

1 they need to understand, they need to at least have an
2 appreciation of why they would make that decision. So,
3 how do we transmit that.

4 MS. ADOLF: So make the easy decision the right
5 decision and make it hard to make the wrong decision.

6 Something so far, and this is way outside the
7 box, and probably outside your jurisdiction, but perhaps
8 a surcharge on the less-efficient appliances that, you
9 know, takes the form of almost a carbon tax. But it's
10 something that they have to pay extra or work extra to
11 get those low-efficiency appliances, to make the high-
12 efficiency a more plum opportunity.

13 COMMISSIONER MC ALLISTER: I wonder if ARB has
14 authority in the Scoping Plan to do that? Maybe we can
15 lean on them, who knows.

16 MS. ADOLF: Thank you.

17 COMMISSIONER MC ALLISTER: Thanks, Tiger.

18 MR. HODGSON: Mike Hodgson with ConSol. I'm not
19 sure if this is the right comment area, but I would like
20 to talk about residential choices and the residential
21 property owners.

22 We also are the program administrator for the
23 Fresno program, currently called the Home Energy Tune-up
24 Program, and have about two and a half years' experience
25 here in the retrofit market.

1 The key takeaway I have from that experience is
2 why we are successful in this program is that the
3 homeowner is getting advice from a third party.

4 So, we're not trying to sell them something.
5 We're a neutral third party. We represent the city and
6 the program. And whether you put in lighting, ceiling
7 insulation, mechanical systems, we don't care. It's the
8 choice of the consumer.

9 The Energy Commission could add to our
10 credibility by having a good HERS II software.

11 And I notice in this Action Plan no reference to
12 the HERS II rulemaking. And I'm very concerned about
13 that because you really do need to have -- you are the
14 expert on leveling the playing field on what the energy
15 impacts these devices have in the home.

16 And so we need that software. We need the
17 blessing and the backing of the Energy Commission's
18 credibility on that software.

19 We have taken what I would consider the
20 precursor to the HERS II software and modified it for
21 our use. And so we do have, I think, a good workable
22 home energy report.

23 But if there actually was a level playing field,
24 with good software and feedback to the consumer, that
25 would make our job even easier and would also, I think,

1 increase the credibility of the program.

2 So, that's my number one comment.

3 The other comment is, and this is both for
4 residential and small commercial, our average retrofit
5 on the residential side is a 27 percent improvement, I
6 think year to date, somewhere around 30 percent.

7 It's all voluntary and homeowners pick and
8 choose.

9 Unfortunately, the deep retrofits, such as the
10 Energy Upgrade California, are less than 5 percent of
11 our market. And that's consumer choice. It's a
12 difficult program to participate in and it's also
13 expensive, and so consumers many times don't do that.

14 But our number one market barrier there is
15 financing. So, we really need the on-bill financing.
16 We need the credit unions to step up. We need third
17 parties to guarantee the buy-down and the risk of these
18 mortgages that then can integrate into HERS II software
19 to show you're going to save so many dollars.

20 The consumer is all after the dollar. I mean it
21 really is. If you can say, you put this widget in and
22 you're going to save \$12, and on your mortgage it's only
23 going to cost you another \$7, then there's positive cash
24 flow. They get that and that's how they make their
25 decisions.

1 So, kind of the two things I can see you being
2 very helpful on, and one actually is Energy Commission
3 and that's rulemaking, HERS II, when and let's close
4 that thing down, get it done.

5 And the second is probably through the CPUC, is
6 to help us with buy-down on risk for financing products
7 that are in the market.

8 Thanks.

9 COMMISSIONER MC ALLISTER: So, I just want to --
10 a little bit of a high level. So, I guess I'm not
11 finding it in the final version here, but we did
12 actually -- in a previous version we did actually call
13 that out.

14 And I think the intent is to certainly, you
15 know, revisit and sort of reengineer, where needed, the
16 ratings program. Certainly, you know, and I think it
17 has -- I mean I think we need to really step back and
18 say what is it that we're trying to accomplish, and what
19 are the transaction costs of that.

20 And what is the right role of the Energy
21 Commission in that?

22 So, you know, things have changed in the last
23 five to ten years where there are -- there's market
24 knowledge out there that, you know, we can help marshal.
25 But that doesn't necessarily mean that we need to own,

1 that the Energy Commission needs to own, develop, and
2 manage a piece of software that does something, right.

3 So, I want to step back and sort of look at all
4 of this on the merits and say, okay, well, what is going
5 to be the most effective structure to make sure that
6 those tools exist, and then support that structure.

7 And so, you know, I'm kind of open to a lot of
8 different ideas there. But, you know, again, there's
9 lots of staff experience on this.

10 But you're right, we've brought a lot of
11 credibility over the years of this, we have a lot of
12 staff expertise in the Title 24 realm that's absolutely
13 relevant for this discussion.

14 But new buildings and existing buildings are
15 actually quite different. Those markets are actually
16 quite different.

17 And so, you know, I hear what you're saying but
18 also am kind of trying to step back a little bit and
19 take a little bit of a meta view of it.

20 So, I'm probably being a little bit more obtuse
21 than you'd like.

22 But that discussion of what is the right way to
23 get this done in the existing building is, I think, a
24 really key one.

25 And I want to maybe ask Bill to talk about the

1 revamping of the sort of -- what that rulemaking is, you
2 know, timing, and what we're anticipating doing with it.

3 MR. PENNINGTON: Right. So, the Action Plan is
4 fairly light on, you know, clarity on what the
5 Commission intends to do related to re-looking at the
6 HERS process.

7 But as we've said for a very long time, and this
8 goes back to Conrad's interest as well, earlier, the
9 Energy Commission does intend to be taking a good, solid
10 look at the range of issues that have been raised with
11 the HERS program, revisiting those, trying to improve
12 the program, trying to reinvent the program to the
13 extent that we need to be doing something different that
14 we're currently not doing, and trying to be responsive
15 to all these comments.

16 And our expectation is that we're going to
17 finish the Action Plan and then that will be one of the
18 near-term things that we'll do as a next step at the
19 Commission.

20 COMMISSIONER MC ALLISTER: So, it would be good,
21 Mike, if you could sort of -- I mean anybody who's
22 interested in this, I think. You know, there have
23 been -- so, totally see the value in having a third
24 party, but also, you know, doing that at some scale and
25 sort of internalizing the cost somewhere is an issue.

1 You know, it's good on a pilot level but, you
2 know, when we really are trying to massively scale this
3 thing up and it's some number of hundreds of dollars for
4 HERS, and associated sort of services, where does that
5 get internalized?

6 I mean is that a cost that is purely on the
7 homeowner? Is it somehow subsidized by ratepayers or by
8 some other funding?

9 I mean those are really important, pretty
10 fundamental issues to work through.

11 And so, you know, it's fascinating to be in a
12 building, coaching the homeowner, and I'm sure it's
13 super effective.

14 But are there ways to use sort of third-party
15 analytical tools, no-touch audits. You know, not
16 actually be in the building to kind of get us moving
17 down that path much less -- much less -- you know, with
18 lower cost.

19 And then targeting those specific resources that
20 you're talking about to the people who truly have
21 already emerged as, like, I'm interested, I'm moving
22 forward and I need this service to help me do the right
23 project.

24 So, I think there's a sequencing there that we
25 need to work on.

1 MR. HODGSON: And I think you should watch the
2 Fresno program this year and next year because our goal
3 in that program is to cut our costs by probably a factor
4 of four.

5 COMMISSIONER MC ALLISTER: Yeah.

6 MR. HODGSON: And what you have to do is be able
7 to get the product to the rating site, most cost-
8 effectively as possible. Software allows us to do that.
9 Smart Meters allow us to do that.

10 COMMISSIONER MC ALLISTER: Yeah.

11 MR. HODGSON: Sending a truck out to the
12 jobsite, blindly, doesn't allow us to do that.

13 COMMISSIONER MC ALLISTER: Yeah.

14 MR. HODGSON: And that's the market today.

15 COMMISSIONER MC ALLISTER: Yeah.

16 MR. HODGSON: So, having that software tool,
17 what you know what the energy use is and that it is a
18 temperature-related energy use, meaning HVAC,
19 potentially, now you can say, okay, according to this
20 tool here are the five things you need to do.

21 I don't even have to walk onto the jobsite until
22 I know there's a problem.

23 COMMISSIONER MC ALLISTER: Okay.

24 MR. HODGSON: And then I have a solution. And
25 that's what I'm looking for is the computer background

1 or, you know, the analytical ability to do this quickly
2 and cost-effectively.

3 COMMISSIONER MC ALLISTER: Okay.

4 MR. HODGSON: But we don't have that right now.
5 What we have, and I'm not picking on any manufacturer,
6 we have Lenox who has a program. Guess what we sell?
7 We now sell mechanical units.

8 We have Owens-Corning who has a program. Guess
9 what's sold, insulation.

10 And we have Andersen who has a program. Guess
11 what's sold, windows, okay.

12 COMMISSIONER MC ALLISTER: Yeah.

13 MR. HODGSON: I mean I kind of get that. You
14 know, there's a market trend here.

15 If we had a program that says you have a
16 thousand-dollar-a-month bill and if you did these three
17 things you could cut it to \$500, and here's what we'd
18 recommend, and the consumer was open to that.

19 It's a third party blessing on what should be
20 done. That's our experience in Fresno. That's why
21 we're successful here. But we don't have the analytical
22 tool to say here's what should be done. We're making
23 good guesses, but I think you could produce a better
24 tool than what we have.

25 COMMISSIONER MC ALLISTER: Well, I think that's

1 actually, I think, a critical piece of this. Like, so
2 is the Energy Commission, itself -- would we produce a
3 tool or would the marketplace be able to produce one
4 that we would sort of validate, and maybe there's more
5 than one. I mean I think that's a really interesting
6 discussion, I think, sort of to acknowledge where we're
7 at resource wise, and also sort of envision what this
8 would look like at scale and try to create something
9 that supports that, right.

10 So, I'm really actually encouraged by that and I
11 think we need to sharpen up the Action Plan to express
12 what we're going to do. So, certainly describe, you
13 know, the process of going through a rulemaking on the
14 existing system.

15 In the data section we've tried to describe
16 these third party no-touch kind of tools that sort of
17 provide that first cut on, you know, weather related
18 versus plug loads, versus other kinds of things and, you
19 know, a desire to encourage that marketplace.

20 Another thing that we're contemplating doing is
21 creating a sort of qualification system wherein tools
22 would be developed in the marketplace and we would
23 assess them, and either validate them or not, or either
24 sort of approve them for use for certain project
25 screening or whatever.

1 So it would be nice to sort of pick through or
2 get into a little bit more of the weeds with you and
3 sort of other folks interested in this to see how viable
4 you think such an approach might be for the Commission
5 to take.

6 MR. HODGSON: Happy to be in that discussion.
7 But to get those in the energy consulting world engaged
8 in that discussion, we've all been talking about it for
9 the last ten years as a HERS II rulemaking.

10 COMMISSIONER MC ALLISTER: Yeah.

11 MR. HODGSON: And I think in the Draft Action
12 Plan there needs to be a hook to bring us back into that
13 discussion.

14 COMMISSIONER MC ALLISTER: Okay.

15 MR. HODGSON: Because when I read this Draft
16 Action Plan and look at it, oh, there's nothing here on
17 the HERS II rulemaking, maybe I shouldn't participate.
18 This is for something else.

19 And that's not your intent, as far as I
20 understand.

21 COMMISSIONER MC ALLISTER: Yeah, that's correct.

22 MR. HODGSON: So, maybe it's not closing the
23 rulemaking, but at least letting those of us who are
24 very simple minded, and key on key word searches --

25 COMMISSIONER MC ALLISTER: That's not the word I

1 would use for you, Mike.

2 MR. HODGSON: -- find that and then allow us to
3 get into this discussion because right now I think
4 you're missing that group.

5 COMMISSIONER MC ALLISTER: Okay, thanks.

6 MR. HODGSON: Thank you very much.

7 MR. ASPER: Conrad Asper, Efficiency First
8 California.

9 On that point, I did want to -- as Fresno is
10 developing this program and as we're looking at it, I do
11 want to make sure that we're keeping in mind what the
12 goal of the program is, which I think is to do
13 retrofits, not to do ratings.

14 And so I think that conversion rate and what
15 that, actually conversion rate means is really
16 important. And I would like to see clarity and
17 understanding, as you're developing all of this data and
18 information, as to what -- you know, very simply, X
19 number of ratings actually turned into jobs and the
20 depth of those jobs.

21 That kind of information's really important so
22 that we can assess those programs.

23 And I've heard anecdotal information about how
24 successful the program's been, but I have not been able
25 to get or see any real concrete data about how the