

CREATING AN OPEN, COMPETITIVE FRAMEWORK FOR ENERGY EFFICIENCY IN CALIFORNIA

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by
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A crucial decision for conservation is approaching, as the California Public Utilities Commission (CPUC) reviews proposals for new ways to deliver energy efficiency with \$400 million/yr. of ratepayer funds in the territories of the big four investor owned utilities (PG&E, Edison, San Diego Gas & Electric and So. Cal. Gas).

The California Coalition for Energy Efficiency (CCEE), founded by Women's Energy Matters, Public Citizen, Community First Coalition, Local Power and SESCO (the top residential Energy Efficiency provider in the US) has proposed a much-improved Energy Efficiency administrative structure. The proposal has gained the support of many other organizations, including Sierra Club California.

The CPUC plans an en banc hearing on Sept. 30, 2004 to review administrative structure proposals and is expected to decide the issue in the next few months.

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HIGHLIGHTS OF THE CCEE PROPOSAL

CCEE's proposed structure, the *California Standard Offer for Energy Efficiency* is fair, transparent and highly effective. A similar system created four years ago by local members of Public Citizen, ACEEE and Environmental Defense Fund in Texas is saving 40% more energy per dollar than current California programs. The California Standard Offer:

- **provides greater customer bill reductions** and other benefits;
- **guarantees energy savings**, enabling energy efficiency to compete for the first time as a genuine resource to offset expensive and polluting power plants (the current system and all other proposals have no such guarantee);
- **greatly expands energy efficiency infrastructure and well-paid jobs**; small, innovative organizations can "get their feet wet" with small projects and quickly expand to larger ones. Most importantly, this proposal would give non-utility EE providers such as cities, community-based groups, independent companies or Native American tribes many more opportunities to run EE programs and to develop their own ideas.

WHAT IS A "STANDARD OFFER"?

A Standard Offer means the opportunity to save energy is offered to everyone under the same terms and conditions. In the California Standard Offer structure proposed by CCEE:

A variety of contract sizes (\$5,000 to \$2 million) are offered continuously on a first come, first served basis. (Currently, there is a secret process where somebody else decides whether or not your project is a good idea.)

There is a simple 4-5 page application and a quick turnaround - just a couple of weeks. (Currently the application process takes 3-6 months.)

No one party can control more than 20% of the funds at any time. (Currently, utilities control 80% of the funds.)

Payments are based on energy savings achieved, based on a percent of the "avoided costs" (i.e. not building power plants and buying fuel). (Currently, there is no direct correlation between energy savings and funds paid.)

Your organization takes the risk — if you save energy, you get paid. If you don't succeed within a specified time, the money goes back into the pot for the next applicant. (Currently, ratepayers are at risk — if the program fails, the money is gone.)

COMPARE OTHER PROPOSALS TO CCEE'S PROPOSAL

There are only two other full proposals for administrative structure: a joint proposal by the utilities and NRDC, and a proposal by TURN. Although very different in some respects, both proposals perpetuate problems in the current administrative structure:

- **Utilities are in a position either to manipulate the system** (utility/NRDC proposal) **or undermine it** (TURN proposal).

- **Utilities control key aspects of energy savings measurements.** Currently, energy efficiency lacks credibility because utilities have exaggerated energy savings measurements.
- **Administrative costs are high** because both of the other proposed systems are top-down, micromanaged structures.
- **Implementers must submit lengthy, detailed applications** describing what each part of their operation will cost — a nearly impossible task, especially for innovative programs.
- **Proposals are evaluated once every two or three years in a secret process.** Under the current structure, many proposals that scored high on stated criteria were rejected based on subjective judgments open to manipulation by utilities. Winners were subjected to arbitrary changes to programs and budgets.
- **"Shareholders Incentives" may be reinstated.** In the 1990s the CPUC awarded utilities more than \$500 million of these incentives (i.e. bribes) in a vain attempt to get them to do better EE programs.

UNIQUE ADVANTAGES OF CCEE'S PROPOSAL

CCEE's California Standard Offer proposal:

- Easily accommodates hundreds of implementers with many small and medium size contracts (\$5-50,000). Such a robust infrastructure would overwhelm the current system or other proposed structures, which rely on micromanagement to protect ratepayers from program failure. With the Standard Offer, the risk for program failure is borne by implementers, not ratepayers. (Currently, there are only about 50 non-utility implementers receiving about \$100,000 to a few million each, and four utilities receiving \$50-175 million each).
- Neutralizes utilities' conflicts-of-interest by requiring participants to choose only one role — administration, implementation, or energy savings measurement – and ensuring fair competition on a level playing field for administrators as well as implementers.
- Greatly reduces administrative costs by reducing the need to micromanage.
- Simplifies and speeds up the application/selection process (a few weeks vs. 3-6 months in the current system and other proposals), and offers ongoing opportunities to apply, rather than only one in a two or three-year cycle.
- Guarantees results by paying only for energy savings achieved and measured. Otherwise, funds go back into the pot for others to apply.
- Emphasizes the development of a much more rigorous and independent system of Evaluation, Measurement & Verification (EM&V). Currently, EE lacks credibility

because utilities control measurement contractors and the Measurement Advisory Council, which has failed to correct known exaggerations in “deemed” savings.

- Allows for different entities to become administrators as required by the Community Choice law. Ensures statewide accountability and coordination by the overall System Director, which answers to the CPUC. CCEE recommends against utility administrators but believes there is no need to absolutely ban them in the California Standard Offer system.
- Is very flexible, providing tools for the System Director to tailor incentives to ensure attention to areas with reliability problems, and various categories of ratepayers (for example, "hard-to-reach" rural or inner-city residences and small businesses, Native American reservations, or non-profit institutions like schools, hospitals, governments).
- Provides for statewide information and education programs as well as "market transformation" and other pilot programs as the need arises. These programs are selected by a Special Administrator in a non-Standard Offer process comparable to current procedures, however the fact that they are segregated from other programs ensures greater independence and accountability.

BACKGROUND: WHO FUNDS EE PROGRAMS AND WHAT DO THEY DO?

Energy Efficiency (EE) funds come from a special Public Goods Charge on all utility bills. They finance a variety of energy saving activities for homes and businesses such as installing or servicing efficient lighting, insulation, heating/cooling and industrial/agricultural machinery, and providing EE information and education to the public.

THE CURRENT SYSTEM IS MARRED BY EXCESSIVE UTILITY CONTROL

California could be saving much more energy with these programs than we currently are. The basic problem is that the CPUC allowed utilities to control all Energy Efficiency funds for thirty years, although they have a huge conflict with conservation - selling more energy raises their profits and their stock prices. Utilities want to control EE because it's great public relations - and they don't want conservation cutting too deeply into their profits.

- **The CPUC tried to coax and bribe utilities to do a better job - even gave them 25% of the funds as "shareholders incentives" (pure profit).** Nevertheless, utilities continued to waste money on ineffective overpriced programs.
- **Utilities squandered up to 50% of the money on administrative costs.**
- **Utilities wined and dined their EE measurement contractors at resorts — at public expense — and gave them lucrative consulting contracts for studies that make it look like utilities were saving much more energy than they really were.**

THE CPUC DECIDED IT'S TIME FOR A CHANGE

In 2002, on the heels of the energy crisis, then-President of the CPUC, Loretta Lynch, set up an experimental competition with 20% of the energy efficiency funds. Anybody except utilities could apply.

Utilities tried everything to stop non-utility programs. They appealed CPUC decisions, quarreled over contract language, and sent threatening letters. **In spite of all the dirty tricks, non-utility EE providers persevered through months of delay. They not only managed to do the job - they saved more energy per dollar than utilities.**

NOW IS OUR CHANCE TO IMPROVE ENERGY EFFICIENCY

The CPUC is deciding how EE programs will be run for the next decade. Utilities are fighting hard to regain control of the funds. They have a great deal of political power because they contribute to many community groups and nearly all political candidates. However, there is widespread support for change.

With a better EE system, we could make large reductions in energy use, reduce our bills, help revive California's economy and provide well-paid jobs at all skill levels. We could close power plants that pollute poor communities and reduce natural gas use. We could leverage investments in solar and wind energy. We could slow global warming and eliminate the justification for America's energy wars.

There is no time to lose. Our pocket books, the changing climate, and the news from the energy wars are telling us to get real about saving energy.

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About Women's Energy Matters

Women's Energy Matters (WEM) is a network of women and men who approach energy issues from a woman's point of view. WEM works for a rapid transition to an efficient, renewable energy system, in order to promote healthy communities and ecosystems and improve international relations. WEM also celebrates the ways women have used their own energy through the ages for the public good.

Women's Energy Matters is a leading player in a multi-year battle at the California Public Utilities Commission (CPUC) over energy efficiency programs. As an official public interest participant ("intervenor") WEM is working to increase energy savings from these programs by neutralizing utility conflicts of interest and putting more funds in the hands of cities, non-profits and businesses that have no conflict of interest with conservation.

APPENDIX A

Excerpt from *The Myth of IOU Cost-Effectiveness I*, August 8, 2003, SESCO, Inc.:
COST-EFFECTIVENESS RANKINGS, IOU v. NON-IOU PROGRAMS 2Q2003

Table 1
NON-RESIDENTIAL STATEWIDE AND IOU-IMPLEMENTED LOCAL PROGRAMS
COST-EFFECTIVENESS RANKING, 2Q 2003, SAVINGS PROGRAMS

| NR | TRC | Implementer | Program Title | SW/Local |
|-----------|-------------|-----------------|-------------------------------------|----------|
| NR | 2.30 | PG&E | Express Efficiency (SmComm) | SW |
| NR | 1.34 | PG&E | Non-Res New Construction | SW |
| NR | 5.36 | PG&E | Standard Perf. Contract (Lg C&I) | SW |
| | 3.00 | PG&E | All PGE-Implemented | |
| NR | 3.20 | SCE | Express Efficiency (SmComm) | SW |
| NR | 2.84 | SCE | Non-Res HTR | Local |
| NR | 5.48 | SCE | Non-Res New Construction | SW |
| NR | 4.47 | SCE | Standard Perf. Contract (Lg C&I) | SW |
| | 3.20 | SCE | All SCE-Implemented | |
| NR | 1.62 | SCG | Express Efficiency (SmComm) | SW |
| NR | 1.23 | SCG | Non-Res Financial Incentives | Local |
| NR | 1.50 | SCG | Non-Res New Construction | SW |
| | 1.45 | SCG | All SCG-Implemented | |
| NR | 1.65 | SDGE | Express Efficiency (SmComm) | SW |
| NR | 0.60 | SDGE | Non-Res EZ Turnkey | Local |
| NR | 2.53 | SDGE | Non-Res New Construction | SW |
| NR | 2.55 | SDGE | Standard Perf. Contract (Lg C&I) | SW |
| | 1.42 | SDGE | All SDGE-Implemented | |
| NR | 2.62 | All IOUs | ALL IOU-IMPLEMENTED (14) | |
| NR | 4.13 | All IOUs | All SPC Programs (3) | |
| NR | 2.21 | All IOUs | All Non-SPC NR Programs (11) | |

Table 2
RESIDENTIAL STATEWIDE AND IOU-IMPLEMENTED LOCAL PROGRAMS
COST-EFFECTIVENESS RANKING, 2Q 2003, SAVINGS PROGRAMS

| Res | TRC | Implementer | Program Title | SW/Local |
|------------|-------------|-----------------|--|----------|
| Res | 0.05 | PG&E | Multifamily New Construction | SW |
| Res | 1.07 | PG&E | Multifamily Retrofits | SW |
| Res | 0.71 | PG&E | Single Family New Construction | SW |
| Res | 0.64 | PG&E | Single Family Retrofits | SW |
| | 0.62 | PG&E | All PG&E-Implemented | |
| Res | 0.75 | SCE | Multifamily New Construction | SW |
| Res | 2.87 | SCE | Multifamily Retrofits | SW |
| Res | 0.79 | SCE | Single Family New Construction | SW |
| Res | 0.92 | SCE | Single Family Retrofits | SW |
| | 1.33 | SCE | All SCE-Implemented | |
| Res | 0.67 | SCG | Multifamily New Construction | SW |
| Res | 0.44 | SCG | Multifamily Retrofits | SW |
| Res | 0.26 | SCG | Single Family New Construction | SW |
| Res | 0.81 | SCG | Single Family Retrofits | SW |
| | 0.55 | SCG | All SCG-Implemented | |
| Res | 2.07 | SDGE | Multifamily New Construction | SW |
| Res | 0.35 | SDGE | Multifamily Retrofits | SW |
| Res | 0.93 | SDGE | Res HTR Lighting | Local |
| Res | 0.69 | SDGE | Single Family New Construction | SW |
| Res | 0.74 | SDGE | Single Family Retrofits | SW |
| | 0.54 | SDGE | All SDGE-Implemented | |
| Res | 0.87 | ALL IOUs | ALL IOU-IMPLEMENTED (17) | |
| Res | 6.00 | ARCA | Appliance Recycling-SDGE | SW |
| Res | 5.01 | ARCA | Appliance Recycling-PGE | SW |
| Res | 3.92 | ARCA | Appliance Recycling-SCE | SW |
| Res | 3.42 | R.Heath Assoc. | Upstream Res. Ltg-SCE | SW |
| Res | 2.36 | R.Heath Assoc. | Upstream Res. Ltg-SDGE | SW |
| Res | 2.01 | R.Heath Assoc. | Upstream Res. Ltg-PGE | SW |
| Res | 3.79 | Non-IOUs | All Non-IOU Implemented SW Programs (6) | |

Table 3
ALL RESIDENTIAL STATEWIDE LOCAL SAVINGS PROGRAMS
COST-EFFECTIVENESS RANKING, 2Q 2003, SAVINGS PROGRAMS

| IOU-Implemented in Bold Face | | | | | |
|------------------------------|-------------|-------------------------|--|--------------|--|
| Res Rank | TRC | Implementer | Program Title | SW/Local | |
| Res 1 | 6.33 | ADM Assoc. | Gas WH Program | Local | |
| Res 2 | 6.00 | ARCA | Appliance Recycling-SDGE | SW | |
| Res 3 | 5.01 | ARCA | Appliance Recycling-PGE | SW | |
| Res 4 | 3.92 | ARCA | Appliance Recycling-SCE | SW | |
| Res 5 | 3.42 | R.Heath Assoc. | Upstream Res. Ltg-SCE | SW | |
| Res 6 | 3.00 | SESCO, Inc. | Gas Only Multifamily | Local | |
| Res 7 | 2.94 | Energy Solutions | LightWash-SCG | Local | |
| Res 8 | 2.87 | SCE | Multifamily Retrofits | SW | |
| Res 9 | 2.70 | Rita North Assoc. | South Bay-SCE | Local | |
| Res 10 | 2.36 | R.Heath Assoc. | Upstream Res. Ltg-SDGE | SW | |
| Res 11 | 2.35 | Amer Synergy | Mobile Home Retrofit-PGE | Local | |
| Res 12 | 2.07 | SDGE | Multifamily New Construction | SW | |
| Res 14 | 2.01 | R.Heath Assoc. | Upstream Res. Ltg-PGE | SW | |
| Res 13 | 2.01 | Amer Synergy | Mobile Home Retrofit-SCE | Local | |
| Res 15 | 1.55 | Energy Solutions | Light Wash-SDGE | Local | |
| Res 17 | 1.40 | Amer Synergy | Mobile Home Retrofit-SCG | Local | |
| Res 16 | 1.40 | Energy Analysis | Res Duct Services-SCG | Local | |
| Res 18 | 1.39 | Proctor Eng | CheckMe! Ducts - SCE | Local | |
| Res 19 | 1.27 | Energy Solutions | Light Wash-PGE | Local | |
| Res 20 | 1.14 | Energy Analysis | Res Duct Services-SCE | Local | |
| Res 21 | 1.07 | PG&E | Multifamily Retrofits | SW | |
| Res 22 | 0.93 | SDGE | Res HTR Lighting | Local | |
| Res 23 | 0.92 | SCE | Single Family Retrofits | SW | |
| Res 24 | 0.81 | SCG | Single Family Retrofits | SW | |
| Res 25 | 0.79 | SCE | Single Family New Construction | SW | |
| Res 26 | 0.75 | SCE | Multifamily New Construction | SW | |
| Res 27 | 0.74 | SDGE | Single Family Retrofits | SW | |
| Res 28 | 0.71 | PG&E | Single Family New Construction | SW | |
| Res 29 | 0.69 | SDGE | Single Family New Construction | SW | |
| Res 30 | 0.67 | SCG | Multifamily New Construction | SW | |
| Res 31 | 0.64 | PG&E | Single Family Retrofits | SW | |
| Res 32 | 0.44 | SCG | Multifamily Retrofits | SW | |
| Res 33 | 0.35 | SDGE | Multifamily Retrofits | SW | |
| Res 35 | 0.26 | SCG | Single Family New Construction | SW | |
| Res 34 | 0.26 | Rita North Assoc. | South Bay-SCG | Local | |
| Res 36 | 0.05 | PG&E | Multifamily New Construction | SW | |
| Res 37 | 0.04 | City of San Diego | Whole House Retrofit | Local | |
| Res | 1.76 | All Implementers | All Residential Programs (37) | | |
| Res | 0.87 | All IOUs | All IOU-Implemented (17) | | |
| Res | 2.53 | Non-Utilities | All Non-Utility Implemented (20) | | |
| Res | 1.98 | Non-Utilities | All Non-Utility Implemented Local Programs (14) | | |

| |
|--|
| <p>Table 4</p> <p>ALL NON-RESIDENTIAL STATEWIDE LOCAL SAVINGS PROGRAMS</p> <p>COST-EFFECTIVENESS RANKING, 2Q 2003, SAVINGS PROGRAMS</p> |
|--|

IOU-Implemented in Bold Face

| NR | Rank | TRC | Implementer | Program Title | SW/Local |
|-----------|-----------|-------------|-------------------------|--|--------------|
| NR | 1 | 6.89 | Quantum | Rural Munic. WasteWater-PGE | Local |
| NR | 2 | 5.48 | SCE | Non-Res New Construction | SW |
| NR | 3 | 5.36 | PG&E | Standard Perf. Contract (Lg C&I) | SW |
| NR | 4 | 4.47 | SCE | Standard Perf. Contract (Lg C&I) | SW |
| NR | 5 | 3.20 | SCE | Express Efficiency (SmComm) | SW |
| NR | 6 | 2.93 | SDREO | SmComm Direct Install | Local |
| NR | 7 | 2.84 | SCE | Non-Res HTR | Local |
| NR | 8 | 2.59 | EnSave | Farm Motors-PGE | Local |
| NR | 9 | 2.55 | SDGE | Standard Perf. Contract (Lg C&I) | SW |
| NR | 10 | 2.53 | SDGE | Non-Res New Construction | SW |
| NR | 11 | 2.30 | PG&E | Express Efficiency (SmComm) | SW |
| NR | 12 | 2.02 | ADM Assoc. | SmComm Energy Clinics-SCG | Local |
| NR | 13 | 1.77 | ADM Assoc. | SmComm Energy Clinics-SCE | Local |
| NR | 14 | 1.69 | EnSave | Farm Motors-SCE | Local |
| NR | 15 | 1.65 | SDGE | Express Efficiency (SmComm) | SW |
| NR | 16 | 1.62 | SCG | Express Efficiency (SmComm) | SW |
| NR | 17 | 1.55 | Quantum | Rural Munic. WasteWater-SCE | Local |
| NR | 18 | 1.50 | SCG | Non-Res New Construction | SW |
| NR | 19 | 1.49 | Quantum | Oakland Partnership | Local |
| NR | 20 | 1.34 | PG&E | Non-Res New Construction | SW |
| NR | 21 | 1.23 | SCG | Non-Res Financial Incentives | Local |
| NR | 22 | 1.22 | SDREO | Cool Communities | Local |
| NR | 23 | 0.68 | RLW | Small Business | Local |
| NR | 24 | 0.60 | SDGE | Non-Res EZ Turnkey | Local |
| NR | 25 | 0.57 | CSU-Fresno | Agric Pumping-SDGE | Local |
| NR | 26 | 0.13 | CSU-Fresno | Agric Pumping-PGE | Local |
| NR | 27 | - | EnSave | Farm Motors-SDGE | Local |
| NR | | 2.23 | All Implementers | All Non-Residential Programs (27) | |
| NR | | 2.62 | All IOUs | All IOU-Implemented (17) | |
| NR | | 1.56 | IOUs | IOU-Implemented Local NR (3) | |
| NR | | 1.81 | Non-Utilities | Non-Utility Implemented Local NR (14) | |

Appendix B

STANDARD OFFER FORMAT AND DEVELOPMENT OF LOCAL INFRASTRUCTURE

Q. Doesn't the first-come, first-serve selection procedure seriously block out a lot of sponsors from participation and decrease participation?

Not at all. And certainly nowhere near as much as a one time selection process that selects and locks in all programs at one time for a two or three year cycle. Compare the difference in participation between the recent 2004-05 solicitation process in California and the much smaller selection process for the 2004 Standard Offer Program in Texas.

Under the recent California competitive selection process, approximately \$506.8 million in funding (excludes statewide outreach

| 2004-05 EE PROGRAM SPONSORS, CALIFORNIA | | | | |
|--|--------------------|--------------------|-------------------------|---------------------|
| CALIFORNIA UTILITIES | EE Sponsors | EE Programs | Non-IOU Programs | IOU Programs |
| PG&E | 32 | 64 | 38 | 26 |
| SCE | 22 | 44 | 24 | 20 |
| SCG | 13 | 27 | 12 | 15 |
| SDG&E | 12 | 35 | 18 | 17 |
| STATEWIDE | 79 | 170 | 92 | 78 |

programs) was provided to a total of 79 program sponsors (4 IOUs and 75 non-IOUs) in the four California service territories. These 79 sponsors had a total of 170 projects selected (82 for the 4 IOUs and 88 for the 40 non-IOUs). The selection is for a two year term.

By comparison, the Standard Offer Program strongly encourages and results in participation by a much greater number of program sponsors.

In Texas there were at least three Standard Offer Programs for each IOU service area: an HTR Standard Offer (for families at or below 200% of poverty guideline), a combined residential and small commercial program (targeted to residential customers and/or commercial customers below 100 KW demand; and a Large C&I program). In 2004, the total statewide funding for these three programs was \$50.3 million. The selection is for a one year term or less.

| 2004 YEAR-TO-DATE STANDARD OFFER PROGRAM SPONSORS, TEXAS | | | | |
|---|---------------------------|-------------------------|--------------------------------|-----------------------------------|
| TEXAS UTILITIES | Total SOP Sponsors | HTR SOP Sponsors | Res/SmComm SOP Sponsors | Large C&I SOP Sponsors |
| CENTERPOINT | 119 | 29 | 25 | 65 |
| ENERGY | 56 | 21 | 30 | 5 |
| SWEPCO | 26 | 10 | 12 | 4 |
| TNMP | 28 | 9 | 7 | 12 |
| TX CENTRAL | 58 | 15 | 35 | 8 |
| TX NORTH | 65 | 15 | 38 | 12 |
| TXU ED | 173 | 38 | 74 | 61 |
| XCEL ENERGY | 37 | 12 | 15 | 10 |
| STATEWIDE | 562 | 149 | 236 | 177 |

Appendix C

**STANDARD OFFER FORMAT AND
COMPREHENSIVENESS OF MEASURES**

Q. Doesn't the single "standard price" system of the Standard Offer result in much greater concentration on the low-cost, no-cost type measures (e.g., lighting), with much reduced comprehensiveness?

Definitely not. The "standard price" is not a standard incentive per measure, but a set percentage of avoided costs for all measures within a standard offer category (e.g., for HTR customers, or for small commercial customers, etc.) The actual incentives received vary directly with the energy (and/or peak demand) savings realized. Thus, a long life measure earns more than a short-lived measure; the higher efficiency model earns more than the next most efficient model; an on-peak savings earns more than the off-peak savings; the higher savings measure saves more than the lesser saving measure, etc.

By comparison, rebate-based programs' incentives are primarily based upon measure costs with little difference by resultant savings. This has the impact of forcing implementers to chase those specific measures which have the "best rebates" rather than that combination of measures which produce the greatest total savings. For example, compare below the savings of the Texas residential standard offer programs with California's statewide residential retrofit programs and of the two types of California statewide C&I retrofit programs.¹

Under the standard offer concept, contractors receive incentives in direct proportion to the resultant savings/ avoided costs benefits. Therefore, they tend to concentrate upon those items which have greater savings, more on-peak savings, longer lives, etc. Last year, 96% of all Texas Residential

| PORTION OF ANNUAL KWH SAVINGS | | |
|--------------------------------------|------------------|------------------|
| RES RETROFIT | TEXAS SOP | CA REBATE |
| HVAC | 65.5% | 3.0% |
| Shell Measures | 30.1% | 0.3% |
| Lighting | 1.9% | 94.0% |
| Appliances | 1.0% | 2.0% |
| Other | 1.5% | 0.7% |
| ALL MEASURES | 100.0% | 100.0% |

SOP savings came from HVAC and shell measures. By comparison, only 3.3% of California's projected statewide single family and multifamily retrofit savings come from such measures. On the other hand, California is projecting 94% of its annual energy savings from residential lighting, compared to only 1.9% under the Texas Standard Offer.

¹ Sources: Report by Texas IOUs on 2003 programs to TxPUC, July 22, 2004; IOU 2004-05 Workbooks for Statewide Single Family and Multifamily Rebate Programs and the Statewide Express Efficiency and Standard Performance Contracting Programs.

The closest approximation to standard offer style incentives among California statewide programs is the Standard Performance Contracting (SPC) Program, whose incentives are in approximate proportion to their savings and measure life.

| PORTION OF ANNUAL KWH SAVINGS | | |
|--------------------------------------|------------|----------------|
| CA C&I REBATES | SPC | Exp Eff |
| LIGHTING | 31.5% | 79.3% |
| HVAC | 24.5% | 4.7% |
| MOTORS/VSD's | 11.9% | 0.3% |
| OTHER | 32.1% | 15.7% |
| C&I MEASURES | 100.0% | 100.0% |

Compare the SPC savings with those of the standard rebate system of Express Efficiency. The standard offer system definitely does not discourage comprehensiveness.

BACKGROUND DATA ON STANDARD OFFER COMPREHENSIVENESS

| ACTUAL SAVINGS BY MEASURE FOR TEXAS 2003 STANDARD OFFER PROGRAMS | | | | | |
|---|--------------------|-----------------|---|--------------------|-----------------|
| SOP RES MEASURES | ANNUAL KWH | % OF KWH | SOP C&I MEASURES | ANNUAL KWH | % OF KWH |
| ALL HVAC | 79,523,314 | 65.5% | ALL HVAC | 41,160,675 | 33.6% |
| Duct Efficiency | 74,432,909 | 61.3% | Cooling | 25,949,602 | 21.2% |
| Replace Central AC | 3,901,210 | 3.2% | Chiller Replacement | 12,657,872 | 10.3% |
| Replace Central HPs | 1,082,381 | 0.9% | Efficient AC | 1,973,778 | 1.6% |
| Ground Source HPs | 83,949 | 0.1% | HVAC units | 216,433 | 0.2% |
| Package AC Units | 17,379 | 0.0% | Retrofit of Multiple Roof Units | 60,004 | 0.0% |
| Room AC | 5,487 | 0.0% | Window Film | 302,986 | 0.2% |
| ALL SHELL | 36,612,275 | 30.1% | | | |
| Air Infiltration Improve | 25,389,989 | 20.9% | ALL LIGHTING | 66,684,447 | 54.5% |
| Install Ceiling Insulation | 10,290,350 | 8.5% | Lge C&I Lighting | 59,868,144 | 48.9% |
| Install ES Window | 812,589 | 0.7% | Sm Comm Lighting | 6,816,303 | 5.6% |
| Wall Insulation | 114,973 | 0.1% | | | |
| Floor Insulation | 4,374 | 0.0% | ALL MOTORS/VSD's | 7,482,327 | 6.1% |
| ALL LIGHTING | 2,322,063 | 1.9% | ALL OTHER | 7,081,604 | 5.8% |
| ALL APPLIANCES | 1,186,460 | 1.0% | | | |
| Replace Major Appliance | 1,060,035 | 0.9% | ALL C&I MEASURES | 122,409,053 | 100.0% |
| ES Afford. New Homes | 121,839 | 0.1% | | | |
| Replace Water Heater | 2,346 | 0.0% | Source: July 22, 2004 presentation by Texas IOUs to Texas PUC Energy Efficiency Implementation Docket, Project #27647 | | |
| Photovoltaic System | 2,240 | 0.0% | | | |
| ALL OTHER | 1,842,324 | 1.5% | | | |
| ALL RES MEASURES | 121,486,437 | 100.0% | | | |

California Statewide Residential Retrofit Rebate Programs

| SW Res Rebates | | Annual KWH | Lighting | HVAC | Shell | Appliances | Other |
|----------------|------------|---------------|---------------|-------------|-------------|-------------|-------------|
| PGE | SF | 498,340,959 | 473,766,087 | 14,369,864 | 1,734,800 | 8,470,208 | 0 |
| PGE | MF | 15,417,193 | 13,215,078 | 1,414,205 | 547,650 | 224,592 | 15,668 |
| SCE | SF | 438,107,955 | 416,645,508 | 11,230,263 | 0 | 7,232,184 | 3,000,000 |
| SCE | MF | 24,293,138 | 22,155,980 | 2,074,199 | 0 | 62,960 | 0 |
| SDG&E | SF | 97,892,883 | 83,374,296 | 3,067,200 | 1,058,369 | 5,854,357 | 4,538,661 |
| SDG&E | MF | 13,943,548 | 13,425,056 | 389,286 | 71 | 0 | 129,135 |
| ALL SW | RES | 1,087,995,676 | 1,022,582,005 | 32,545,017 | 3,340,890 | 21,844,301 | 7,683,463 |
| ALL SW | RES | 100.0% | 94.0% | 3.0% | 0.3% | 2.0% | 0.7% |

California Statewide C&I Retrofit Rebate Programs and Retrofit SPC Programs

| SW C&I Rebates | | Annual KWH | Lighting | HVAC | Motors | Other |
|----------------|---------------|---------------|--------------|--------------|--------------|--------------|
| PGE | EXPEFF | 191,416,087 | 172,530,304 | 10,864,716 | 952,512 | 7,068,555 |
| SCE | EXPEFF | 54,072,941 | 14,505,177 | 4,563,414 | 0 | 35,004,350 |
| SDG&E | EXPEFF | 95,661,155 | 83,578,644 | 754,318 | 0 | 11,328,193 |
| ALL SW | EXPEFF | 341,150,183 | 270,614,125 | 16,182,448 | 952,512 | 53,401,098 |
| ALL SW | EXPEFF | 100.0% | 79.3% | 4.7% | 0.3% | 15.7% |
| SW C&I SPC | | Annual KWH | Lighting | HVAC | Motors | Other |
| PGE | SPC | 156,918,071 | 71,166,069 | 42,008,041 | 43,636,684 | 107,277 |
| SCE | SPC | 251,076,591 | 59,389,849 | 50,169,940 | 875,140 | 140,641,662 |
| SDG&E | SPC | 30,240,000 | 7,560,000 | 15,120,000 | 7,560,000 | 0 |
| ALL SW | SPC | 438,234,662 | 138,115,918 | 107,297,981 | 52,071,824 | 140,748,939 |
| ALL SW | SPC | 100.0% | 31.5% | 24.5% | 11.9% | 32.1% |