimism, I guess you could say. Things are going in the right direction, but there's reasons for concern.

Okay. I went the wrong way. Staff recommendations, okay. I'm going to put at the top of my list here the fact that the staff would really like to get more information from the POUs so that we could do a more thorough job evaluating the progress of their programs and really giving these Metrics that I've talked about a more thorough airing.

We've had staff constraints and so, on one hand, getting more information would have been a problem for us, but we're in a -- we have more staff as of the last couple months and therefore we definitely would like to see more data come from the POUs so that we could get more depth, look at their savings accomplishments in more depth. And I just listed some of the things that would be useful to us. And we'd like to understand their expenditures and budgeting and use of procurement funds although we did get some more information this year about that. And I think another

speaker will address this.

Let's see, since many of the POUs are -- have CFL programs, that -- focusing EM&V on that, or at least availing themselves of a lot of the work that the IOUs have done would be very advantageous.

One thing we'd like to see, too, is as a follow-up from EM&V plans, when a POU does -- follows through with a recommendation from a study, be it changes in parameters or measured changes or whatever, if they could document those changes so that we can see the feedback loop from measurement and evaluation back into program design.

And then the last recommendation is that the POUs would like to consider, and I know some have, participating in, the short word is CHLMAC, California Measurement Advisory Council, to help facilitate measurement and evaluation activities. CHLMAC is really the repository of all the studies that have been done for the IOUs since way back, in the 90s, I guess. And the IOU members are definitely interested in hearing about the way that the POUs are doing things, the better ways the POUs are doing things than they might be doing them. And so, it's a two-way street. They could learn from each other.

And so I think that that about wraps up our report. Our next steps are going to be to take all information from this workshop, the transcript, you'll be able to make

comments until June 30th, take all your comments and then we will be doing a heavy revision for our final report. And with that, I'm finished.

COMMISSIONER BRYON: Very good, Ms. Lewis. I'd like to ask a couple questions you may or may not be able to answer. But if you can't, I'm sure Mr. Tomashefsky will probably be able to answer them. And he may not be able to answer them all either.

I'm going back to the Metrics for just a moment. And, you know, we do this ratio in energy -- excuse me, efficiency expenditures as a percentage of revenue and I believe that's pretty much what's plotted on your, what you referred to as the coastal plot.

We've been on the receiving end of some Metrics on the part of the investor-owned utilities to do energy programs, they have a lot of additional costs I suspect. Do you know, are they -- are these numbers calculated the same way because I'm well aware that the investor-owned utilities have overhead and administrative costs and advertising and other things that are calculated into their expenditures. Do you know, are these all calculated the same way? Or indeed might there be some additional, let's say administrative costs in the IOU expenditures?

MS. LEWIS: Well, the POUs have all of those costs calculated in here as well.

COMMISSIONER BRYON: All right. So they are calculated the same way.

MS. LEWIS: They are.

COMMISSIONER BRYON: All right. Thank you. Who set the POU targets? I mean, I know AB 2021 talks about 10 percent over 10 years, but I note on the plot the POU-adopted targets compared to reported, obviously, there's not a 1 percent per year increase. It shoots up rather quickly. So the POUs adopt their own targets?

MS. LEWIS: They did adopt their own targets. In 2007, what happened was the POUs proposed targets as a function of the potential study, which they did, and then in a public process, a Commission decided to accept the final proposed targets for each utility.

COMMISSIONER BRYON: Okay. And then later on on the -- where you show the reported efficiency savings as a percentage of total electric sales and then the cost effectiveness, I believe Ms. Ten Hope asked you about an ex-ante/post-ante calculations here. If I could take those phrases out of it for a second, if I understood correctly, the investor-owned line is higher because they essentially over report on their savings more than the POUs do, correct?

MS. LEWIS: Their reported savings is, yes, going to be much higher.

COMMISSIONER BRYON: So likewise, if we look at the

next figure, then that IOU average line based upon actual is probably much lower than that 2-1 ratio, isn't it?

MS. LEWIS: Could be.

COMMISSIONER BRYON: Aren't they reporting at about the -- their actuals are about 65 percent of reported on average?

MS. LEWIS: Yeah, I'm not quite sure how that plays out because --

COMMISSIONER BRYON: Okay. Well, that would be one that I'd be interested in knowing --

MS. LEWIS: -- for cost effectiveness.

COMMISSIONER BRYON: -- because I know in reading the report, the POUs reported that there is some variation, but in general their reporting is pretty good compared to actual. And we know that the IOUs tend to over report. So I'd be very curious to know which lines were, you know, those lines are calculated based -- I'm pretty sure they're based upon reported, correct?

MS. LEWIS: Yes, they are.

COMMISSIONER BRYON: Okay. Any more questions?

MS. TEN HOPE: I have a couple.

COMMISSIONER BYRON: Do you any questions? Ms. Ten Hope.

MS. TEN HOPE: I have a question on this same slide. Do you have the data to be able to look at the

portfolio cost effectiveness comparison over time? Because it echoed envision that if your programs are brand new, you might be hitting the low hanging fruit and programs that have been ongoing for several years might have exhausted some of that low hanging fruit. So doing a comparison historically, I think, would -- might provide some insights into the differences in cost effectiveness.

MS. LEWIS: I think that's definitely true. I don't know if we have enough data to see that difference yet, but that's a distinction that you definitely should see if you do.

MS. TEN HOPE: Is it something that staff -- I mean, can we ask for that information and provide it in the upcoming reports?

MS. LEWIS: We can certainly take that under advisement and see what we can do.

MS. TEN HOPE: And I had a question on the coastal plot as well. And it was you indicated that the POUs spend about -- the average is about 1.3 percent of revenue. Do you recall what the requirement is in AB 1890 for the IOU expenditure from the peak efficiency as a point of comparison?

MS. LEWIS: And I don't think they have one for efficiency.

MS. TEN HOPE: No, the POUs don't, but the IOUs do.

So if we were to compare this 1.3 average to the IOU requirement for expenditure, we'd be able to compare apples to apples.

MS. LEWIS: And, you know, I don't off the top of my head. I'm thinking of all the categories together.

MS. TEN HOPE: Okay.

COMMISSIONER BRYON: I'm not -- I don't think that's in the report, but we'd be interested in that, Ms. Lewis.

MS. LEWIS: Okay.

COMMISSIONER BRYON: One last question. Is all the reporting from the POUs in the -- in our summary report, that you used for the summary report, is it comprehensive? Are we missing any reporting? From any of the publicly-owned utilities?

MS. LEWIS: Do you mean missing specific utilities?

COMMISSIONER BRYON: Yes.

MS. LEWIS: That's a good question.

COMMISSIONER BRYON: I thought all of our questions were good.

MS. LEWIS: That's a really good one.

COMMISSIONER BRYON: All right. Well, I'd like an answer to that one, too, when you get to it. Do you have it?

MS. LEWIS: Well, just sort of. Jim Woodward and I have talked about that because the POUs that both of us deal

with do not completely overlap. Now, some of the ones he deals with do not have energy efficiency programs.

It really is something the staff has to do, is to get the remainder of the POUs on that list and to see if, in fact, they belong into our fold. We haven't had the ability to do that, but we will in the future.

COMMISSIONER BRYON: And I understand. Sometimes its like counting the fish in the ocean. We're not sure how many there all are in California.

MS. LEWIS: We know they're there, though.

COMMISSIONER BRYON: All right. Thank you very much, Ms. Lewis. Let's go ahead and move down on your agenda, then.

MS. LEWIS: Okay. The next speaker is Scott Tomashefsky.

MR. TOMASHEFSKY: Just doing a little bit of housekeeping here, so if that's okay. Thank you and good morning, Commissioner Byron and Laurie and Kristy. Thank you for having us, give us an opportunity to explain public power perspectives and the things we do and some of the -- explain some of things that people think we don't do, but we actually do.

So I want to start off by just acknowledging, for the past four years, since SB 1037 was signed, we have made a pretty aggressive effort towards dealing with the issues that

are surrounding reporting, target setting and a lot of other things that come along with that. And that is a process and it has been an (indiscernible) process since day one. We've had a very good dialog with staff, been well received here, very well appreciated.

There are probably beyond -- I get the benefit of maybe being part of the voice of that up front, but there are certainly at least 39 utilities, if not more, behind that. That represents probably about 50 to 100 different people that are doing work to try and get information to the Commission so it can do its analytical work. And if we're successful on that, your policy-making is better because if we're successful on the reporting side, it also gives us a better perspective for us to move forward.

So I just want to acknowledge Dave Reynolds from NCP and Dave Walden from SCPPA as kind of our partner in crime in terms of overseeing a lot of the stuff we do. But you have at least a half a dozen people in here that represent different utilities with Redding and Lodi and Truckee and Imperial here in Los Angeles. And so you've got a lot of people that are involved in this process even though you don't see them on a day-to-day basis.

So let me answer a couple of your questions that you had earlier since you put me on the spot for that, if that's okay. See if I can get you some answers to that.

And, of course, right now what's happening is I'm getting older. I'm not quite at that point of getting glasses, but I'm getting close. So the lighting is making it a little bit more difficult, so, you know, I apologize. Hate to even say that, but it's reality.

I'm going to -- in terms of reporting, whether we're missing anything in terms of utilities, there's 39 utilities that take part of that. There's probably some other small ones and Jim Woodward and CNOA folks have kind of walked back and forth in terms of who's really a part of this. What we can say is that if you are looking at getting additional utilities as part of that, it's not going to make much of a difference in terms of what your ultimate number is.

So if it's a small portion, there are very, very small utilities that may or may not be part of it. Port of Stockton comes to mind as one and it's not part of this, but you could argue that they would be similar to the Port of Oakland, one of our members, in terms of efficiency savings. So that's something that we can explore. We look at those types of things. So largely the answer is yes, you've got most of what you need in there.

In terms of IOU expenditures, I don't think that there's anything that's in AB 1890 that specifies what they actually have to spend. What it comes down to is the PUC

sets that. So there's a proceeding to deal with energy efficiency expenditures and we go through the three-year process for that. There's low income assistance and then contributions to the PIER program and all those other things. So those fit into the equation and a little bit more of a prescriptive manner under the control of the PUC.

Public power in terms of how 1890 was set up and other ones, we have the discretion to deal with the four categories in whatever way we want to. There have been restrictions that have been put on that over the past few years. In terms of SB 1, you can't take away energy efficiency expenditures to feed other categories. But largely we've had the flexibility to deal with that.

So in the early days, before some of these restrictions came in, you could have made the argument that a public power utility could spend zero on energy efficiency and spend all their money on low income assistance. That was under the guise of the local governing board. So that was something that they had the ability to flex in terms of how we deal with those things.

We largely have that flexibility. When you look at the 1.3 percent energy efficiency expenditures as a measure of what we spend, you look at it from public benefits, charges and the 2.85 percent. And all of a sudden, you start playing these numbers games in terms of what we are looking

at.

My key take away with today is focus on trends. Once you get stuck on a number, you're going to be wrong. And I can tell you in the years I spend in this building with gas forecasting, we had that issue come up every year with what the gas forecast was which was wrong. But the trends were always right, so it's a good thing.

If I keep going on, tell me when you want me off my soapbox. In terms of the IOU line being higher, thank you for that comment because that's exactly the notion of verified versus unverified savings. And what staff correctly points out in the report is that the verified savings that we have done, even in the early stages of our EM&V are very much in line with what our reported savings are before the verified.

And that has been a common theme of what we've done here for almost four years now, is that we wanted to be very realistic in terms of how we approach target setting and realistic in terms of what our numbers are in terms of aggressiveness because we don't want you to be misled into thinking that these savings are out there and that we've all missed our goals. We'd rather say we will tell you what we're going to do and we are going to reach those goals.

You may have issues in terms of how we ramp up and Tom will talk about that a little bit in terms of L.A. But

the basic message is that things are going up. We're treating these things aggressively and we take this really seriously. This is not -- we don't come up here and say we're going to provide lip service to this. This is -- we take this very, very seriously. And so we want the numbers to reflect that.

The 10 percent number, the 10 percent in 10 years number is something that came out of the interjection plan in 2003. And when you think about that number, what is 10 percent in 10 years mean in 2003? Does that still apply today? The trend is the important thing, is we want to be pursuing aggressive energy efficiency and that's the objective.

It's not have we reached 10 percent? We don't even know what 10 percent is anymore because the benchmark changes from year to year. 2009 10-percent is much different than 2003 10-percent. I just assume we'll go 10 percent from where we are right now and next year we'll do 10 percent from where we are in 2010. So it's a good proxy, but it is much less quantifiable than you might think.

So I think that takes care of most of the questions. Does that cover what you had?

COMMISSIONER BRYON: Um-hm.

MR. TOMASHEFSKY: Okay. So thank you for letting me respond to that, I appreciate that. Again, and Kae, I

appreciate the comments you made. The only one I would absolutely object with, college try suggests we're not really, we're just kind of trying this stuff out. We've been doing this for a long time. And when you look at energy efficiency programs, yeah, there are small utilities that haven't ramped up things and we've got larger utilities that perhaps have not ramped up things.

But we've actually focused on this for a long time and if you go back to the 1990s and you look at the expenditures that were actually approved by the PUC, I remember conversations about I can't believe the gas expenditures for the investor-owned utilities are as low as they were. And this agency was very concerned about that. So, that is not so long ago in terms of we really didn't take energy efficiency as a state very seriously probably until about 2000/2001.

And so the Energy Commission and the Public Utilities Commission got on board with that, got the IOUs very much focused in that and expenditures just exploded. We have statutory requirements that get us on that same framework. There might be a little bit of a time lag in terms of how we deal with that, but that is also consistent with what our role is in terms of municipal government. We are local government. We are also there to do things that are consistent with state policy objectives. It may take us

a little longer to figure out how to make that all work in the context of state policy, but we do that.

So don't walk away from this discussion suggesting that we are lagging or we're kind of figuring it out. We're doing the things we need to do and arguably we do a pretty good job at them.

Okay, if you can name all nine of these pictures, then you will win the public power prize which we haven't decided what that is, but.

This is what I would call our blue in the face slide, that if you take nothing away from the discussion, when we talk about one size not fitting all, it is absolutely true. And I will tell you that Tom's programs that he'll talk about will not work in the City of Hillsburg. And you have a 6,000 megawatt utility and you're trying to compare that to a utility that has a peak load of maybe 15 megawatts or 20 megawatts, It just doesn't match.

And so, this agency's responsibility towards dealing with energy efficiency has to acknowledge that importance and that's why it's been very, a very good working relationship with staff to deal with the diversity issues that we will be able to come to you with a story behind each and everyone of these utilities. And they're all very different and all very important. So one size does not fit all. One energy efficiency program does not fit all.

And I remember having a conversation with one of my Edison friends and was I talking about some of the challenges we were dealing with in public power in 2006 and he was saying, our challenge is trying to promote 80 different programs with the staff we have. So you think about someone like Edison with a very large utility has the same problems, it's just scaled. You're dealing with the same problems.

What we have to deal with is a little bit on diversity. The benefit to that is we actually understand our customers much more closely than perhaps an IOU. And it's not a knock against any IOU person that's involved in energy efficiency programs because you have your account reps and the like.

But our account reps usually are one person. And there's 10 phone numbers or 15 phone numbers or maybe 3 phone numbers and that is your relationship. And those make or break programs on an annual basis. It also makes or breaks what happens in terms of variations. So the Metrics become much more concerning to look at on an annual basis. Look at trends as opposed to Metrics because things will change and you'll hear some of those comments from our three speakers later.

This part's a lot of fun actually. So I leave the Commission in the middle of 2005. I go over to NCPA and they say we now have a bill, we have to report to -- about public

power and energy efficiency expenditures. And I said, oh, that's kind of interesting. So we started to have a conversation about that. And the rhetoric was very different in 2005. I know Laura had nothing to do with the comment that was made by NRDC in 2005, but this is the basis for what was being said. We're lagging behind those of the IOUs.

At that point, 13 public power utilities that were -- that had a peak load above 200 megawatts were actually providing information to the Energy Commission. So there was no other information available. You can go find out if you wanted to, but it wasn't done in an organized manner. So there's some benefits to SB 1037 that allows us to kind of tell our story, so now we're sitting here in a much -- at least more of a reporting situation so we can have a conversation. Before we really couldn't even had it, have it, because that comment was made and then we're just like, well, yeah, it's true, but there's more to it.

We even got that from the Assembly Committees here. So it was that -- that onus was we need to make sure public power is brought under the fold because as Kae mentions with the college try, there was no -- we weren't there in college according to the -- those that were reading our reports because the reports didn't exist.

So now we go to 2009 and this -- actually a lot of other comments that were said in '07 and '08 and now we're

successfully demonstrating a commitment, we've made remarkable progress, these are all coming out of the draft report you have from staff, so thank you for making those comments because those are really important for us and I would -- I'm a firm believer that that message has been heard in the legislative forums because the pressure of legislation that we get now is not focused on making us do things. It's how can we be more helpful.

And I know the conversations we've had with NRDC have been the same thing. How can we be more helpful. Well, that's also information sharing and understanding Metrics and understanding nuances in how we all interact. So that's really, really important stuff.

This, we take a lot of pride in this particular aspect of it. I'm going to get pass this slide at some point. There we go. Okay, and I'm going to claim a mistake on the first part. That SB 1037 report, as Kae was talking about the first report, I was under the impression that we actually filed this all March 15th, but that first one was actually submitted in December of 2006. So we submitted it a couple months earlier than that.

The reason for that is we had to try to figure out what would be an appropriate mechanism to deliver this and the conversation was, let us tell you what we can do, create your regulations, but don't be prescriptive so we can kind of

work with it. And that has been a very, very good formula which has worked very well.

In terms of the commitment, there's a lot of staff behind this, as I mentioned before. There's also a lot of dollars behind this work. And that doesn't take into consideration any of the in-kind support that every utility has been part of that process has been and, you know, the various phone companies have made a lot of money on conference calls and plane tickets and consultants that here in this building. And there's lots and lots of money.

For as example, the first contract that we talked about with the targets in 2007 with RMI that was about $166,000. The one we have with Summit Blue, Gary might touch on it a little bit today, he's focused more on EM&V today, but that's a $200,000 contract.

Again, dollars split between SCPPA and CPA, CMUA as well. So those are financial commitments so that we can actually get it right and tell the story right so that -- or you know, we can just go out and just say we're just going to adopt targets and that's the end of it. But we wanted to make sure we were thoughtful, some methodology behind it with some logic behind it.

Supporting documentation. Those didn't come free either. Those are different consulting reports that feed into the models that we use. What you'll note here in terms

of the commonality, and you'll see it in the slide, is that the consultants we use are very much in sync with what's going on in the -- at the PUC.

And so when you look at the policies that we are trying to implement here, they're relative consistent with state policy. We're not making this stuff up. And it's based on expertise that is well-respected in the energy efficiency community.

So who gets to participate in this? Well, there's a lot of us here. And even when we don't sort of participate in it, we know you can't see it with the WebEx thing in there, separate studies are being done for L.A. and SMUD. That doesn't suggest that they're not part of this process. They're doing that because they're doing a larger study and their information gets fed into this analysis as well in addition to much more extensive documentation that they have.

Last year, the last time we did this, we had 33 utilities because Palo Alto and Santa Clara and a couple other ones had done some studies as well. But this is a way of getting a basic methodology that makes sense, is consistent and we can all talk amongst the same page. And then when you start to look at this stuff, you're not looking at 37 different ways of calculating it. So, it's designed for consistency and policy and for our own benefit as well.

The relationship between CMUA, NCPA, SCCPA, that

basically takes care of all the public power. This is probably, and maybe it's tooting our own horns because we're all in the room talking about this stuff all the time, this is a collaboration that really, really works. We talk amongst ourselves, we share experiences, we look at the notion of how programs are designed.

Plagiarism is a wonderful thing in the energy efficiency world. If a program works, you actually do it. And people are pretty pleased when they say, oh, that program is something we developed. Now, it doesn't work in academia, but in energy efficiency it works really, really well.

Summit Blue and KEMA, E3 is a part of that as well, and our partnering with the Energy Commission is paramount to making this all work. It also has a indirect relationship to what AB 32 energy efficiency estimates look like.

So again, if we're realistic about how we approach energy efficiency, then you're realistic in terms of what your statewide goal that you adopt is, and an ARB is realistic in terms of what greenhouse gas reductions they are going to expect. If they overestimate that, then all of us that are subject to the cap-and-trade program are going to be stuck having to deal with the shortfall. And that is one of the arguments we have actually made in some of these cases.

So it is very important for you to have a number that's realistic in more ways than it effects the Energy

Commission's policy-making.

So here's some of our views. We have a lot more views than that. But we'll start with a few. In terms of expenditures, $220 million, you could always argue, well, the IOUs have spent like a gazillion dollars more than that, but that's not the point. We've spent a lot. We've ramped up a lot in terms of what we have spent on programs.

What's very important through all of that is that even if you spend a dollar, if your programs aren't cost effective, then the savings you're going to get doesn't really matter. So when you talk about IOU expenditures and you look at the TRC estimates being at 1.6, you could make the argument that our dollars will go longer.

So therefore, we have to be more thoughtful in terms of how we deal with our customers because it's tied to local government. So we're going to be much more reflective about what our programs look like. That takes a little bit more time in terms of how we deal with that.

The other thing that's really important when you look at some of these things, in the case of, like, at Santa Clara, you've got, what, 10 major customers. Customer saturation actually occurs pretty quickly, so we're constantly having to deal with things like, well, we're going to be -- if we take all our CFLs and we dump them all out throughout our community, we're done.

Some utilities can basically hand out all their bulbs for a couple of years and if the bulbs are suppose to last as long as they are suppose to last, then there really isn't a need to replace those bulbs for several years. So you think about it somewhat differently when you're dealing with a small utility as opposed to here's four million in customers, we can go ahead and spend a million bulbs every year and we'll be good to go for the year.

So saturation is very important to all of us and it does really deal with the notion of we have to be creative, we have to understand what our customers need, and it's not just lighting. The uncertainty really is, you look at low hanging fruit in the world of energy efficiency and how aggressive we've been, it has been focused primarily on lighting. At some point, we're not going to be able to do that anymore. And so, the low hanging fruit from that formula tends to go away. We have to start thinking about that moving forward. We're already doing that, thinking about that and the PUC is struggling with that issue right now.

So, I just wanted to provide you with some context for what we've actually done in four years. And again, everyone of these steps requires about 100 people to kind of move with the ship, which is no easy task. Everybody has been very much on board with it and very willing and able to

do it, although it does impact programs sometimes.

So we're retain E3 and KEMA. We've developed a model to do that and we said, we don't want to make it look like what the PC model is like, but let's make it roughly equivalent in terms of what it can calculate. So we did that, the E3 helped us out on that. KEMA keeps feeding us data into that process. They're the process of re-evaluating those numbers right now, so it will feed into next years into next year's assessment. Again, it's always up-to-date, tied to DEER.

2007 potential studies, oh, the Legislation only gave us seven months, so the Energy Commission allowed us to take a couple extra months to figure that all out, which we did. And we said, we're not going to be overly aggressive here. We're going to be somewhat conservative, we haven't done this before. Especially for the smaller utilities, they really hadn't focused on it that same way. So conservative stuff, no surprises, that's our policy. We don't want to come up with that verified savings is going to be 150 percent less of what you expected.

And if there's a problem with it on the conservative side, well, we're now going to be dealing with that in 2010. So we'll probably be a little bit more aggressive than what we were, at least in that aspect. There's some other caveats that we have to deal with as well.

Get into EM&V analysis for the first time.

So again, each of these things is designed to deal with the statutory requirements that we've been asked to do, but in a thoughtful way and an (indiscernible) way. So it doesn't happen overnight, we don't flip the switch on and we're now doing EM&V analysis. We tinkered with how do you deal with EM&V for small utilities. And so NCPA and some of it's members dealt with that this year. The staff is now using that for this coming term.

It's not a reflection that anyone's behind. It's a matter of here's a pilot project, let's see how it works and then we're going to move forward with it. And that formula seems to work pretty well, so now we're going to see where that goes.

And then we deal with refining target setting process. We have now three years of history behind what we do. So in terms of how we approach this process as opposed to last year, last time when we were time constrained, we have a much different way of addressing it.

So you saw this in another format in the other presentation. The one thing I wanted to point out to you here and it's been probably the most, I wouldn't say contentious part of the debate, but the most curious part of the discussion is the element of ramp-ups and whether it's realistic and in terms of how the modeling was set up for the

first time period. It was almost less important to look at the ramp-up than it was to look again at the trend.

And you can see, under this type of approach, the trend eventually gets us to where we want to be on the targets. How we get there in year one and year two is a reflection of various things that happened at local utilities. Tom might be able to tell you.

And that's another thing, you know, the L.A. infrastructure and the bureaucracy makes it very difficult to just flip the switch on. There's a timing process that exceeds anything you'll see in state government. And every time I have that conversation with L.A. folks, I'm just amazed that they actually are able to get anything done. And I don't know if that's an understatement.

MR. GACKSTETTER: And I'm surprised I'm here.

MR. TOMASHEFSKY: Okay, yeah, that's true. So ramp-ups are important, but at the same time, it's making that focus on being more aggressive with energy efficiency. That's the objective that we all have.

With my last slide here, this is the don't be stuck in the weeds, let's look at the past. So that's your clip art for the evening. Now, what that really means, though, in terms of the trends are really important and I can't emphasize the fact that if you look at 85 percent or 80 percent or 65 percent, you'll get lost in that debate very

quickly and you can spin numbers anyway you want. Any good consultant can do that. And what's important to remember, though, is that there is really an aggressive approach towards energy efficiency.

Now, I wanted to throw a couple things into play just to give some consideration when you look at what's happening in 2009. And I can't over-emphasize two important points. One of which is really the economic meltdown. When you look at what has happened to -- especially with local governing boards. Now, if you're looking at an investor-owned utility, your rates may be independent of what happens at the local governing board. They will end up taking those things into consideration and their customers will complain perhaps with higher rates.

What we have to do is we have to tie that all in to local government activity. So when you look at a meltdown, what you're going to have is you're going to have a reduction in -- well, you'll have less people working, you'll have less people in houses because they're foreclosing. You have energy efficiency now going -- you have not only demand going down, but you have energy efficiency going down in terms of the investment opportunities.

And we can sit here all day and talk about how wonderfully cost effective these things are, but if I am sitting there as a customer and I have a choice between

paying my mortgage and purchasing new windows or something like that, the windows are not going to do, the windows are not going to win the game. It comes down to a matter of survival in terms of customers at this point. That's why the economic meltdown is really important.

What that means in terms of what you look at next year, even with stimulus money going into the equation and energy efficiency programs for larger cities, is what you're going to do is you may be -- wait a minute, you may be sucked into thinking that program savings go down next year and utility or the local governing board or the city or someone is now not being as effective with their energy efficiency programs. You may see those numbers.

In absolutely every city, you're going to find an upside down budget. And what you're going to do, what that entails is that you've got economic distress in these areas. And economic distress, especially in the scale that we have going on this year and into the, maybe even into the next year or so, that will have an impact on what your energy efficiency expenditures will say. So I can sit here and say I wouldn't be surprised if our numbers go down next year even though we projected much higher numbers just because of that factor.

We're going to have to talk about that in terms of how that plays in. We'll give you some insight in terms of

when we're ready to report our numbers.

They are also going to have an impact on targets. This is no different than the energy crisis in 2001. All of a sudden, we ramped down where we were. And so now, we've lowered the bar in terms of where demand was and people have made adjustments and now we're thinking differently. This is a bit of a game changer and it could be for a good half dozen, you know, for five, six, seven years. It's not a one-year deal. And it does have an impact on targets.

So, if you ignore that, then you may think that you're not looking -- we're not being aggressive enough. Can't do it if the customer isn't there, although you do cut down on your demand which is not what we want.

Now the other element of that is the predictability of customer behavior. There's a wonderful series of discussions that are going on at the PUC and there's, you know, report after report after report talking about customer behavior and why that actually is important in all of this. And, you know, Rob was here about a year ago talking about Lodi's experiences with a two-year pay back period and the customer basically said no at the eleventh hour because they didn't have -- they just didn't want to do it.

Just didn't want to do it is good enough for a customer. Just didn't want to do it is not perceived as the utility doing its job when you look at a utility that has

maybe a half a dozen or a dozen large customers and you realize that one of them isn't going to play and your efficiency program has been largely built around your key customers that you thought would have played before.

So, you cannot force them to invest and you really have to understand their role and their -- what they need and what they don't need. That's why it's very important when you look at specific utilities within public power. And that's why we've kind of said here it is individually, but you really got to look at the trend because what happens in the City of Azusa in one year, maybe all of a sudden they just had this massive out-flux of lights, the light bulbs all went out. Well, next year that's not available. Well, it might take them a little bit of time to figure that out for the next period.

And we have the same type of issues. It's not just a southern California or a northern California utility. It's not just PG&E or Edison. It is trying to understand your customer and the size of your customer, your utility, has a much greater impact. So if your utility is small in size, that one customer will make or break your program. And you, as a policymaker, will then say, oh, that utility is not doing its job when, in fact, the customer just said no and there's not much more you can do about that except to continue to educate them.

So put economic uncertainty into the equation. It makes the customer even more skittish towards dealing with energy efficiency. Because we think and, you know, we're all big proponents of what energy efficiency's benefits are, but ultimately if it's a cash flow question, it's not going to happen.

And that's kind of all I have to say. In terms of if you've got some questions, that will be great. I know you're going to hear some good comments from our group of panelists you've got. I think you've got a good range, especially in terms of there's a lot of stuff that L.A. has done. There's a lot of stuff that Truckee has done which you'll hear a lot about as well. And Lodi has done an awful lot of things. They've been fairly proactive in terms of working with SMUD and a lot of different things in the past. So I'm sure Rob will enlighten you as well. So with that, I'll take questions.

COMMISSIONER BRYON: Thank you, Mr. Tomashefsky. Good overview presentation and I think I do want to hear from the particular utilities because I haven't read through their presentations. They must -- they do look like very historic (indiscernible). Let me challenge it on one of your last comments.

MR. TOMASHEFSKY: Great.

COMMISSIONER BRYON: The economic meltdown may skew

next year's analysis and, you know, you used the analogy less people in houses because of foreclosure. But you know, we're actually seeing residential demand is up because more people are home, perhaps.

And, you know, this issue of whether or not you pay your mortgage or pay for an energy efficiency program, you know, when they have paybacks -- that's the challenge really. When things have a payback of a couple of years, then that's the time to be making those kinds of investments.

So I think what we'd be interested in looking at is savings versus spending. You know, you may be right. Savings, indeed, may deteriorate, but in terms of the efforts that the publicly-owned utilities are putting into this, I would hope that we would continue to see a high level of spending on these programs. And I say that now just after the Governor puts out an executive order yesterday saying we're not going to spend anymore at the State level.

And we'll also watch very carefully the investor-owned utilities to see what happens in their programs as well because I would imagine that they would mirror what you are suggesting. So, I'll challenge you on that one. Also just to -- because I notice it's in the other presentations that we'll be seeing, too, and perhaps other presenters could respond to it as well. Any thoughts?

MR. TOMASHEFSKY: Well, I think it's a valid point.

I look at it from a -- if you look at the average household and you look at people retaining their jobs and losing salary, people are not traveling, so yeah, there's going to be demand. Demand could go up in that sense.

Although if you can't pay your utility bill, that -- what I would look is the amount of the delinquencies and deficiencies in terms of late payments and how that would -- and that might be a trend you might want to look at as far as look at the bill paying activities of various utilities and then see how that is interacting with the ability to deal with energy efficiency programs.

And so, what you could argue at the residential level is that as your late payment percentage starts to go up, you probably wouldn't be spending money on things like energy efficiency.

I, you know, I think it's almost a Pavlov dilemma here is that there's necessities. Energy efficiency is not a necessity, per se, for survival purposes. What we have is an unprecedented meltdown of the economy that is, I mean, it's massive and it's not IOU/POU specific, it's not north/south specific. The unemployment rate is at historic highs for the State. And the State budget situation is certainly not suggesting that things are going to be resolved, probably get worse in terms of what is available for public employees in terms of salaries.

So, I understand your point, but I do think that the propensity is that the customer is not going to have the discretionary dollars available. That's the challenge. I hope I'm wrong, but I personally don't think I am.

COMMISSIONER BRYON: Do you have any questions?

MS. TEN HOPE: I just -- I had question on the economic recovery funds and you have a tremendous opportunity to use that to counter the trend that the economic downturn might create.

MR. TOMASHEFSKY: Correct.

MS. TEN HOPE: Do you have -- or is NCPA working to help the utilities in that regard?

MR. TOMASHEFSKY: Yes. And there's some interesting nuance to that comment. It's a very good question. Now the -- one of the responses to it is it's designed to not supplant, it's designed to supplement the notion behind even what the Commission has been thinking about with small city allocations is that don't use this and then divert the dollars you would have spent on energy efficiency to kind of back fill your programs. So in that theme, there's a desire to make the programs even more effective.

And so, one way you can deal with that, once you get to the point of dealing with rebate programs, there might be opportunities to augment rebates in terms of client's

rebates.

In terms of what NCPA is doing and I imagine others are doing it as well, the large city allocations, the applications are due on June 25th and we've been working with our members to make sure that they're aware of all the nuances and forms that are being addressed. We've had a number of conference calls to just make sure we're all on the same pages. And then, our members go and they talk to their governing boards and they get write-offs, the city managers are authorize and then they go ahead and pay for it.

So those program dollars are in play, but even with that, you may see enough of a reduction in terms of economic activity where you may not get the savings you think you're going to get. And so, it almost forces you, in a policy note, to recalibrate what that number is.

So again, the aggressive nature of promoting these programs as much as possible is extremely important. But you do have to put the reality overlay on top of that and that's the challenge that we will have to do. And you'll find that probably something that's going to impact public power before it will the investor-owned utility community because we're completely connected to our customers right where it hurts the most. So you're going to see it right in tax revenue, local tax revenues and all of a sudden we have the pressures right there.

The IOUs, it may take a little bit longer because you've got a little bit of that buffer wall between how rates are set and how it fits into local communities. I hope that answers your question.

COMMISSIONER BRYON: Just a couple more. I notice that I jotted these down last night. And I was wondering why all POUs haven't conducted their EM&V studies yet and I realized you have to have an evaluation plan. Why haven't they all -- I mean, it's been three or four years. Why haven't all of them done evaluation plans and EM&V studies yet?

MR. TOMASHEFSKY: It's hard to speak on behalf of everybody for that particular answer. The -- I guess part of what's driving EM&V is, in this particular instance, there's the statutory requirement to deal with it. And so we've addressed the question as public power collectively.

There's internal EM&V that goes on. It becomes a question of how much you want to report. And again, it's the same concept that started this whole process four years ago. If you don't know what's out there, then the assumption is you're guilty before you're proven innocent.

So there's going to be program evaluation. How that's done and how that actually gets fit into the State policy discussion, that's another question. That's the part where we're ramping up. And in doing that, we also have to

create a process that works for everyone.

Small utilities, probably it's more a matter a rebate goes out, that's good enough for me. And that may not be an acceptable EM&V evaluation for you as an agency and that's where things have changed. So it's more of an evolution of EM&V and how it's reported as opposed to, it's never been done before.

COMMISSIONER BRYON: Any interest on the part of your members in joining CHLMAC? That's one of the recommendations that was in the staff report.

MR. TOMASHEFSKY: That's a question we'll have to talk about. I think the basic objective of what's -- the intent of what's done with CHLMAC is the important thing, whether we create something like that as a public power entity. This is something that's been brought up by the American Public Power Association which where all of us are a part of the 2,000 member organization nationally. So it becomes a question of what type of information can be shared public power-wise.

The Alliance to Save Energy has also discussed that issue with us as a clean -- as a municipal energy project that they're orchestrating. And some of us are a part of that as well.

So there's variations of the theme. The specific question I think we'd have to pose that as kind of we'll

throw it out there, but I think in terms of what you're looking for, a repository where that information is available, whether it's in a public power form or --

COMMISSIONER BRYON: Right. And I accept your answer because there really are other forums. It doesn't have to be the one that's created by the investor-owned utilities and funded by them. There are other forums.

MR. TOMASHEFSKY: We like to fund our own things sometimes.

COMMISSIONER BRYON: Understood. Well, thank you, Mr. Tomashefsky. Listen, with regards to the eyesight and the glasses, that's the first thing that goes.

MR. TOMASHEFSKY: Thank you.

COMMISSIONER BRYON: The third thing is memory and I can't remember what the second thing is.

MR. TOMASHEFSKY: I look forward to losing those as well, so, appreciate it. Thank you, Commissioner.

COMMISSIONER BRYON: Thank you.

MS. KOROSEC: All right, next we'll hear from Gary Cullin.

MR. CULLIN: Good morning. My name is Gary Culling, I'm with Summit Blue Consulting. And we were retained by NCPA about a year and half or two years ago to help support them in EM&V activity. And I'm going to give you an overview of what we've been doing for the last year

and a half.

So we'll start with the very first slide. This is basically the kind of work we've been doing for the last year and a half. We began with an EM&V workshop in January of 2008. This is followed by us helping many of the NCPA members develop their EM&V plans. Then we followed that up with some actual EM&V evaluations which some of them were just completed the last few months. And now we've already started beginning to plan for EM&V plans and evaluations for 2009, fiscal year 2009.

The EM&V workshop that was held in January 2008 was our first foray into the supports of the NCPA members. It was designed to be primarily a, kind of an education tool for all the different NCPA members. The level of sophistication is very diverse among all the members of NCPA. There's some very, very tiny utilities in NCPA and some large ones as well, as has been said earlier. And their level of understanding what EM&V is even about, it varies quite significantly.

The topics we covered in that workshop were just basic approaches of EM&V by type of program, what might be more appropriate, what type of measure might be more appropriate. It was more of just an educational process at that point.

After we had the workshop, we worked with Dave

Reynolds at NCPA to possibly come up with the next step in the process of supporting EM&V efforts and we decided that maybe the best approach was to have -- assist the members as they wanted in developing EM&V plans. And the way we approached that was in the spring and early summer of 2008, we met at NCPA with various utilities who wanted to participate. They came down and met with us as a team, a Summit Blue team and we went through their records, went through the type of programs they had and we got the information we needed, then go back to our offices and start developing the EM&V plans.

What became very apparent in these workshops is the diversity of the programs that are offered by the various members is just extreme. You go from the city -- or the Port of Oakland which has -- had one customer and that was a non-residential lighting project. You go to the City -- I'll probably get the pronunciation wrong -- Lumpoc where their basic program is a residential refrigerator recycling program. And that's it, that's their primary program. Then you get into some of the other utilities like Lodi, very good programs in terms of supporting their large non-residential customers. And you'll hear from Rob later on on that. Silicon Valley, very good programs, again, directed towards their larger customers. The level of sophistication very different.

And then, as we were starting to develop the EM&V plans, I think we've -- I know I was coming across the issue of, well, you know, for statistical validity, it's a lot easier for an IOU to draw a statistical sample because they have a large base to draw from. You get into these small utilities and you're only talking about maybe 10-15, maybe not even that many, participants. And to achieve the same statistical validity as you achieve with an IOU EM&V in the effort, you always have to take all of them. Whereas, an IOU, you only have to take a very small percentage. It's just not a linear relationship.

And so we came up with this strategy of we're going to prioritize what programs we do each year. And so, for like the EM&V plans we came up with in fiscal year 2008, we were focusing on the programs where the utilities both thought they needed the most information and also the programs that provided the most savings. That also varied significantly by utility. What else do I have on here.

So we did develop plans for 16 different members. And also, in the last couple of months, we've expanded and helped Modesto Irrigation District develop their plan. And just now we're starting the process of helping Merced Irrigation to initially develop their plan. And we've done some -- I just had a meeting with Pasadena last week to help them out in some reporting requirements.

Now for fiscal year 2008, I'm not sure how this list matches up with the list of studies that you have here, but these are the ones that we completed in -- over the last six months, nine months in terms of impact evaluation.

COMMISSIONER BRYON: So, excuse me for interrupting. It says for a subset of these utilities, but you just said you've completed them for all of these utilities.

MR. CULLIN: For these eight. It was a subset of the 16 we did EM&V plans for.

COMMISSIONER BRYON: Thank you.

MR. CULLIN: And so we did actual EM&V evaluations for eight of them. And again, this is a very diverse group.

And in the planning for 2009, we just now starting initiating that effort. The previously stuck with Merced and Modesto Irrigation District and Pasadena as one area. Just sent in a proposal to Rob for his 2009 fiscal year, 2009 EM&V effort for the City of Lodi. Just sent in a proposal for Silicon Valley, for their 2009 evaluation and that should be continuing.

One thing we want to ensure and with so many numbers, it's very difficult, to make sure the timing, we've spread these evaluations out so they're not all at the last second. It becomes very stressful for the, not only the client, but for also for the consultant to have these all

done at the same time.

We're also going to try something different, I think, this year as an experiment with the very, very small ones. There's a group of five very small utilities here at the bottom; Gridley, Healdsburg, Lassen, Shasta Lake and Ukiah, who all have the same program implemented for themselves. And I think what we've planned on doing there and we're starting to work with them on this idea, is to jointly do an EM&V effort for the five and then have a couple programs that, you know, cross all their utility service territories represent results for all five in the final end.

And another very tiny utility, City of Biggs, has just recently requested EM&V support. And that's going to be a challenge because they are so small.

Now, here's some of the things we found when we're doing the EM&V efforts in terms of commitment and program tracking. We had no idea what the program tracking would look like when we went out there in the field. I was actually expecting, in some of the smaller utilities, just to have handwritten notes basically as to, well, yeah, we sent out a refrigerator to Joe down the street and that would be the kind of bookkeeping we got. I was very pleasantly surprised that that's not the case.

The program tracking, even though we made recommendations in almost all cases when we did an EM&V plan

and how to improve it, it wasn't bad. They did have good information on who got the product, what type of product it was, the savings associated with that product, the timing, et cetera. It was fairly decent to work with. And so I didn't have an issue with their tracking system outside of making some improvements.

Some of the improvements, like for the City of Lodi, that we came up with, we actually are planning to start implementing within the next couple months. We'll be working with them on that. So there is a feedback loop that is occurring as well in the process that we started.

Now, the KEMA database which is based on the DEER database is the primary source of energy savings information for many of these utilities, the Deemed Energy Savings. And using Deemed versus calculated is an evaluation issue that we did address in the process. I'm not sure if these slides are going along with my train of thought, so I'll just keep talking.

One thing we've been -- well, what do we have here, first. That's more of what we were just talking about. I think we can go to the next slide.

Before we get into the measure realization finding, I think some of the issues that we've been finding when we go out into the field is that we tried to adapt the evaluation efforts to the type of utility it is, the size of the budget,

the intensity of the savings that were being achieved.

For the very small utility, let's say Lompoc, where it was just a refrigerator recycling program, they had very good tracking of it. We knew exactly what type of refrigerator it was, we even had the model numbers, the whole thing. So I could actually go back to the database and check what the model numbers are and what the expected savings should be. I checked those against the Deemed database, they checked out exactly. So they did a very good job of that. The only error they had in their tracking system was they had a few freezers identified were claiming refrigerator savings and that's where my adjustment for their realization rate came from.

But I ended up going over their entire database, it wasn't that large, and doing it. I did not go out in the field and make a verification. It would be difficult with refrigerators since they're all in the landfill, they're already gone. But for some other measures that we did in other utilities, like for the City of Redding where we did a billing analysis, my measure of verification consisted of what we call paper verification whereas I drew a sample out of their participants and ensured that they had an invoice that was signed and properly executed by everybody, instead of going out into the field and physically inspecting those measures.

That's in contrast to what we did with the non-residential group of program participants. There, in all the large projects, we actually went in the field and physically verified installation of all measures. And in some cases, did a short-term metering as well.

Now, our measure realization findings. We did, as I was saying, we did several types of measure -- or EM&V the methodologies. It was a very simple program that used strictly Deemed savings. It was just a measure verification. It may be paper, it may be physical, on-site. It may be -- we did a telephone survey for CFLs for one utility to see if they actually remember installing the measure and were confirming that they did.

Since most of our EM&V activities was actually for larger customers with primarily lighting projects, rather complex lighting projects, we got from the utilities all the supporting calculations and methodologies. If they had any short-term metering/pre-metering, we got that information. Our engineers reviewed that in detail. Then we went out in the field and ensured that everything was installed as said in the application form.

Some of our measure verifications ended up changing because either -- let's see, I know in one utility they had some CFLs that were installed and the people didn't like them, they took them out and so we couldn't claim them.

However, they actually had installed more measures and had it on their invoice as participating in the project and it was actually on the application form. And so some of the measure realization rates went up because of that.

We also did some short-term metering where it was necessary, especially for controls or for, like, air compressors, something more detailed stuff. So the level of sophistication of EM&V efforts is very directed towards the type of projects that we were participating in.

We did try billing analysis in a couple of cases. With the City of Redding for their HVAC programs and weatherization programs. We were concerned that perhaps the Deemed savings that were coming out of KEMA and DEER which were so -- they're all based on prototypes, they're all based on typical weather. We were concerned that maybe they weren't predicting correctly. And so we did do a billing analysis on that. And once we finally settled out what exactly is what in the billing analysis, we found out that it was actually fairly close, a lot closer than I expected for the billing analysis.

We also tried a billing analysis for some of the large commercial projects in another utility service territory. We found those results were all statistically invalid. The savings just weren't large enough to come out in a billing analysis. So fortunately we had also done an

engineering analysis at the same time for all the same sites, and so we utilized that.

Our measure realization rates, as was mentioned earlier, actually were found to be pretty good. They range from a low of .82 to a high of 1.15.

Here are all the utilities we did a plan for and these are the type of evaluations we did for each of them. So, like for Alameda, it was a non-residential lighting and engineering review with a little bit of short-term metering on some controls for lighting.

Lodi we did a non-residential lighting and engineering review. We did an extensive count of hundreds of lights in warehouses in Lodi for a couple days. Got all the hours of operation, got all the wattages and did all the comparisons and they actually came out to be pretty close, 95 percent, I believe, that realization rate.

We also did for Lodi a residential appliance and that was based on a paper review. We pulled a sample of what appliances you provided rebates for, if you had the invoices, please provide those specific invoices to us. There was actually a couple invoices missing and that's why the realization rate went down there, very small amount, but it did go down there. So that's the only reason why, because of that type of evaluation.

I won't bother reading down the whole list, but you

can see that we had different types of evaluations. We were trying different evaluation techniques for as many different clients as we could.

Here's some of the measure realization issues. I've already touched on some of them. Some of them was missing invoices when we did a paper verification. Hours of operation, especially for non-residential buildings was a big issue, both under and over what the Deemed values were based on. Both ways, rather large. And so, I think that one issue alone is a good reason to continue with high levels of EM&V activities for the non-residential sector.

We found that sometimes there were more measures installed, sometimes less measures installed. That was on the original application form. In some cases, the number of measures installed was well beyond what was on the original application form, but it was on the invoice and it was part of the program.

Lighting wattages, we did find a few differences there from what was claimed versus what we actually found in the field. We did our adjustments there. That was fairly minor. And of course, there was some short-term metering. In some cases, we found that the expected load based on what was claimed wasn't the same as what was actually being seen. And I know in one case, that actually brought down the realization rate, for this one particular measure, quite a

bit. I think .67 will...

And this is a role of EM&V activities by utility size. Big difference. The small utilities focused generally on residential -- it's a reflection of what makes up the utility. The small utilities are basically a residentially-oriented or a small commercial-oriented population. And their programs reflect that. They don't have the large industrial or large commercial customers. And so they're looking at weatherization programs. They're looking at a appliance rebate program, they're looking at refrigerator/freezer recycling programs. That's what their focus is. I don't see that changing a whole lot because that's what their customer base is.

They have the issue of, as I was -- talked about earlier, the statistical validity problem. You had to have a large share of their participants in order to attain the statistical validity of the evaluation. That's where I really like the idea of pooling together a lot of these smaller customers, especially with similar programs so that we can increase the pool of participants and we don't have as much of a problem with the statistical validity issue.

The larger public utilities rely on, and even more so now, on custom non-residential programs. They're getting more and more beyond just the lighting rebate programs. They're getting into motors program, the variable speed drive

programs, air compressor programs, some very specialized, plastic molding, I think, is one we have coming up that we have to look at. Though I think for Modesto, they want us to look at insulation of wine tanks, a very unique program. I haven't figure out how we're going to evaluate that yet, but I'm leaving that to my engineers. But they're very unique.

COMMISSIONER BRYON: Well, let me know if you need some help on that one.

MR. CULLIN: Really large wine vats. And so I think what we see is that the approach to the large and the small needs to be different, quite a bit different. The larger ones, you know, they start to look like the IOUs in terms of the evaluation techniques. But the smaller ones, they don't have the budget to support it, they don't have the number of participants and they're also using Deemed energy savings.

Well, I think that's the end of mine. Any questions?

COMMISSIONER BRYON: Yes, Mr. Cullin. The EM&V is very important, obviously. That represents the independent measurement of -- and relative accuracy. Am I reading it correctly on your realization rates when it's .82 to 1.15, that's basically a minus 18 to plus 15 percent kind of accuracy. Sorry, not accuracy. I'm might --

MR. CULLIN: Predictability.

COMMISSIONER BRYON: -- I'm sort of equating this to maybe that's as accurate as we can do energy efficiency measurement?

MR. CULLIN: Yeah. When you consider you're using -- like the DEER database is all based on prototypical buildings, prototypical characterizations. How does that equate to, you know, a real building. One would not expect to realization rates of 1.0.

COMMISSIONER BRYON: Of what?

MR. CULLIN: Of 1.0 where as an exact prediction. You would expect variability.

COMMISSIONER BRYON: But the fact that it hovers, you know, pretty equally on either side of 1.0 --

MR. CULLIN: That surprised me.

COMMISSIONER BRYON: -- that kind of indicates a certain level of accuracy, doesn't it? I mean a certain level of accuracy in the reporting.

MR. CULLIN: Right. But then, if you get into the individual sites, you'll see there's a lot of variability within the sites themselves that make up the, say, the .82. It may be a .67 to a 1.3, depending on the sites that we were individually evaluating. And it built up into a more rounded number, which one would expect.

COMMISSIONER BRYON: I got sidetracked a bit, Mr. Cullin. I wanted to ask you a little more about Summit Blue

Consulting. Mr. Tomashefsky slyly indicated that the EM&V programs looked they were done with E3, Summit Blue, maybe KEMA is one of the EM&V consultants as well. Is that correct?

MR. CULLIN: We had the E3 calculator which is some of the IOU calculator.

COMMISSIONER BRYON: Right.

MR. CULLIN: Which is where all the cost effectiveness is done. What feeds into that are some variables that we -- I think they rely on the IOUs life, net to gross ratios, effective measure of life, things of that nature, are all that E3 calculator and are used by the utilities.

KEMA provided the Deemed Energy Savings which is a reduced foreign version of the DEER database. And they're in the process of updating that and that's their participation in the process.

Our participation over the last year and a half is to start with the EM&V effort. We are also going to be doing the market potential estimates for the City for the next ten years. We'll be doing the modeling for that.

COMMISSIONER BRYON: So I could have asked that more easily. You're doing all the EM&V effort, then?

MR. CULLIN: We're doing -- not all of it. We're doing -- we're available to do the EM&V effort as the members

want us to do it. Some members, like Turlock, they use a different contractor. Southern California has using different contractors.

COMMISSIONER BRYON: Okay. And how are those contracts set up with you? Do they -- does each utility, does each publicly-owned utility contract with you separately?

MR. CULLIN: That also varies. There is a set of NCPA members that -- we contract directly with NCPA and they're the umbrella agency. And we actually do all our invoices directly to NCPA. There are other members who want to have more control over the situation and we directly, you know, respond to requests for proposals like the Silicon Valley Power, for Palo Alto. And we do their EM&V efforts directly with them.

COMMISSIONER BRYON: And because it's so important, I'll just ask it directly. Do you have -- do you see any interference on the part of the POUs in your independence in the evaluation of your work?

MR. CULLIN: No, no. They do respond to the reports, but the comments they provide are more for clarification where I may have characterized their utility not quite right. And they're very particular about that.

COMMISSIONER BRYON: Any other questions?

MS. TEN HOPE: Do you also do the EM&V for the

IOUs?

MR. CULLIN: I myself don't. We have --

MS. TEN HOPE: Summit Blue?

MR. CULLIN: Summit Blue does some, yes.

MS. TEN HOPE: Do you want -- care to hypothesize on the differences that the staff analysis pointed out on the cost effectiveness between the POUs and IOUs? And also the difference between the ex-post and ex-ante estimates between the two?

MR. CULLIN: I would have to look at them in more detail and I haven't done that. A comparable study by comparable study type of affair.

COMMISSIONER BRYON: Good question. Mr. Cullin, thank you. Anything else you want to add?

MR. CULLIN: I think that's about it.

COMMISSIONER BRYON: Thank you very much.

MS. KOROSEC: Before we move on to the next item, I'd like to open up the phone lines and just make sure we don't have any questions from the people that are listening on the WebEx. All right, lines are open. Is there anyone who has any questions? Please identify yourself.

All right. Hearing the resounding silence, we'll move on to the next presentation which is by Rob Lechner from Lodi Electic.

COMMISSIONER BRYON: There will be, of course,

public comment at the end and we'll solicit public comment, both from our audience here and on WebEx.

Welcome, Mr. Lechner. It's good to have you from Lodi and I'll say that ahead of time as well from our other presenters from publicly-owned utilities. We're glad you're here.

MR. LECHNER: Thank you. We appreciate the opportunity this morning. Before I get into my PowerPoint presentation, just a couple of comments on some questions that have been raised so far this morning, if I could, briefly.

What we're seeing in Lodi from an energy efficiency perspective as it relates to the economy, which is one of my slides we'll talk about as well this morning, I just want to jump ahead on that one.

What we're seeing is kind of a throw-back to what use to be called energy conservation. We don't use the "C" word anymore. We now call it energy efficiency and there's a stark contrast. Conservation is defined as going around and turning off lights and that's what a lot of moms and dads do in the house and to tell kids to turn things off when they're not in the bedroom.

It's turned into efficiency, where we're telling -- we got into a point as a utility and many utilities have done the same thing, where we're telling companies invest in

energy efficiency so you can crank out more widgets, but you use, perhaps, the same amount of power, maybe a slight bit more, but you crank out more product.

The same thing applies at the home. You can change out an incandescent light bulb and put in a CFL and leave those lights running, hypothetically, or in your mind, and perhaps not use as much energy.

So, but we've shifted from energy efficiency, in my opinion, now, back to conservation. And that's what we're seeing in Lodi. Folks are simply going around and turning off lights. They're asking for the free energy audits that we provide, both commercial, industrial and residential. And they're just finding ways to use less power. So that's what we're actually seeing as a utility.

And if there's anyway I can get credit for that, savings wise, on my next report, I'd love to do that and blame it on the economy, but I don't think that will be legit.

And the question posed a moment ago about federal stimulus dollars, Lodi is pursuing, I'll be filing my application tomorrow for the $586,000 that have been earmarked for us. And I should let you know that the report that's going to be coming out later this year when we do our filing, is for '08/'09. So the federal stimulus monies won't do me any good until the 9/10 filing over a year from now.

And when you look at my numbers from '08 compared to '09 filing, that's a 75 percent drop in savings, you can see why I would love to use the stimulus monies now, but we simply won't be getting them.

So just a point of clarification. The stimulus monies won't do Lodi any good until next year's filing, not for the '08/'09 fiscal year filing. I'm hoping that makes some sense.

On to my slide show. I'm just going to kind of buzz through these. This is just an overview of some of the items we'll be talking about this morning. Who is Lodi? We were formed in 1910, 14 square miles of service territory. We serve about 28,500 customers. Our peak summer load is 140 megawatts. Our top five customers are all corporates. there's Ralston Purina, General Mills, City of Lodi, Lodi Unified School District and Saint-Gobain/Certainteed Corporation.

We are governed by the Lodi City Council. Our energy sales in '07/'08 fiscal year were $63 million dollars. Our energy mix, as you can see, is 27 percent eligible renewable, 25 percent large hydro, 26 percent natural gas, 20 percent coal and about 2 percent other.

We were asked to present to you two or three key items this morning. One is, tell us about your EM&V progress to date and so I'll talk about that first. Per AB 2021, LAU

has developed a comprehensive energy efficiency program evaluation which Gary Cullin has mentioned. The plan was developed in the late spring of 2008 and we implemented that plan in the summer of 2008.

So we actually have an EM&V plan. I brought it up in my binder. It's multiple pages, it's about 40 pages in length. Summit Blue was our consultant to produce that report and we're real pleased with the product.

The key elements of the plan, as I'll refer to it as, include a process evaluation of all our programs. That's reviewing of the database tracking system, free-ridership analysis and more.

Other key elements of the plan include verification of savings for designated measures, verification of installations via on-site visits, intensive more participation in larger NCPA programs, impact evaluation, development of our annual EM&V budget and -- or schedule, I should say, and then the development of our annual EM&V budget.

The rule of thumb for EM&V budgeting purposes is 8 to 15 percent of your annual DSM program budget. For Lodi, that equates, we came out with the middle number of 10 percent, so we spend about $61,000 a year on our EM&V process with Summit Blue.

Once the aforementioned plan was developed, again,

that was just our road map to get us through the EM&V countryside. We then developed our year one of our actual assessment. And that was done a year ago August and EM&V was conducted by Summit Blue. We have hired them and retained them both last year and again for the next years reporting.

They came on-site to Lodi, spent two days assessing five commercial/industrial lighting applications and we selected one of our rebate programs for residential for assessment. That final report, by the way, was generated to the utility in October of 2008. So we are, if you will, in compliance both with having an EM&V plan and then, two, having our first year program assessed.

Again, we did five lighting retrofits assessments. They did consist of actual identification and calculation of savings, et cetera.

Again, to reiterate, for year two, which will be starting in August of this year. In fact, Gary Cullin just submitted to me June 8th, two days ago, our EM&V strategy for the year two plan. They'll be arriving the week of August 17th in Lodi and they'll be assessing five specific customers that we've identified for the EM&V process. We're doing three lighting retrofits again. And then we're venturing out a little bit. We gave a customer a large rebate this year for some air compressors and then we're also doing some process equipment.

So last year, again, we did five large commercial/ industrial customers that did lighting programs. This year, we're branching out slightly, doing three lighting retrofits and then saddling Gary and his team with going after some process equipment evaluation for us and also some air compressors.

The EM&V results to date was another item that the CEC staff requested that we talk about. Year one of our EM&V process we achieved 95 percent of our kilowatt hour energy savings projected for the aforementioned lighting retrofits that were implemented. So we thought that was pretty good.

We were told that anywhere between 80 and 100 percent is kind of the given range. So coming in at year one at 95 percent is, in our opinion, pretty darn good. And again, that's basically achieved by we claim the savings, they come in and verify the savings for us. So we're pleased with the result.

Due to this process, staff was also provided a host of tips from Gary and his team, including basic things. For example, requiring for our major customers, when they did a -- when they do a rebate, have an itemized invoice. We were able to go, as Gary mentioned, we literally counted fixtures at General Mills for a day. Had I had an itemized invoice, it would have been a whole lot cleaner and a lot simpler. So that's something we've now required in our '08/'09 programs

versus the '07/'08 fiscal year programs.

They made other suggestions, for example, bringing back the refrigerator recycling program which we had for multiple years. We've heeded that request and we've -- in fact, next Wednesday night, to our City Council, I'm pitching that as one of our new programs, we're bringing back that program for '08/'09 fiscal year. Also, adding a residential hot water heater program and then a rebate for Energy Star electronics and a whole host of other items that they've recommended we do.

Some of those we're actually going to pursue. Other ones we said no thanks, but for good reason we said no thanks, but otherwise, I would say the lion share of what Gary and his squad recommended we're actually going to pursue.

The next item we were requested to talk about this morning is some of our energy efficiency programs, why they're successful. The first one in front of you is the Lodi Appliance Rebate program. Every utility on the face of the planet has these now. It's an instant rebate at the time of your purchase. They're Energy Star refrigerators, enclosed washers.

And why are they successful? Because from the residential customers perspective, they really do generate fairly immediate energy savings. They get rid of that 12-

year-old refrigerator in the kitchen and they put a brand new Energy Star unit in and they immediately start seeing some savings on a monthly basis.

We do try to reach those customers, not to take that refrigerator and put it out in the garage, and contrary to popular belief, we don't have customers in Lodi that put them on the front porch. Other communities perhaps. Lodi's a tad more sophisticated, a tad more. Another program that's been -- no, a lot more, a lot more. I'll come back and repeat that in a moments.

Lodi Energy Audit Program, every utility also has these. These are on-site or online energy audits. We provide them for our residential and our small commercial customers. The reason it's beneficial for customers is that they can actually get no-cost to low-cost energy conservation solutions or energy efficiency solutions right up front.

And in most cases, the customers actually do implement them. We actually go back 30 to 60 days after an audit and ask the customer did you do anything we talked to you about or did you just blow me off. And I would say about 70 percent of our customers say yes, we've actually done what you recommended. We did unplug that refrigerator in the garage, we didn't move it to the front porch. We moved it to our neighbor's front porch and things of that nature. So the audit program has been very successful.

Another one that we've done that was -- we're pretty proud of. It's called Lodi HVAC System Performance Test. In order for a customer, residential only, to receive a rebate for a high efficiency engine or HVAC unit, we require a customer to first participate in this test.

We were the second utility in the nation to do this, behind a utility in Tennessee, using what's called the analysis technology. It's a diagnostics test using the computer which measures air flow, air return and the balancing of the system. And again, we require this test to be done before a customer can actually get a rebate for the mechanical unit itself.

And we're proud of this program simply because we're not going to give rebates out to folks who simply change the engine. We equate it to or the analogy that we give customers all the time, it's like going out and buying a Toyota Prius that's suppose to get 45 miles to the gallon. But if you don't inflate the tires properly on that vehicle, you're never going to achieve fuel efficiency. The same thing applies to this program.

This is well beyond a duct blaster test. We're not just looking for leaks in an air delivery system. We're actually making sure the system's designed and engineered correctly, that air delivery system. So it's an actual system as a whole approach versus just addressing the engine

or just checking for leakage. It does do leakage tests as well, but we want to make sure that these are all together.

So we don't have a great participation rate on this because there is cost involved with repairing duct work or replacing duct work. But we actually had rebates for both.

Next program is our Lodi Commercial/Industrial rebate program. This is everything from customers that pay us $200 a month all the way up to customers that pay us $300,000 a month for utility costs. It's a whole host of energy audits that we actually provide for the customer. And then it's everything, measures such as lighting retrofits, process equipment, building envelope improvements and the like. And again, most utilities are doing these types of things.

The reason this is advantageous to customers is in many cases, like in lighting retrofit, the payback is less than two years. Scott Tomashefsky referenced a customer that actually had not pursued one of our rebates and there was another customer that I talked about a couple years ago in this room that actually left me standing at the alter. It was a payback of less than eight months for a lighting retrofit and the contractor offered free money for up to three years to pay for the project. The payback was less than eight months with a utility savings of about 200,000 kilowatt hours a year and they chose not to do the project.

But we'll talk about that in a minute.

Lodi Keep-Your-Cool rebate program. This is one we implemented last year, we're going to bring back again this year. Huge savings to be achieved through refrigeration door gasket replacements and we offer up to $1,000 per customer of record for this program. Customers like it because there's very little work on their part, virtually no work at all. The contractor that we've selected goes out and does the work. It's a guy called the Gasket Guy from the Bay area that we contract with, creative name. And he sends a herd of folks into Lodi and he nails a whole bunch of businesses that have refrigeration doors.

It can be everything from a donut shop to a restaurant to a small grocery store. He changes out the door gaskets and they move on, but the savings are very, very large. So, again, the customer receives immediate savings and there's virtually no money out of pocket in most cases.

The Refrigeration Recycling program, again, we're going to bring this one back in 2009/2010. Customers like this because to take most old refrigerators to a landfill site is anywhere between 50 and 70 dollars, at least it is in Lodi, to dump an old refrigerator. So versus dumping refrigerators out in the vineyards around Lodi, we offer these types of programs. We haul the unit away, the contractor then cuts the cord, recycles all the products and

those refrigerators don't end up in some other utility, like PG&E or something, which I'm not saying that's where they go. You know what I mean.

Next item we had was -- because we don't want customers taking old refrigerators and farming them out to another area. Energy efficiency challenges and potential solutions, this was another item that we were asked to talk about by the staff. Where are we hitting some roadblocks is really what the next couple of slides are talking about. And they've been mentioned already several times this morning, so I'll keep this brief.

Program measure and measure saturation. The challenge that we've seen is literally thousand of customers have already participated in our programs. In fact, I'm doing, as I mentioned earlier, a presentation to our City Council next Wednesday night as an overview of all of our public benefit programs. And I just did the numbers yesterday and we've had 28,000 -- or 2830 customers participate year to date in our rebate programs, fiscal year to date. So we have a lot of participation.

And by the way, when I say it's not just the rebates, it's actual customer contact, energy audits, online audits and the like. So it's that been there, done that syndrome that we're seeing. So that's a problem for us. A lot of customers in Lodi have actually participated over the

last nine years since we've been doing these programs in our various programs.

Our solution to this challenge is one, focus more of our attention on the small commercial customer marketplace. So I'm going to be spending a lot more time in the '09/'10 fiscal year with those folks. We've got about 4200 small commercial customers. That's a demand of less than 400, is how we equate it, in kilowatt hours of less that 8,000 a month.

Two is identify specific energy savings in the process equipment for our major customers. So we're going to be shifting from the low hanging fruit that Scott talked about earlier. That's the lighting primarily. We're going to start looking at process equipment for our major customers and seeing if we can't entice them and incentivize them to start looking at the really true big ticket energy saving items.

And then three is develop some new rebate programs for residential customers, smart controls for lighting, rebates for electronics, and new building envelope rebates such as, believe it or not, chimney balloons.

The economy is the second challenge. That's been talked about a number of times. Customers truly have told us they're just going to hold back on improvements until the economy improves. A solution is, again, from our

perspective, just to continue to educate and promote the benefits of energy efficiency and perhaps create a revolving loan program for energy efficiency improvements.

The last challenge that we're seeing is what I refer to as the eleventh hour jitters. As I mentioned a moment ago, we've had large customers that have conducted and audit. They spend a lot of my time and a third-party consultant's time to assess energy conservation measures. Then truly at the last minute just say it just didn't make the budge cut this year, Rob, maybe next year. And then next year turns into two years and then three years.

So our solution, basically, is to encourage customers to reconsider and then I just simply reiterate the benefits, if not only energy savings, there operation maintenance savings involved and the rebate is nominal. But that really is not the reason a customer should do energy efficiency to begin with at this size of a customer base. They should be doing it because of the long-term savings achieved.

So we really don't talk too much about our rebates because they're not that high. The maximum a large customer in Lodi can get is $20,000. It's 15 cents per kilowatt hour of energy saved, capped at 20K. So that's not big money when you're looking at a project that costs you $300,000 to implement. But when you start talking about all the other

benefits associated, hopefully we can shift their mindset.

Then, two is off to provide additional review of the energy efficiency from outside sources. And as I put on there a note to self, you can lead a horse to water, but. And we know the rest of it.

Last bullet item that we were asked to discuss this morning is how do we make energy efficiency an actual resource. And I only have two thoughts on this. One, I think as energy efficiency professionals, whether it be in the IOUs or the MOUs or POUs, it's really aggressively communicate and promote the benefits of energy conservation and energy efficiency to your key stakeholders.

And for Lodi, that's our local governing board which is our City Council and they get it and they like it. And then to our shareholders, whether they be truly the shareholders by definition or your ratepayers, customers like Lodi has. So promote, promote, promote.

Second suggestion I have for making energy efficiency more of a resource is to ensure, be at the planning table, all utilities should ensure that energy efficiency professionals are really at the table when you start talking about your energy buys for the next year or two years from now or three years from now.

And a real simply question that all utilities, in my opinion, should be posing to energy efficiency

professionals at each utility is what are you going to give me. What's in it for me? What are you going to give me in terms of energy savings next fiscal year or the year after that or this county or however you do your power buys, that's really what you should be looking at. How do you factor in energy efficiency as a true resource. How many megawatts can you actually achieve for me, Rob, in the next year is the questions that should be asked.

Closing remarks, our feedback from our customers regarding Lodi Electric's various energy efficiency programs as been very, very positive. Our large customers involved in on-site EM&V are thrilled with the process. Gary received some comments back from some of our major customers last year in this regard. They've invested some big dollars into an energy efficiency project and here I'm bringing back, six months, a year later, a third party to verify that the savings were actually achieved. They love that.

It was so much so that at General Mills, when they didn't have ten lighting occupancy sensors, I kid you not, while we were walking around, the employee from General Mills got on his cell phone and called that third party, that contractor that he used and said, I've got several things we're finding. I'll be in touch because I expect, you know, a reimbursement or I expect you to come out and put these units in that you didn't install. So they really do like the

EM&V process.

Lodi Electric shares energy efficiency program ideas with other utilities and we truly welcome new and innovative program ideas because going back to one of our challenges, again, it's the whole idea of saturation. So any ideas that we can grab from other utilities, we do that. We are not ashamed to scour PG&E's website, SMUDs website, Redding's website, we do it all the time to see what they're doing just because they might have some other ideas. They have a larger staff than Lodi Electric does. So if they've got some cool ideas, we're going siphon right off of those.

Lodi Electric truly embraces the EM&V process for it confirms projected energy savings and helps refine and retool energy efficiency programs, so we like the EM&V process.

I made a note on here, too. I wanted to bring back a word of caution on the CFL stuff. We've actually rejected, so it's one of my closing comments. We've resisted and rejected doing the CFL program, whether they be give-aways or otherwise, because CFLs are considered migratory. Unless they're hardwired, they have a tendency to leave.

It hearkens back to a situation that happened at the utility about seven years ago where an employee, not of the utility, but at the City of Lodi, got a rebate on an energy store refrigerator. About a week and half later,

after processing this individuals rebate, we got a call from the appliance dealer saying, hey, Rob, you know, we just dropped that unit off that that employee bought out in Lockeford. Lockeford's way out of our service territory. So I called the employee and very discretely said I need my $50 back. And they said, why? And I said, well, because the unit that you just bought and got a rebate for got taken out to your son's house.

So, they're migratory. So if somebody's going to haul a refrigerator that far, my sense is they're going to haul CFLs across the border, too. So for that sole reason, we've resisted doing them. But we do hardwire for commercial accounts on CFLs, but when you start looking at those, that's one of the reasons, just so you know we've not pursued one.

In closing, thank you for this great opportunity this morning to share with you some of the things Lodi's doing and I know we've got two other utilities eager to get up here and share their thoughts with you as well. So thank you for your time this morning. And last, if I get more questions or any information that you need from me, call anytime.

COMMISSIONER BYRON: Mr. Lechner, thank you.

MR. LECHNER: Certainly.

COMMISSIONER BYRON: Very good presentation. Clearly it would appear that Lodi Electric Utilities is the

winning POU in terms of energy efficiency. I note that that you've got about three times the OIU average and about two times the POU average on cost effectiveness. How many staff are you there working on this at Lodi Electric?

MR. LECHNER: I have a full-time residential energy auditor who works for me. And I spend about 10 percent of my time on public benefit stuff on a weekly basis. So it's basically her and 10 percent of me.

COMMISSIONER BYRON: That's excellent. So a pretty successful program. It's nice to be able to ask someone that's got a successful program this kind of question because I value you your judgment on this. How much more savings do you think are available in your City?

MR. LECHNER: If we get creative and the economy improves and we continue to grab other ideas from other utilities and do program sharing, I think savings will be achievable well into the future for us.

Last year, we achieved about three million kilowatt hours in savings. If you look at page 25 of the report in front of you that staff has put together, you see that my numbers plummet to about 773,000 or 75 percent decrease. We're not proud of that, but the reality is when you have some large customers doing some large projects in one year, they shoot your numbers up.

But to answer your question, I think savings are

achievable every year. It's just a matter of being creative with your programs and finding new ways to do your programs. I don't advise utilities of the size of Lodi or smaller to do a refrigerator recycling program every single year because you're going to see your numbers diminish. In fact, we did it for four consecutive years and I can show you the numbers. The first year was 400 units were taken out. Second year was about 350. Year three was about 200 and the final year was about 150. And we run the same amount of dollars associated, same length of the program, duration and such, but numbers just diminish over time because you truly start to saturate the marketplace.

So I think it's a matter of more program sharing ideas. And we truly welcome any ideas that staff here has or the utilities have. But I think we can do it. We just have to find new and innovative ways.

And by the way, one of the challenges we face, Commissioner, is if we throw more money at it, I mean, our TRC was fabulous, highest in the State, 5.9, that's remarkable. But if the number was the other direction and I want to try -- you know, if I want to throw more money at it to achieve more savings, then my TRC goes in the other direction, right. So that's the dilemma we find ourselves in.

So I don't want to do a summer bonanza sale and

triple my rebate incentives to get my numbers up because then my TRC goes the wrong direction. And I don't want to be throwing money in the program because I think we're starting to cultivate a mindset in Lodi that you can achieve energy savings, we can incentivize you, but if you're doing this for a rebate, you're probably not doing it for the right reason.

COMMISSIONER BYRON: One last question. Of course, we're talking about energy efficiency today, but has your City begun to look at demand response programs as something else you might do with customers?

MR. LECHNER: We attempted one several years ago. It didn't quite go as far. In fact, it was during the energy crisis, 2000/2001 roughly. But we've pursued nothing since then. But we may dust it off.

COMMISSIONER BYRON: Again, thank you and congratulations.

MR. LECHNER: Thank you.

MS. KOROSEC: Next up is Steven Poncelet.

MR. PONCELET: All right. Good morning, Commissioner and staff. Thank you for the opportunity to come up here to speak about our efficiency programs.

I think the compare and contrast following Rob, I think, will be very interesting because it will demonstrate the richness in diversity of public power and why customized local programs really do matter and should be implemented to

meet the needs of the customers.

I am Steven Poncelet. I am the public information and conservation manager for the Truckee-Donner Public Utility District. Do have a tiny bit of history on us. Founded in 1927. We have a little over 13,000 customers. We are 88 percent residential and we have a large second home population. So our demographics are very different than say Lodi. There's our information on our megawatt usage.

We are public power. We have a locally elected Board of Directors. Unlike many of our friends in public power, we are not run by the City. We are a special district, so we have our own Board of Directors, five of them, elected to four year terms that are staggered. And we do serve both electric and water to our service territory and we are very keen on the links between water and energy savings, so we're able to benefit from those two.

My story is really one of listening to our customers and working directly with them; they are our owners, they elect our bosses ultimately; about innovation, both in program design, but also you deliver those programs, how you market them because business as usual does lead to diminishing returns. And so I think that it behooves all people in the energy efficiency world to understand that how you deliver a program is as important as the technology you're trying to deliver.

And then very much one of the EM&V because we've made significant investments in our programs and we're spending a lot of the peoples money. We want to make sure we're doing it in the most cost effective manner that we can.

So, the PUD was somewhat known in these chambers for a coal debate about three years ago where our utility wanted to sign a 50-year contract to be an equity shareholder of a coal plant in Utah. And the people spoke. And they -- one of the things they said is you guys are slow to respond to renewables and energy efficiency.

There was public outcry in '06. We had a Citizens Advisory Conservation Committee created in '07 and the message was very clear. We want you to elevate energy efficiency and invest aggressively in it. We want you to invest in renewables. We want to see a utility that's responsive to all the needs of the community. And out of that came a cost effective emphasis, money in customers pockets. That's our message.

There was discussions before about the economy and I'll touch on that as well. Certainly we are concerned about rebates and large commercial projects. But we also think our net to gross numbers on some of our lighting programs and others will go up. We've moved to direct install and giveaways because customers don't have the money to invest themselves. But now that we're giving it to them and we can

educate them on the money that they can save by installing these measures, we actually believe the economy might help push in that direction. And we have new Board members that came out of the process. So again, the community spoke and the demographics of both, the Board, the utility and our programs have changed.

I will add, this isn't a presentation on renewables, but we were 90 percent coal power in -- three years ago. And that number is somewhere between 50 and 60 percent this year. And we were 22 and a half percent renewables at the end of '08 which exceeded our Board goal of 21 percent by 2010 by two years.

I'm going to talk a little bit about our programs. We have a similar suite. We're a small utility, but we've put together a pretty robust stable of measures. We have lighting rebates and giveaways, appliance rebates, building efficiency work, space and water heating. We have home and business electronics education that we're moving into, recognizing that that is a big load in our district and something we're working on. We have a Keep-Your-Cool commercial refrigeration program similar to the one that Rob talked about and I'll talk about that later. Low and moderate income assistance programs and water conservations programs.

I'm going to talk about lighting because I'm an

engineer in background and I can do a little math and every time we find the right lighting application, the paybacks can be obscene, well less in a year. We have a ton of programs that have less than two-year paybacks.

Lighting is not just a 60 watt equivalent curlicue. In my house, it represents less than a quarter of my lighting needs. It's PAR lamps, it's globes, it's dimmables, it's flames, it's long florescence, it's a whole suite of lighting and I think the world tends to focus just on, you know, that 12-pack of CFLs.

We have residential and commercial rebates for lighting. We give away 12-packs. We do business Green Partners Programs. I'll explain that later. And we're starting to look into LED lighting. In our little district, in our little conservation department, we have a display of over 40 types of high efficiency lighting to meet the various applications.

And we have a pilot program this year where we're actually giving away up to $50 per customer of that lighting so they can go try it in their house and see if they like the hue, see if it dims the way they want, see if the lightings bright enough so that their first experience with a high efficiency lighting isn't going to Costco, seeing that 12-pack, buying it and then not liking the light because we recognize that lighting is custom and people have different

needs and different desires. And so you have to target the application for it.

And so we don't mail lights. We give it away face-to-face. How you deliver and how you put it together is as important as the actual technology. And so, the debate of lighting is going to happen, but I think if people simplify it, they're missing the point. And again, when you find the right application and the right customer, the paybacks are obscene. And that's where a lot of our cost effectiveness comes from. And I'll highlight that as we go forward.

The evaluation measurement and verification. We spent 3.1 -- 5 percent of retail sales on energy efficiency programs. That's 100 percent of our public benefit funds. We don't give our money away. We have a commitment to return on equity for our customers and that includes with our low-income customers. Giving them money is not going to help. People resolve their economic situation. Putting 20, 40, 50, 100 bucks in peoples pocket every month through cost effective energy efficiency can help do that over the long term.

We made big investments in responding to our Citizens Advisory Conservation Committee in the programs. And it was incredibly important to us not just to check the box of state reporting, but to also have that feedback looped directly to ourselves and our customers of are we spending

your money effectively, because if we're not, they'll pack the boardroom again and demand that we do differently. And we would expect them to do that.

In '08, we did a first complete EM&V of all of our programs. It was true measurement and verification for 100 percent of our programs. Statistically significant to 90 percent confidence. And I'll pause on our million CFL lighting giveaway because we hand out 12-packs of 60 watt equivalent CFLs and it does comprise a large portion of our savings.

That was EM&V'd through statistical sampling of random phone calls to our residences. And a sampling survey was designed to hit that statistical confidence and we found out that, sure, some of them walked out of the community, some of them walked into the community. Not everyone was installed. Again, we believe that people are going to install more of them.

We educate our customers about mercury, about disposal, about how to clean up a lamp, where they can go in town to get -- to dispose of them for free. So we really look at the whole product when we deliver it. And again, through that process, we found that that program is very effective.

So we feel that, you know, some lights are direct mailed and end up on Ebay and now nobody wants to do any.

And I think that's a little too simple. I think you have to look at every specific program and how it's delivered to decide whether that program actually verifies and measures it and not.

It's a solid baseline for us now, since we've done 100 percent of our programs, that we can now build upon. The feedback was tremendous. Our little utility handed our rebates in a pile like this. Now we've got it on one spreadsheet and that's going to really simplify the process of EM&V and also the cost to do it.

It was performed by Robert Mowris & Associates and the numbers don't lie. We had a TRC of over seven. Our first year load reduction was 3 percent. And it, again validates and refines our increased program spending and it positions us to do more in the future.

Terms of Truckee-Donner PUD Efficiency, what worked. Local initiative and local accountability. We, you know, energy efficiency, to use a military analogy, is boots on the ground. You can't just do it from the web. You can't educate people through pamphlets. You need to be in your customer's facilities, face-to-face, talking with them, our commitment to return on equity.

Again, we don't give our money away, we invest in cost effective programs. We are benefiting from the low hanging fruit, but again, I believe there's more low hanging

fruit out there than people are giving credit for. And so I think that's where the innovation in both understanding the programs and then the delivery mechanism matters.

We're reducing barriers for customers to participate in our program. We have emphasized giveaways and direct install programs over rebates, understanding that it's just a lot easier to say sign up, we'll do everything else and then we'll prove the results to you.

Face-to-face deliver and education, again, being a small community and being an integral part of that community, we have a direct relationship with our customers. We have done significant marketing and outreach and we'll continue to do that.

You can saturate that as well and, again, you can't always market through the same avenues. Once you've hit the paper a couple times, maybe it's time to hit the chambers. Once you hit the chambers a couple times, maybe you should go to a Homeowners Associations, maybe you should go to the Downtown Merchants Association. Work with different avenues to get your message out. Northern California Power Agency, we're a small utility, but we're achieving big results and NCPA is a big part of that.

I sit personally on the Public Benefits Committee and once a month, me and 17 other utilities just like me sit around a table and we talk about what we're doing. Every

week an email goes around about hey, does anybody have a giveaway program for LED holiday lights. Or does anybody done Keep-Your-Cool, what's your -- we exchange programs. We'll give an entire program design away immediately to one of our partners because we all benefit from that. And so, the resource that NCPA, other public power in southern California as well, is really tremendous.

We leverage local partnerships. Again, we work with the chambers, we work with local agencies, we work with non-profits and we use them all to help deliver our programs and then timely feedback. We completed our EM&V within three months of the end of our program year. And you need that feedback immediately because you're already doing the next year. And if you've got to wait a couple years for that feedback, it's too late. And so those are things that are important.

I'll talk about three specific programs that I think represent this. We have a Green Business Partner program. We literally walk into our local businesses and count screw-in lighting fixtures. And I can tell you that 80 percent of them are not screw-in, curlicue CFLs. They're PARs, they're MR 16's, they're globes, a lot of different stuff. And we will literally count the fixtures, figure out what they need, do the math. If it's cost effective, we'll go buy the light bulbs and hand them to them.

We did a verification. We did 120 business, which for our small community is a lot. And we went and verified 22 and all 22 of them had installed those light bulbs. And they're seeing hundreds of dollars of savings a month from that program. It's a giveaway. All they have to do is sign up and agree to put them in and the numbers are great. This year we have a goal of over 200 business.

So again, it works, it proved out through EM&V, we're investing heavily in it some more. And it builds relationships with our customers. They love it.

We have a holiday, LED holiday light exchange program. Our customers have to come in to our office and bring in up to three strands of old incandescent holiday lights and we will hand them highly efficient LED lights. These are 80 to 98 percent efficiency gains over what they're using.

It's both residential and business. We have business, excuse me, accent lighting where sometimes it's on 360 -- 365 24/7. Paybacks going to LED can be half a year, if it's in accent lighting. We did the numbers on 45 days at 6 hours a day for the residential lighting and you were still less than a five-year payback for that.

It's also a highly visible program, literally and figuratively. Again, community spirit, we lit up the town Christmas tree, we lit up the train depot. We did a lot of

things to educate people on the new technology to save them money. But also every single customer who participated in the program came into our office and they played with out lighting display and they got our information and they interacted with us and we built the relationship. In a five-week period, we had 5 percent of our customer base participate in that program and walk into our office. We handed out ten miles of LED lighting into the community and again customers loved it.

The Keep-Your-Cool Commercial Refrigeration program, this is one that Lodi has. We have -- it was brought to NCPA members as a member benefit from NCPA, originally developed by Silicon Valley Power. And Rob talked about the program, the gasket guy. They're in Truckee this week. And again, it's a direct install program. It's a third-party program, so having a small staff, we're able to implement it and not tax ourselves overly and the numbers are great.

In terms of our challenges, the economic crisis is clearly an issue and we have seen a falloff in some of our businesses and agencies investing in larger lighting programs. And we are concern that our rebates may fall off a little bit. I'll call it the politics of growing budgets. We just had a great year in '08. They gave us a bunch of money and we proved and verified that we could spend it in a

cost effective manner. We delivered our programs at 1.3 cents a kilowatt hour and our residential rate is 13 and a half cents a kilowatt hour.

I'm ready to walk into the boardroom and demand more money, but this is a sensitive time to be doing that. I'll probably hold onto my money, maybe get a little more, but I'm not going to get 50 percent or 100 percent like I think is justifiable. And so that will change over time, but right now, it's just a difficult time to do that.

Building efficiency and heating programs, we are largely residential. We're winter peaking. We peak the Saturday between Christmas and New Year's at six p.m. And so, how to go after residential buildings, how to go after second homes is a challenge for us.

The stimulus, I have to put -- we're not a city, so we didn't get the formulate giveaway, we're not on the list for the CDGB block rents, but we're hoping that State energy programs and others will be available because we have the knowledge on how to spend this money effectively. We've got the track record, so we're ready to get in line as soon as you guys will let us.

Financing for energy efficiency, there's been a lot of talk about that and so we're interested to see that. One caveat, though, is that if the local utility has to be the money behind the loans, that triggers rates. And this is not

a time where you trigger rate increases if you don't have to. And so as financing gets discussed at the State level, I hope that's being addressed.

Market capacity, it's hard sometimes to get your consultant or your third-party program deliverer into a small community. And I think capacity is building in the market, but it remains an issue.

And then integrating energy efficiency with resource planning is always an issue, one of my pet-peeves and I will transition to that. I call it the prove-it slide. I just gave some statistics that I think are pretty compelling that the PUD, even though we've invested greatly in energy efficiency, should do even more.

But I sit across the management table with our resource planner, the guy who runs the electric utility, and even though 3 percent a year is a big number, and maybe we won't do that forever, but even 2 percent a year compounded out, you get into tens of percents pretty fast.

But right now, I'm in an environment where he's running the electric utility on a three-legged stool. It's reliability, it's cost and then it's the environmental attributes of the resource. But he's motivated and measured on reliability and cost primarily. And so where he can do the renewables and the energy efficiency and everything and keep that stool standing, he'll do it.

But before he starts moving his budget into my conservation department, prove it is the answer. And there's some factors there. His world is done under econometric modeling. Econometric modeling does not break out any energy efficiency or any other factor. So did the load go down because of the weather, because of the economy, because of energy efficiency, because of behavior changes, the econometric modeling can't answer that question. And so, until we find a new way to break those things out, you know, arguments are going to be muddled and if the desire is to water it down, it's not too hard to do that if you have the right audience.

Credibility of energy efficiency results, EM&V. Even though the one we did, I think, is extremely defensible, very statistically valid, just a study I've heard before. And so we need to break that down.

Behavioral changes. Prove to me that that light bulb doesn't end up in Lodi, okay. And then technology lifetime debate. You know, how long does a light bulb last? How long does that high efficiency motor last? And so these uncertainties just create FUD, I like to call it fear, uncertainty and doubt. And so we just need to keep breaking that down with verifiable results. And then the resource planning culture is one steeped in tradition, God bless them, but it tends to be conservative and resistant to change.

So my message here is we need resource planners at the table. They need to be participating when we create models, when we create EM&V, when we do studies. If they don't bless them and buy into them, then they might be great for certain purposes, but in terms of moving money from resource planning into energy efficiency, we're not going to get to where we want to go.

So in conclusion, we have a commitment to conservation and the community spoke loudly and we have responded. We intend to continue to build upon our successes. We're going to monitor and refine continuously. We're going to innovate, and again, both in technology, how we market and how we deliver our programs. We're going to continue to build upon our partnerships.

We need to integrate it into our own culture because the utilities, against many other organizations in a community, tend to be your more conservative and resistant to change. And first and foremost, we're going to continue to listen to our customers. And with that, I'll be happy to take any questions.

COMMISSIONER BYRON: Mr. Poncelet, I don't have any specific questions, but I think it merits a comment. This really is a tremendous turnaround in the philosophical approach that you're -- your utility district. I'm very impressed to hear about this. I hadn't and I really was not

aware of what had transpired since we had the issues with the Greenhouse Gas Performance Standard regulations a couple years ago.

I've also learned from your presentation the importance of the cultural changes within a municipal, a publicly-owned utility and I really like your point about making sure that the research planners are at the table.

All good material and I congratulation you on this turnaround and your continued success. I'm concerned, however, about the economic downturn and the implications that that might have for your programs. So I encourage you to continue to be the champion. May I ask you, how big is your staff at the Truckee-Donner Public Utilities District for energy efficiency?

MR. PONCELET: We have about a third of my head, a full-time program administrator and a full-time customer service person.

COMMISSIONER BYRON: Well, tremendous success. Anything else you wanted to add?

MR. PONCELET: No, just thank you for the opportunity to present and we welcome the dialog.

COMMISSIONER BYRON: Thank you for coming.

MR. PONCELET: Thank you.

MS. KOROSEC: All right. Our last case study is from Tom Gackstetter from Los Angeles Department of Water and

Power.

MR. GACKSTETTER: Good morning. Again, my name is Tom Gackstetter. I'm the manager of energy efficiency at DWP. And what I'd like to start with here is our mission statement that drives our programs. And we're very fortunate in L.A. in that we have an unusual alignment of the stars, so to speak. We've got an administration and City government that includes the Mayor and the City Council as well as DWP's own Board that are very much aligned on energy efficiency and the environment, per se. As such, our mission statement here really lends itself kind of to that thought process and to the design of our programs.

What I have in front of you is the matrix that was put together for our Board's consideration for the '08/'09 energy efficiency program year. And that includes all of the Metrics that we use to measure program success.

The ones that are highlighted include the programs that are considered our workhorse programs for this program year. Our refrigerator exchange program, which is an exchange program for our low-income and life-line customers whereas we will provide a free Energy Star refrigerator in exchange for their old one. We pick that refrigerator up and recycle it environmentally -- in an environmentally friendly way. And, again, it is at no cost to our low-income customers.

We've heard a lot about CFLs today and in Los Angeles, we've embraced CFL technology in a big way. We're just completing a door-to-door distribution of CFLs to our 1.2 million customers in the residential sector. We've provided them each two CFLs. And you might be wondering why two. In the course of various programs that we've implemented, we've actually handed out CFLs with the new refrigerator or during community events, et cetera. We've included four to six CFLs in the past and through some phone calls to those customers who received those CFLs, we ascertained that a majority of them installed at least two. So for that reason, we put two in a nice recycled bag with some other conservation literature and handed that out door-to-door and we're just completing that process at the end of this month.

The CFL buy-down program, which is highlighted as well, is a reflection of our optimistic thinking, but more what has happened here, as Scott referred to, our bureaucracy at DWP and with many other large utilities, I'm sure, I've been told that we move at glacial speed and I -- hard to argue with that sometimes.

In any event, our distribution program rolled out a lot slower than we had hoped for and that we had anticipated. And what we were planning to do is finish up the distribution program this year with a follow-up buy-down program having

wet the appetites of our customers with the free CFLs.

As things turn out, we'll finish the distribution this year and then next year we'll launch the CFL buy-down program which has been used very successfully in our surrounding utilities, Southern California Edison in particular.

In the non (indiscernible) sector, we've got our commercial lighting efficiency offer. That's a lighting rebate program and we've recently increased the incentive level on that program. What that's resulted in is really driving the vendors of those products and services into our service territory. And it is very useful in leveraging our own conservation workforce to have those vendors come in and sell those products, sell those projects and sell their services using our programs as leverage.

The custom performance program is something that we put in place to address customer renovation. In the event they bring projects to us that we don't have a menu item for, we have a means by which to help them pay for it. And this is based upon engineering estimates of energy savings and we pay on the basis of kilowatt hours savings. And I'll go into that in a little bit.

The last program that I had highlight in this group here is our small business direct install program. This was launched in February of 2008 and it has been a very

successful program. What we found in our small business, mom and pop customer type customer -- I'm sorry, mom and pop type customers is that they don't have energy managers, of course. They're focused on their business at hand and trying to make that business go. As such, they don't very often look up at those lights unless one happens to be burned out.

What we do is go in and assess the lighting that they have and we will provide for them up to $2500 of free lighting upgrades which includes the labor and materials. And this program has been very well received and we continue to implement this program across the service territory.

This is just a breakout of our energy efficiency budget, about $74 million in '08/'09. And as the bit programs that I just talked about, the budget does reflect that emphasis; on our refrigerator program, small business direct install, custom, commercial lighting and then our CFL programs.

Now, this is a story I love to tell. You know, we've talked a lot about do we say goals or do we say did we miss the goal or do we really talk about trends. And here's a trend that, You know, I can't help but be impressed by it. It somewhat predates me, but you know, back in '05/'06, frankly, we didn't have a good solid commitment to energy efficiency, either at the City or in the Department of Water and Power. And it pains me to say that.

However, again, talking about the alignment of City government and the Department of Water and Power's own management and Board, we've made great strides. Right now we're projected to save 310 gigawatt hours this fiscal year. That exceeds our goal of 274. And that's the reason that you see in '09/'10 it dips down just a bit. We exceeded our goal, our budget-based goal this year. The budget that we're putting forth for '09/'10 suggests that we will, if fully implemented, hit 300 gigawatt hours in the coming year.

So what is working in Los Angeles? The first program, and these are programs I've already talked about, I'd just like to give you a little bit more detail on them. Our refrigerator program, our exchange program, new Energy Star refrigerators will be available to all rate-qualified low-income and life line customers, old efficient units are removed and recycled.

This also includes owner provided refrigerators in apartments. There we have loads that really there's no impetus to replace those refrigerators, but with anything but the cheapest refrigerators they can purchase. What this allows them to do is to go ahead and exchange those units for Energy Star units. Customers reap the benefit from the standpoint of lower electric bills since all of our apartments are separately metered. And the owner also reaps the benefit in that he has a new refrigerator in an apartment

which typically -- or maybe not typically, but allows him to rent that apartment faster than would it be the case otherwise. The program launched in 2007 and to date we've replaced more than 42,000 refrigerators through that program.

The second program I'd highlight is the free CFLs. Again, two CFLs delivered to every residence in Los Angeles, 2.4 million bulbs going into our customers homes. And the CFLs are delivered with conservation literature in a reasonable recycled bag. We also include water conservation information in there as well as we are a duel utility.

The free lighting upgrade, again, the small business direct install, tremendous success with that program. More than 40,000 businesses have been retrofitted to date. And again, that's been since February of 2008. What I would draw your attention to in terms of this page is the word "free". That seems to be working very well for us in Los Angeles.

Okay, continuing on, just two more programs I'd like to talk about. Our commercial lighting rebate program, our incentives have been designed to cover at least the incremental cost of the higher efficiency fixture. And that generates paybacks of two years or less. We've got more than 130 menu measures that are listed on our program and you can see some of the examples of the technology we support. And we will certainly add LED general lighting and other LED

products as they become commercially available.

The last program I'd highlight is the customer performance program. Again, savings based incentives based on annualized kilowatt hours. For lighting products or projects, we will pay 5 cents a kilowatt hour, HVAC is 14 cents a kilowatt hour. And for other things, such as motors and controls, 8 cents a kilowatt hour.

One program that we're just now rolling out is called Custom Plus. This is for our larger projects and we offer a substantial incentive. Up to 24 cents a kilowatt hour for projects that meet the qualifications. Those qualifications, again, include a gigawatt hour of savings and what we're trying to do here is to encourage customers to look deeper into their buildings. This is quite an incentive and we've gotten the attention of both building owners as well as vendors that go out and take a whole building approach to energy efficiency and that's really what we're trying to drive with this program.

So what's next in Los Angeles? Point-of-sale rebates are going to be launched this year. This year being '08 -- or '09/'10 rather. And this will promote the Energy Star consumer appliances. And why point-of-sale? This is our best opportunity to influence that purchase decision. Customers that participate in our rebate program is by -- right now, by mail. And we certainly get a fair amount of

participation in that, but we feel that we're really missing a lot of opportunity that the point-of-sale rebates will address.

Our CFL buy-down program. We'll buy down the cost of compact florescence now that customers know how well they work. They've seen them firsthand by virtue of our delivery of them. And I might add that we also provide information on the proper disposal of those CFLs. We accept them at all of our customer service centers in Los Angeles, we have 15 of those, as well as our Bureau of Sanitation operates yards where they will accept them. And then, of course, there are some home improvement centers that accept them as a matter of their own business.

The third program that we're going to be launching is an upstream incentive program. This is to address business computers, servers and monitors. This will also address package AC units and chillers. So this is an opportunity to use manufactured sales forces working in Los Angeles to leverage our own sales forces and our own energy efficiency staff.

The customers, when they call these folks to do their business, those manufacturers will be aware of our program and will actually financially benefit from putting the more efficient unit in our customers' places of business.

The fourth unit -- or the fourth program, rather,

would be the midstream incentive program. This is going to be aimed at some of the larger retailers, focusing on personal computers, monitors and other consumer electronics.

And lastly, a program that we're getting ready to roll out in a pilot form right now is the AC tuneup program and early replacement program. This will target both residential and commercial customers. And this gets at both energy efficiency and demand in that we are a summer peaking utility and this gets right at the reason for those peaks. So we will be launching that program in the coming year.

Challenges in Los Angeles. This sustained effort has only begun since 2006, really, 2005/2006. And frankly, program momentum takes time to build and sustain. As was indicated on the chart that I showed earlier, I think we're on a very good trend line. But it is a challenge for us to maintain that, that type of program participation.

Program staffing I've listed as the second bullet there. We undertook some significant hiring in 2008. However, that being said, we have a mature workforce. Literally 40 percent of DWPs employees can retire within the next five years. And we find a large group of those in the energy efficiency group. So this is a challenge for us, not only from the standpoint of the hiring process that civil service entails, but also getting those folks, once hired, trained up and fully functioning and very productive within

the program.

Whoops, sorry. Internal processes is next. It's been called many things. I heard bureaucracy mentioned. I cannot take issue with that term. Procurement is certainly one of the challenges for us, whether it's putting out a spec for CFLs or for program services or even EM&V. It's quite a prolonged process, not without good results, but it doesn't allow us to do things quickly. We move in a steady direction, we'd like to say, but not quickly.

The other portion of that internal processes issue is collaborations, SCCPA in particular. We have challenges in just even dealing with agencies like SCCPA. Whereas there's tremendous benefit to be had there, we have to answer a lot of questions along the way about why we're not doing it ourselves because we are such a large utility. And then there are many business policies that the Department of Water and Power has in place, that we need to make sure that SCCPA or other collaborations, you know, represent us well.

Fourth challenge I would characterize as stretch goals. And -- sorry, stretch goals. By that I mean our last potential study identified an 8 percent demand reduction across 10 years as a maximum achievable. Then along came AB 2021 and we now have 10 percent over 10 years, which, of course, our Board adopted and readily embraced.

So, it's a challenge to meet those goals. It's,

frankly, a challenge to meet the goals that were identified in the max potential study as well. But we've got some plans in place to get at those goals, to make our programs more cost effective and better received by our customers and we will work everyday towards the meeting of those goals.

And it has been discussed quite a bit, the economy is playing a role as far as a challenge for DWP. And the indicator for me is that we have in our program reporting, a number of applications that are characterized as pending, pending meaning an application has been submitted, but no action has taken place.

And normally, at this time of year as the program winds up, we get quite a kick in terms of our program participation. We're not seeing that this year and in terms of the costs that we've made to those customers trying to encourage them to complete their projects, this is what's been cited to us as the reason that they're holding off. And now I'll change the right slide.

Under the heading of measurement verification, we did hire a firm to do EM&V for us in 2008 and it's a three-year contract. And they've just completed the '06/'07 projects that they were asked to look at. We've given them a sample of all the projects that we undertook in that program year. And all those projects are being verified on-site. Good news, all equipment that we've paid for has been

verified as installed. The ESUAC projects, demand reductions, initiating 125 percent of our calculations. So that was pleasant news.

However, on the refrigeration projects, we're showing 97 percent. Still very good, especially based on what I've heard today. Chiller projects as well, 97 percent of what we projected. Lastly, the lighting projects, down to 90 percent. And what we've been able to determine thus far is the issue is hours of use. We've made some assumptions, E3 makes some assumptions and then our customers, of course, have their own assumptions.

We're underway for 2007/2008. And we will then follow-up for both '08/'09 and '09/'10 program years as a result of that. I would also add that we're currently ready to release -- or not ready, but we're just about ready to release our RFP for a new potential study to take a look at how those AB 2021 goals align with what is going to be a fresh look at what out potential is in Los Angeles.

So with that, I would be happy to answer any questions that you have.

COMMISSIONER BYRON: Mr. Gackstetter, thank you so very much. You know, it's such a pleasure to see another great transformation take place. I suppose it begins with the Mayor and it goes to the general manager and into his administrative staff and executive staff and all the way down

the chain.

I take it you're a relatively new employee in this area, then, as well?

MR. GACKSTETTER: I have been in this job for two years. Prior to that, I ran our water conservation programs for 10 years.

COMMISSIONER BYRON: And about how many -- how much staff does LADWP now employee in this area?

MR. GACKSTETTER: I've got 50 budgeted positions and I have 42 of those positions filled.

COMMISSIONER BYRON: That very good. And, you know, the reporting on your EM&V, I know you're a little dissatisfied to come below one, but still, this is all very good reporting and I think it indicates a certain trend that we're really pleased to see amongst POU reporting.

I'm very impressed. LADWP is making tremendous progress in energy efficiency and renewables. I really don't have any additional questions for you. Does my staff have any? No, I congratulate you.

MR. GACKSTETTER: I appreciate the opportunity. Thank you.

COMMISSIONER BYRON: Thank you.

MS. KOROSEC: All right. Now, I'll open it up to public questions and comments. You can have questions on any of the presentations we've heard today or any comments that

you would like to make. And I did receive one request to speak from NRDC and that would be Lara Ettenson.

COMMISSIONER BYRON: You know, I wrote her name down even before you spoke. Ms. Ettenson, I'm glad you're here. I know that you look at this very closely and that we do hear from you. I hope we'll hear from you again, but what do you think? Do you see any progress here?

MS. ETTENSON: First I want to thank you for the opportunity to speak. My name is Lara Ettenson, for the record, with the Natural Resources Defense Council. And yes, we are seeing positive trends and we are very supportive of what the POUs are doing, both for their energy efficiency savings and also their evaluation efforts. And we are very pleased that they continue to work with us and we look forward to doing so in the future.

We also want to commend the staffs hard work on this analysis and their continued willingness to answer my questions throughout the entire process. And it's been a very positive experience and I look forward to collaborating with them and developing strategies that can ensure that the POUs can achieve all cost effective energy efficiency.

In terms of the specifics on this report, we recommend that the final CEC AB 2021 progress report include a more detailed discussion of how the POUs are meeting their procurement requirements that are set out by law in -- that

were set out by SB 1037 and are in law. We urge the CEC to reiterate that finding that they published last year, that the public goods charged allocations are insufficient to achieve this savings needed to meet all cost effective energy efficiency.

While we acknowledge that a number of POUs face resistance and we've heard a lot of that today, we actually see this as an opportunity to address these real and also perceived barriers to increasing investments. And NRDC is very supportive of the POUs and would like to help however we can, if we can help at all in pushing that agenda forward.

In particular, the staff could include a recommendation that the CEC work with the POUs to identify the procurement resources needed to supplement the public goods fund and also offer assistance to and provide a four-on-four utilities to address these barriers that they face.

While we appreciate the economic situation, in particular, as noted, for those smaller utilities that depend only on a few customers that provide a large portion of their savings, we reiterate what Scott noted as well, that energy efficiency is truly the most cost effective procurement option. And while we agree that there's a lot going into customer behavior and a lot of people, even if its really cost effective, they still don't want to do it. And again, we find that this is an opportunity to figure out how can we

adjust the incentives, how can we adjust the program planning, how can we adjust the outreach and education to make sure that we really can ensure that energy efficiency is being captured. When they're having a hard time meeting their energy bills, let's figure out how we can reduce them.

And these are things that the IOUs are also facing and they often request permission to shift funds so that they can change the incentive levels to make it more attractive to their customers.

In addition, we are very pleased that their -- the POUs average a TRC of three which means for every dollar put in, they get three dollars of societal benefit. However, we also see this as another opportunity to increase deeper energy savings since this means there's a lot of cost effective energy efficiency that could still be captured.

We're also pleased to hear that the POUs plan to use the stimulus funds to supplement and not supplant their energy efficiency programs and reiterate that we hope that this doesn't sidetrack them from finding procurement dollars that can provide a more sustainable energy efficiency investments.

We also request additional information regarding assumptions that are being used by the POUs for their evaluation measurement and verification. For example, it appears that the POUs are using the 2005 DEER database to

compare their actuals, their ex-post to their ex-ante. Or to determine their ex-post and the CPUC 2006/2007 verification report that was noted in the CEC progress report used 2008 DEER database which has significant different numbers for net to gross and EULs, so, for the effective life. So I think that before we can make an even comparison, we need to ensure that the assumptions going in are also equivalent or as near as can be.

We also -- I do support trends, I also support goals and we also like Metric. So we like seeing that percent of revenue, but we also focus very strongly in the percent of sales as that is a true indicator of how the utilities are successfully achieving, both IOUs and the POUs. And so we look forward to seeing that discussion in the final report.

Lastly, I just want to say that we strongly support the recommendations that the staff has come up with and we look forward to working with them. And I also look forward to submitting comments on June 30th along with our parallel analysis on this report as well.

COMMISSIONER BYRON: Thank you. We welcome your comments. You and your organization provide significant input to all this process, so I'm glad to see it continuing.

MS. ETTENSON: Thank you.

MS. KOROSEC: All right. Next we'll hear from

Bryan Cope of Redding Electric Utility.

MR. COPE: Thank you. Commissioner, my name is Bryan Cope. I'm pleased to tell you I am a resource planner with Redding Electric Utility and I'm in the energy services group. So, as my colleagues pointed out, it's important to have resource planners at the podium when you're coming to the decision-making.

We do consider conservation and energy efficiency to be a resource in our utility. We've talked a lot about energy efficiency and conservation. But the focus, unfortunately, in my opinion is energy. I've heard a couple comments. You asked a question about demand response and there was some discussion about peak load reduction and peak demand response programs which is encouraging because we have a -- we spend a lot of money on our energy efficiency programs, but a large portion of that is related to demand reduction and load shifting.

There's a reason for that. If you'll look at one of the tables in there, you'll see that we have one of the lower cost of benefit ratios, it's just under two. And the reason for that is we spend a lot of our money not necessarily on the low hanging fruit of lighting. We have a good lighting program that we just increased, actually, this year of spending about 60 percent and we've only had 10 percent increase in the participation levels this year. And

that goes back to the economy issues.

But, you know, we can go after all the energy we want, but unless utilities begin focusing on demand reduction and load shifting, what you're essentially going to be doing is driving the load factors and the overall operating efficiency of the utility operating systems down. So you might be able to install a lot of cool Energy Star appliances or lighting programs, and what you're doing is increasing the efficiency of each individual customer.

But the way we look at it is you're driving our operating efficiency down or we would be doing that. That is why we're focusing on thermal energy storage, demand response programs and other ways that we can reduce our air conditioning load in our system.

That's what drives the bulk of the load patterns here in the State. So what we're doing is we're focusing on reducing our consumption during the summertime. And we would like to see some recognition from the State that it's not all about energy. The building codes do that. You know, you've got time preventive evaluations built into your building codes which is very appropriate. And I think that there should be some sort of -- in the long-term, there needs to be recognition that there's a time value of peak demand reduction versus saving energy at four in the morning on an April day.

With that, I thank you very much and I'll answer any questions you might have.

COMMISSIONER BYRON: Well, I appreciate your comments and it does relate back to -- I think the scope, here, is confined to energy efficiency in this particular report. But I'm really glad you're here and brought this up. A city like yours is facing the same difficulty that a lot of the investor-owned's are facing, the drawing load in the Central Valley, the air conditioning load. I'm glad to hear that.

When you say that you're addressing that and when you say you need more recognition on the part of the State, what are you looking for? Besides my thank you.

MR. COPE: Actually, it goes back to the E3 model. Again, the bulk of the cost benefit ratio is driven towards lighting program, for example. If I try and put into the model a peak demand reduction savings program, it's not as -- it's not looked upon as favorably, at least in the numbers that I've been able to calculate and the way I've been running the model for a couple of years.

Without trying to skew the numbers to be incorrect, I -- sticking to the Metric and the standard of the model, you get a lot more bang for the buck for a lighting program than you do for reducing your demand, simply put.

COMMISSIONER BYRON: All right. Well, in fact, Ms.

Ten Hope points out to me that the AB 2021 is suppose -- is, in addition, to be going after all available energy efficiency, it includes demand response resources that are cost effective as well. So, I failed to remember that.

So we are very interested in this and I -- and as I'll say in my closing remarks. I think you'll see that we'll make some recommendations along these lines. We're looking for improvement, not just the incentives to drive the energy efficiency, that seems to be working very well, but I'm interested -- we're all interested on the Commission in seeing improved demand response programs and, as you say, because it's going to include the operation of your utility as well.

MR. COPE: Yes. Glad to hear that. Thank you very much.

COMMISSIONER BYRON: Thank you.

MS. KOROSEC: Next we have Andrea Horwatt from Southern California Edison.

MS. HORWATT: Good morning. I was very glad to be part of this workshop this morning and I'd really like to acknowledge some great work that the POUs are doing in ramping up their efficiency efforts. It's nice to know we're all pulling together to work toward the 32,000 gigawatt hour goal that's part of the AB 32 scoping plan. It's an aggressive goal and we're all going to need to work very hard

to get there.

A couple of quick comments that actually the last two speakers have helped set up. Ms. Ten Hope raised a question about the TRCs of the IOU programs relative to the POU programs. I think there are a number of things that we can point to that have led to that.

Part of that really is attributable to the fact that the IOUs have been running energy efficiency programs for almost 30 years. We've picked a lot of our low hanging fruit. We're trying to harvest what is still out there, but a lot of the cheap, easy, low-cost measures have been captured in earlier years. And the marginal costs of the next unit of energy efficiency savings tends to be more expensive for the IOUs than, in many cases, for the POUs.

Another point that the last speaker touched on, the PUC has greatly emphasized that we focus more of our energy efficiency expenditures on peak production measures, such as HVAC, to improve our system load factor. Those do tend to be more expensive than lighting measures. They are improving our load factor, but at a significantly greater cost. That also has a downward effect on our TRC results.

The other point I'd like to make has to do with the realization rate issue. And the speaker from NRDC, I think, touched on some of the same points that I wanted to make here. I'd really like to suggest that staff do a comparison

of the EM&V techniques that are being used to make sure that we are talking in apples and apples comparison. The DEER results are different than have been used and I'm not sure if the California evaluation framework that energy division and their consultants use is being applied, and so the EM&V work that's being done for the POUs.

Let's see, we -- the IOUs did raise some serious questions about some of the EM&V studies that were done, excuse me, as part of the evaluation of '06 and '07 programs. And those, I think, need to aired as well as part of this discussion.

One point I'd like to be very clear about is we are not, at least speaking for Southern California Edison, in anyway trying to gain the results of what we report in our ex-ante estimates. We know there is a time of reckoning with the results that we file. They will be subjected to EM&V. So we devote countless person hours up front to the ex-ante estimates that we use in our application. And I'd just like to make that very clear, that this is something we take very seriously and our management emphasizes it.

That's the end of my comments. I'd be happy to answer any questions if you have any.

COMMISSIONER BYRON: Thank you for being here. Did you come all the way up from L.A. this morning to attend this publicly-owned utility EM&V workshop?

MS. HORWATT: I'm actually covering two workshops today, one here and one at CARB. So I'm maximizing the return on the investment.

COMMISSIONER BYRON: Very good. Good, I'm glad to hear that. Yeah, I think those are good responses to the few questions that I would have asked you, knowing you're here now. But still, we're seeing tremendous over-reporting on the part of the IOUs. I mean, it's on the order, if I recall, 60 percent compared to about a wash here for the POUs. They cannot all just be attributed to using a different DEER database, can they?

MS. HORWATT: Well, actually a lot of it can. And I guess the numbers I saw in the earlier staff report, I thought it was, at least for Edison, something like 78 and 80 percent. I think that was for the '06/'07 results. I'll look to Kae for that. I think that's the numbers she reported. And a lot of that can be due to DEER. It's a pretty significant differences.

And again, I think it's something that merits future review and we're trying to -- one thing I want to make clear is we're trying to pull in the same direction with both Commissions and we want to be part of a solution rather than a part of a, you know, just an ongoing disagreement about these kind of issues.

COMMISSIONER BYRON: Well, thank you for coming and

thank you for your comments.

MS. HORWATT: Sure.

MS. KOROSEC: Next is David Walden representing Southern California Public Power Authority.

MR. WALDEN: Good morning, Commissioner.

COMMISSIONER BYRON: Good morning.

MR. WALDEN: My name is David Walden.

COMMISSIONER BYRON: Good afternoon.

MR. WALDEN: I represent Southern California Public Power Authority which is the accompaniment NCPA down in southern California. We have 12 members of which the largest is Los Angeles Department of Water and Power and the smallest being Ceritos -- or excuse me, I guess -- yeah, it is Ceritos. They service a little less than 1,000 customers. It's a great diversity. That total resource pool represents about 2.6 million meters and almost 5 million customers.

As a facilitator for that particular group, I host a little over 80 public service -- or professional services types agreements for energy efficiency programs such as the contracts that would be deployed for refrigerator replacement all the way down to light bulb purchases. Not all of our members can take advantage of those joint action programs because of their internal business rules.

As L.A. has implied, I do, in fact, support them to the tune of about $2 million a month of their transactions go

through SCCPA. The balance, an additional 3 to 5 million dollars a month for the balance of our projects.

Two issues that we wanted to bring up today. Obviously, we're going to deliver some direct comments on the report itself. There's a few minor corrections as far as transposed numbers, some missing X's in the back tables and some clarifying text regarding tables and rules. We'll provide those later.

More importantly, however, is the discussion that has already begun this morning with regards to the funding of the programs, where that funding comes from and how it might be increased. We wanted to remind respectfully that the public goods charge includes more than just energy efficiency. Our cities balance those received monies between low-income programs as well as energy efficiency and some component of research or demand response type activities.

They also do not have a formal mechanism. Each of them individually sets that percentage and rates within their utility through their Council. So they're not at liberty to just increase that or provide monies from the general fund to -- specifically to energy efficiency without going to their City constituency for a vote. So there are some limitations on the restrictions of that. And our concern is not that we don't want to do more, but the availability of those funds, particularly in the economic times we're in right now, is

questionable.

Those are the two major comments I have this morning unless there are other questions.

COMMISSIONER BYRON: None. Thank you very much, thank you for your time.

MR. WALDEN: I appreciate the time.

MS. KOROSEC: Is there anyone else in the room who would like to make any comments or ask any questions?

All right, can we open the phone lines? All right, the phone lines are open on the WebEx. If you'd like to make a comment, please identify yourself. Going once, going twice.

All right, I think we're finished with the questions, then. Commissioner Byron would you like to close us out?

COMMISSIONER BYRON: Well, thank you. And I do have a few comments I'd like to make. I think it really merits to -- a congratulation is in order for many of the publicly-owned utilities that are summarized in the report, certainly the ones that were here represented today. We seen substantial growth and improvement in their efforts to implement energy efficiency programs. And they should all be very proud of the cost effectiveness of the results of their effort.

Of course, I've learned a lot since I've been at

the Commission as well on energy efficiency and I think the publicly-owned utilities are on that learning curve as well. And my sense is that they've learned a lot in the last few years since this legislation, AB 2021, was enacted.

And also a factor that I think comes to -- comes into play that was not mentioned here today and that is that the publicly-owned utilities have significantly lower electric rates than the investor-owned utilities which makes it a little more challenging to make these programs work. And customers are very happy with those lower rates. So to get them to move the needle forward is a very significant accomplishment.

We're clearly headed in the right direction. I appreciate your efforts. I'm sure that my fellow Commissioners do as well. I'm also impressed with the verification, the EM&V efforts that are underway. Of course, we'll need to take into consideration the comments that we've received as well about using the correct database and I'm still intrigued by how different the reporting is from those that we see from the investor-owned utilities.

Nevertheless, we have -- we still have a ways to go. I'm reminded once as a young child when I brought home my report card and it had all those A's on it except for one B and my mom said, what happened. We're still not reaching the targets. And although we're headed in the right

direction, that's really the goal here.

And we're certainly missing it on the peaks meaning the peak demand. And there's a lot of room for improvement in demand response programs. I'm encouraged what I'm seeing in energy efficiency and I think we'll hope to see the same kind of movement on the part of the publicly-owned utilities to implement demand response programs, as we go to metering programs, education to customers. Again, I'm very encouraged with what I'm seeing, but we do have a ways to go.

I've also heard about some programs recently, I'm thinking of one particularly at SCCPA in the last couple of months, that will address these kinds of issues and I encourage our publicly-owned utilities to spend a little more time with staff and Commissioners and tell us about the things that you're doing and today afforded one of those kinds of opportunities. I'm concerned about this economic crisis and the impact that that could have, not just for the POUs, but for the investor-owned utilities on the successful implementation of these programs.

So I have to say, I encourage you to keep on in this regard. You do have influence, clearly, with your Boards and your management and the gentlemen that it represented here today, I don't mean to be sexist in my comments, I think it was all gentlemen except for some of our later commenters. I encourage you to keep on pursuing your

programs and pursuing them with your management and your Boards as well.

I'd like to thank the staff, the participants and the commenters this afternoon. We have a great deal of excellent input for the IEPR Committee. Certainly we'll be acknowledging the achievement and the direction that we're seeing, but we're also likely to make some additional recommendations to improve results and help keep the level of progress going the way that it is.

That's the end of my comments. Again, thank you all very much and we'll be adjourned.

MS. KOROSEC: We are adjourned. Thank you everyone.

(Meeting adjourned at 12:45 p.m.)

* * * * *

C E R T I F I C A T I O N

I, Susan Holcomb, court approved transcriber, certify that the foregoing is a correct transcript from the official electronic sound recording of the proceedings in the above-entitled matter, and to the best of my ability.

_____ Date:

Susan Holcomb AAERT CET **00273

CALIFORNIA REPORTING, LLC