

February 28, 2011

Senator Alex Padilla, Chair
Senate Energy, Utilities, and Communication Committee
State Capitol, Room 4038
Sacramento, CA 95814

RE: SUPPORT for Reauthorization of the Public Interest Energy Research (PIER) Program

Dear Senator Padilla and Committee Members:

I am writing on behalf of the members of the California Energy Efficiency Industry Council (Efficiency Council) to ask you to support the reauthorization of the Public Interest Energy Research (PIER) Program. The member companies of the Efficiency Council are energy efficiency product and service providers in California. Our member companies know firsthand the value of PIER and its support of invaluable research, development and demonstration that are necessary for our businesses to continue to grow while helping families and businesses save energy, reduce their energy bills, and create clean energy jobs.

The need for publicly funded and administered research and the results of which are available to all members of California's efficiency industry is clear. Energy efficiency is central to California's aggressive energy policy goals for a clean, affordable, reliable and efficient energy system. In addition, the state has set ambitious targets for emissions reductions, and improvements in energy efficiency are expected to achieve a significant portion of those reductions. Despite stagnant job growth in our state, the energy efficiency industry continues to expand in California, creating jobs while saving energy and dollars for residents and businesses. Our industry cannot grow, nor can our state's ambitious targets be met, without continual technological innovation spurred by programs like PIER that can benefit all companies in the efficiency industry. Investment in energy research and development that creates market-transforming innovations is only possible with a long-term horizon and sustainable funding stream. PIER does just that.

With the help of PIER, Efficiency Council member company Hescong Mahone Group (HMG), founded 18 years ago by two architects committed to energy efficiency in buildings, has grown to 33 employees, based in Sacramento, with other offices in Oakland and San Diego. The PIER program has been an important part of HMG's quest for energy efficiency solutions. Since PIER first started sponsoring research, HMG has received funding to conduct research on how to improve daylighting in buildings, how to optimize the design of the large water heating systems in multifamily buildings, and how to bring advanced lighting technologies into the

energy codes. HMG's research is not focused on developing a new widget, or making a particular company's product more competitive. Rather, it provides tools to help advance efficiency design and construction practices that can be adopted throughout California's building industry. The PIER program is virtually the only source of funds for this kind of research. These qualities have made it possible for HMG to grow its business in California, to hire promising young researchers into the industry, and to help advance the practice of energy efficiency in buildings.

Several member companies of the Efficiency Council have experienced a doubling or tripling in size over the past several years as technologies have improved, driving up the customer benefits and inducing demand for our companies' efficiency services and products. kW Engineering is one such member company that has experienced annual double digit growth throughout the last decade, even during the global economic downturn. The Oakland-based company, with a growing second office in Long Beach, specializes in technically challenging projects including heating, ventilating, and air-conditioning (HVAC), lighting, refrigeration, and renewable energy systems in buildings and industrial applications. kW Engineering's growth, fueled in part by technological advances brought about by public sector research, allows the company to hire workers from downsizing industries. Firms like kW Engineering project continued growth, creating employment opportunities when California needs it most, but they can't continue to expand without the transformational research base provided by the PIER program.

Because of the fundamental importance of research and development for the energy efficiency industry, we support the reauthorization and extension of PIER funding, and the Public Goods Charge more generally, for another ten years. Long-term stability of policies is essential to the success of the efficiency industry so that businesses can plan appropriately, and PIER's research and development program in particular is necessary to support the diverse businesses in our growing industry and continuously help feed the efficiency pipeline with energy-saving innovations.

We recognize that PIER as it is currently run is not perfect, but the issues that exist with the program can be sufficiently addressed at the agency level, as long as there is recognition that appropriate legislative oversight of the program must include the recognition that individual project failures are a normal, and in fact required, part of successful, innovative, and cutting-edge research. Thus, as PIER is implemented, we encourage not only the pursuit of focused research projects, but also the application of well-established research risk management procedures such that net benefits are produced at the research portfolio level and not necessarily required for each individual project.

We look forward to continuing to work with the Legislature, Governor's Office, and the Energy Commission to shape PIER into a program that meets its potential as a driver of economic development, job creation, and cost-effective energy savings throughout California. If the innovations that could be realized through PIER are left unfunded, the state's much-needed clean energy jobs and dollar savings for consumers and businesses are at stake.

Sincerely,

A handwritten signature in black ink, appearing to read "Audrey Chang". The signature is fluid and cursive, with the first name being more prominent.

Audrey Chang
Executive Director

A handwritten signature in black ink, appearing to read "S. Schiller". The signature is very stylized and cursive, with a long horizontal line extending to the right.

Steven R. Schiller
Chair of the Board of Directors

cc: Office of Senate President pro Tem Darrell Steinberg