

The American Council for an Energy-Efficient Economy (ACEEE) would like to express its concerns about the methodology used to assess the impact of the PG&E “Fabrication, Process and Manufacturing” contract group. It is important to note that the problems we’ve identified with this methodology are not unique to this particular study nor Itron, but rather represent a systemic problem with the methodology used to assess the impact of industrial energy efficiency programs in general.

The Itron report notes that the evaluation-based net program savings were 24% - 41% of the PG&E program claimed savings, and ascribes several important reasons to why the net savings rate is so low. One key factor is the large number of projects Itron deems to be implemented by free riders. Another is the impact of the current economic recession. Though there are other factors mentioned in the report, ACEEE is most concerned about the manner in which these two factors were considered and assessed.

Included in Itron’s definition of free riders are those implementers that are doing projects that had already been decided upon prior to involvement by PG&E. Like other mature industrial efficiency programs, PG&E has a long history of working with a variety of companies and industrial sectors in their service area. Relationships built over many years with multiple people within a company often lead to consideration of energy efficiency investments as a result of this sustained interaction. ACEEE cautions that the Itron methodology may have discounted this type of historical relationship, and at times may have relied on the input from staff members at various industrial companies that may not have a working knowledge of the historical interactions with PG&E. Working to change the manner in which companies think about energy is a long-term process, and one that can take years to influence. ACEEE’s experience shows that many projects that have been “decided upon” in a given year actually rely on groundwork laid by various interactions in many years prior. ACEEE does not believe that such groundwork is accurately reflected in this methodology.

Itron also notes that companies indicated that particular projects were done as a result of mandates or programs from other agencies. ACEEE is concerned that, while mandates or programs from other agencies can indeed encourage energy efficiency projects, they often encourage other projects that have no or little relationship to a company’s energy use. It is very likely in these situations that a company would have done *something* to respond to a mandate, for instance, but that it chose to implement the project with the energy efficiency benefit because of the work of PG&E. These kinds of situations do not appear to be accurately captured in this methodology as well.

ACEEE agrees with the Itron recommendation that IOUs should be encouraged to constantly work to identify free riders, but it respectfully disagrees with the manner in which such free riders are defined in this analysis.

The Itron report notes the “significant” impact of the current recession, and suggests that a clearer analysis of the impact should be studied after the recession is over. ACEEE agrees that the true impact of the recession on energy efficiency savings cannot currently be understood, and that the number of projects that were put on hold but may come back

online in the coming years is very unclear. ACEEE suggests that data for 2008 and 2009 in particular be disregarded, and the impacts in these years be assessed after the fact or at least be considered using 3-year averages. Since industrial project timelines are so long, the impact of work done in this sector by PG&E staff in the early part of the assessment period is impossible to currently assess. Perhaps a reassessment and adjustment should be conducted once the recession has ended.

Finally, ACEEE notes that the report found no spillover results to report. Given the wide reach of PG&E's industrial programs, ACEEE finds it rather unlikely that, in fact, no spillover results occurred. Though assessing such results is a difficult endeavor, ACEEE suggests that a deeper assessment of spillover results be conducted during the next review period.