

Before the Public Utilities Commission of the State of California

Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs, Evaluation, and Related Issues	Rulemaking 13-11-005
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**Protest of the
National Association of Energy Service Companies (NAESCO)
To
Advice 3567-G/4592-E (Pacific Gas and Electric Company – U 39-M)
Advice 2705-E/2361-G (San Diego Gas & Electric Company – U 902-M)
Advice 3179-E (Southern California Edison Company – U 338-E)
Advice 4765-G (Southern California Gas Company – U 904-G)
Dated February 23, 2015**

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The National Association of Energy Service Companies (NAESCO) appreciates the opportunity to submit its protest of Advice 3567-G/4592-E (Pacific Gas and Electric Company – U 39-M), Advice 2705-E/2361-G, (San Diego Gas & Electric Company – U 902-M), Advice 3179-E, (Southern California Edison Company – U 338-E) and Advice 4765-G (Southern California Gas Company – U 904-G).

Introduction to NAESCO

NAESCO is the leading national trade association of the energy services industry. NAESCO numbers among its members some of the world's leading energy services companies, including: ABM Energy, AECOM Energy, Ameresco, , CM3 Building Solutions, Clark Energy Group, ClearEnergy Contracting, Climatec, ConEdisonSolutions, Constellation New Energy, Control Technologies and Solutions, CTI Energy Services, , Energy Control Inc, Energy Solutions Professionals, Energy Systems Group, Entegrity, Excel Energy, The Fulcrum Group, Indoor Environmental Services, NextEra Energy Solutions, Honeywell, Johnson Controls, Lockheed Martin, McClure Energy, Navitas, NORESKO, Onsite Energy, Opterra Energy Services, Pepco Energy Services, Performance Services, Schneider Electric, Siemens Industry,

Southland Industries, Synergy Companies, Trane, UCONS, and Wendel Energy Services. Utility members include the New York Power Authority, Pacific Gas & Electric, and Southern California Edison. During the last twenty years, NAESCO member companies have delivered billions of dollars' worth of energy efficiency, renewable energy, demand response, distributed generation and combined heat and power projects to institutional, commercial, residential, and industrial customers in California.

Summary of Comments

NAESCO supports the efforts of the California legislature, the Commission and the IOUs to ensure that the California energy efficiency (EE) programs are delivered by a quality, well-trained EE workforce and that the benefits of the employment generated by the massive ratepayer expenditures on EE programs are shared equitably with disadvantaged communities. We believe, based on the experience of NAESCO member companies that implement EE projects, that many of the recommendations in the Advice Letter, however well intentioned, will not accomplish the desired results, and may, in fact, set back these efforts. Please note that we are not criticizing the utilities with our comments. We think that the utilities are attempting to obey Commission orders, and that the Commission may in turn be responding to legislatively-mandated implementation timetables. But we believe rushing a flawed program into implementation is counter-productive to the legislature's goals.

The California EE programs operate within a very rigorous framework of cost/benefit analyses. Any program modifications that add costs to programs must also add benefits sufficient to maintain the program's cost effectiveness scores, or else the program will be curtailed or eliminated from the portfolio. The result of curtailment is the elimination of jobs, rather than the creation of more jobs for better-trained and higher-paid workers and the expansion of employment opportunities to disadvantaged communities. Making programs less cost-effective also disproportionately affects the delivery of EE services to homes and businesses in disadvantaged communities, because the programs that serve these customer segments are often "on the bubble" of cost effectiveness. So the threat to disadvantaged communities is a "double-whammy" – fewer jobs and fewer services.

NAESCO therefore respectfully suggests that the design and implementation of programs that will accomplish the goals the Advice Letter should be delayed until after the Commission

has completed Phase III of R.13-11-005, which will examine and hopefully reformulate the benefits side of the Commission's mandated cost/benefit analyses to better facilitate these goals. We also remind the Commission that the utilities have an RFP on the street, one element of which is to provide market analyses of the cost effectiveness of some of the actions they are proposing in the Advice Letter, so this Advice Letter seems to be putting the cart before the horse in order to meet the Commission's filing schedule, rather than to optimize program design to accomplish the legislature's goals.

The following pages offer a few examples (not an exhaustive list) of provisions of the Advice Letter that we believe illustrate the dangers posed by the premature implementation of programs as proposed in the Advice Letter.

IOU Recommendation 1.2.2:

Energy Upgrade California ® Home Upgrade Program Require at least one BPI Certified Professional contractor on staff for all Advanced Path projects.

NAESCO Comments:

The IOUs have not established that a policy requiring BPI certification, which will increase program costs, will deliver more benefits to the Home Upgrade Program. In fact, according the DVC WE&T Guidance Plan, ASW Engineering and SWB Consulting, in a report entitled *Interim Findings and Recommendations from the Whole House Process Evaluation-SCE Contractor Training Assessment*, found “[a]n interim evaluation of the Energy Upgrade California (EUC) program found frequent safety issues and recommended that future iterations of the program provide ongoing safety training to contractors”.¹ From the onset, EUC has required BPI certification. From this, we can infer that these safety violations must have occurred in homes serviced by BPI Certified contractors. Therefore, requiring BPI Certification is not assured to have the intended effect of increasing the quality of installations. Especially since BPI does not have a post inspection process (unless there is a specific customer complaint). Until such time as the IOUs can link a quality installation to the BPI certification, this additional cost and administrative burden should not be imposed on contractors.

If there is truly a quality concern in the EUC program, the Commission should look to the Energy Savings Assistance Program (ESA) and seek to mirror their high quality post inspection

¹ Workforce Issues and Energy Efficiency Programs- A Plan for California's Utilities – Donald Vial Center on Employment In the Green Economy – 2014, Appendix 2B – Whole House Measures, Pages 30-31

process which has been in place for many years and ensures high quality installations. This process has established post installation criteria used by both the installation contractor and the third party inspection contractor as well already established policies and procedures for post inspection requirements.

IOU Recommendation 1.2.3:

HVAC Quality Installation and Quality Maintenance: Require graduation from a state certified apprenticeship program, a 2-year degree in HVAC, or proof of comparable training and experience for jobsite HVAC technicians.

NAESCO Comments:

While NAESCO supports certification programs, the IOUs have not provided a revised recommendation that ensures inclusion of other nationally accredited training programs nor have they provided clear definitions on what would satisfy “proof of comparable training”, who would be the final authority on approving such comparable training, or what proof would be necessary to satisfy this requirement. It is also not clear why a “2-year” degree is required. Trade schools are different from the 2-year associate degrees offered by community colleges and many schools have accredited degrees offered in shorter time periods. Additionally, the definition excludes certifications from such industry leaders as North American Technical Excellence (NATE) and other private industry schools and it is not clear why these certifications would be excluded from this recommendation. We hope it is not the Commission’s intent to exclude high-quality private industry training.

More importantly, the IOUs have not indicated whether or not there are enough jobsite technicians who already have such certifications to meet current IOU goals. Creating a policy that can take years to fulfill could be detrimental to the IOU and Commission energy savings goals.

IOU Recommendation 2.3.1.3:

Lower ratepayer costs by charging fees for classes where feasible, recording and broadcasting classes via an IOU joint WE&T website, and lowering administrative expenditures.

NAESCO Comments:

This recommendation appears to be contradictory to the Commission’s policy of easing participation in EE programs for Diverse Business Enterprises, specifically, small businesses. Many small businesses will have difficulty paying for classes. Surely, it is not the Commission’s

intent to exclude small business from participating in EE programs. This recommendation also does not align with the previous recommendations of requiring certification programs. While recording classes via an IOU joint website appears to be more cost-effective, it does not provide the assurance of a quality education which appears to be the goal of previous recommendations.

IOU Recommendation 3.1.3:

Establish prevailing wages and targeted hire goals for all contractors and subcontractors that have a direct contracting relationship with the IOU or are pre-selected (e.g., Direct Install, government partnerships, third-party programs, and ESA programs).

NAESCO Comments:

Without a clear understanding of the impacts of this recommendation, NAESCO cannot support this change. For example, in the ESA proceeding, D.14-11-007, Southern California Gas Company estimates prevailing wage would increase their budget by \$79 million for program years 2015-2017.² This is a substantial increase to a rate-payer funded program and the IOUs have provided no estimates here as to the impact of this recommendation on the budgets for the other ESA and EE programs and the cost effectiveness of the programs.

The term “targeted hire goals” is also ambiguous here. It is not clear whether hire goals will help or hinder contractors in hiring employees and the Commission should not allow such an open ended policy to be adopted when it may actually impede hiring or participation by contractors in small rural areas or other small businesses that have limited hiring ability.

IOU Recommendation 4.1.2:

Require all contractors and subcontractors that have a direct contracting relationship with the IOU and/or are pre-selected (e.g., Direct Install, Local Government Partnerships, third-party programs, and ESA programs) to report specified jobs and workforce data, via participation in a confidential online jobs reporting system based on certified payroll data.

NAESCO Comments:

In the opening comments of this Advice Letter, the IOU’s indicate there may be legal issues that need to be considered when evaluating a recommendation and regarding this recommendation point to Article 1, Section 1 of the California Constitution which recognizes the right to employee privacy as well as established case law and the California Labor Code.³

² Application of Southern California Gas Company (U904G) for Approval of Low-Income Assistance Programs and Budgets for Program Years 2015-2016, Prepared Direct Testimony of Mark Aguirre and Hugh Yao, page 117

³ Advice 3567-G/4592-E (Pacific Gas and Electric Company – U 39-M), Advice 2705-E/2361-G, (San Diego Gas & Electric Company – U 902-M), Advice 3179-E, (Southern California Edison Company – U 338-E), Advice 4765-G (Southern California Gas Company – U 904-G), Page 4, footnote 5.

However this policy is still listed as a recommendation without further details on how it will align with existing laws. Until such time as the Commission and the IOUs can establish a legal framework for this recommendation, NAESCO cannot support the recommendation.

Conclusion

NAESCO strongly supports the efforts of the California legislature, the Commission and the IOUs to ensure that the California energy efficiency (EE) programs are delivered by a quality, well-trained EE workforce and that the benefits of the employment generated by the massive ratepayer expenditures on EE programs are shared equitably with disadvantaged communities. However, this Advice Letter seems to be premature, in that it does not adequately address the issues of increased program cost and significant changes in program cost-effectiveness that will result from the activities proposed, even though both the IOUs and the Commission recognize the importance of these issues – the IOUs with an RFP to study the issues and the commission with the topics pending in Phase III of this proceeding.

In addition, all EE programs in the State seem to be considered as one program in the Advice Letter. Such a broad-brush approach obfuscates the realities that changes in program cost effectiveness will disproportionately impact the residential and small business programs that serve the disadvantaged communities the legislature and the Commission want to help, because these programs are at best marginally cost effective with their current cost structures.

We therefore urge the Commission to defer action on this Advice Letter until it can make a full analysis of the cost effectiveness of the program changes the IOUs propose, and then perhaps require the IOUs to revise the Advice Letter in light of this analysis. If this deferral requires the Commission to ask the legislature for a delay in mandated implementation timetables, NAESCO will support this request, and we are sure that many other stakeholders will also support it.

Respectfully submitted by



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