

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company for Approval of 2013-2014 Energy Efficiency Programs and Budget (U39M).	Application 12-07-001 (Filed July 2, 2012)
Application of San Diego Gas & Electric Company (U902M) for Approval of Electric and Natural Gas Energy Efficiency Programs and Budgets for Years 2013 through 2014.	Application 12-07-002 (Filed July 2, 2012)
Application of Southern California Gas Company (U904G) for Approval of Natural Gas Energy Efficiency Programs and Budgets for Years 2013 through 2014.	Application 12-07-003 (Filed July 2, 2012)
Application of Southern California Edison Company (U338E) for Approval of Energy Efficiency and Demand Response Integrated Demand Side Management Programs and Budgets for 2013-2014.	Application 12-07-004 (Filed July 2, 2012)

**REPLY COMMENTS OF THE SAN FRANCISCO BAY AREA
REGIONAL ENERGY NETWORK
ON THE PROPOSED DECISION APPROVING 2013-2014
ENERGY EFFICIENCY PROGRAMS AND BUDGETS**

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For THE SAN FRANCISCO BAY AREA
REGIONAL ENERGY NETWORK

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I. INTRODUCTION

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Association of Bay Area Governments (“ABAG”) on behalf of the San Francisco Bay Area Regional Energy Network (“BayREN”) submits these Reply Comments on the Proposed Decision of ALJ Fitch. The BayREN is heartened to see the willingness of parties to join the Commission in using new models for developing and delivering energy efficiency programs and savings to California, including the REN model.

The BayREN focuses these reply comments on key issues in the opening comments:

- The process for approving both REN and utility programs should be efficient and timely;
- RENs add value to the portfolio. Because RENs comprise part of the overall energy efficiency portfolio, they are not required to meet the same cost-effectiveness as the overall portfolio.
- The Commission should use an escrow account model to fund the RENs.
- The Commission should disregard the utilities’ recommendations regarding RENs.
- The Commission should revisit the 30% non-incentive reduction.
- If any party’s comments are submitted into evidence, all parties’ comments should be afforded the same treatment.

ABAG and the BayREN also provide some clarifications on the BayREN financing program.

II. PROCEDURAL CONCERNS

A. *Efficient, Not Onerous, Approval Process*

The BayREN, the Southern California Regional Energy Network (“SoCalREN”), and the utilities are in agreement that the process for approving programs should be efficient and timely. The BayREN and the SoCalREN each attached to their opening comments a proposal for the roles and responsibilities of REN, utilities, and the Commission’s Energy Division. This is a common-sense approach to integrating the RENs into the overall energy efficiency portfolio.

Some of the utilities display in their opening comments a continuing push to hold the RENs to the same standards as the utilities. This is to be expected in a situation where the status quo is challenged. The Proposed Decision brings new elements into play for the Transition Period, and this is creating uncertainty and discomfort for the utilities and some other parties. The BayREN reminds the Commission and the parties that the RENs are complementary to existing utility programs and local government partnerships, and will allow greater participation and scale for local governments in energy efficiency delivery. They will operate in accordance

with the “applicable requirements of the Energy Efficiency Policy Manual including cost-effectiveness, reporting requirements, fund shifting, and other policy guidance.”¹

B. RENs Contribute to Cost-Effectiveness

PG&E and NAESCO both argue that the RENs should be held to the same cost-effectiveness standard as the utilities. This appears to suggest that the RENs’ proposals be treated equally to an IOU portfolio, when in fact the REN cost-effectiveness is part of the relevant IOU’s overall energy efficiency portfolio. The Proposed Decision addresses this very well at pp. 15-17, stating in part: “The REN proposals should not be held to a higher standard than similar utility programs.” RENs were tasked to address hard to reach markets and undertake activities the utilities are not doing. The Commission should not be swayed by these attempts to undermine its stated intent on the basis of conjecture alone. The RENs’ goal is to garner deeper savings by tailoring programs to reach underserved communities, addressing gaps in IOU programs, and leveraging resources available to local governments that will enhance participation.

C. The BayREN Flex Package is Intentionally Simple

PG&E on p. 11 of its Opening Comments proposes 2 additional Criteria for Basic/Flex Package: Loading Order, and Combustion Safety testing. The BayREN appreciates the CPUC objectives for the Basic/Flex redesign (minimum three measures and tiered incentives) to promote deeper retrofits and coordinate with the Whole House program/advanced path. The BayREN also appreciates that the CPUC has directed the IOUs to put forth a revised basic path program, which is missing in the market. One point to keep in mind is that the idea behind the BayREN Flex Package was to provide a very simple offering to the market that is different than the overly complicated and cost prohibitive Basic Path approach. The Commission should not adopt modifications to the BayREN Flex Package.

D. Contracting Model

The SoCalREN in its opening comments (pp. 3-4) recommends a model for efficiently funding REN activities. This model, which was used by the U. S. Department of Energy for disbursing funds related to the American Recovery and Reinvestment Act (“ARRA”), provides the REN funding to an escrow account. Expenses are drawn from the escrow account on a monthly basis. Each REN would be required to submit to the utilities detailed documentation

¹ Proposed Decision, Conclusion of Law 9, p. 107

and accounting for the drawdown, which the utilities would review for appropriateness, compliance with the agreement, and approval. This model should facilitate quicker payment, and mitigate the need for Commission staff to adjudicate invoicing and payment disputes.

E. *The Commission Should Not Adopt SCE's Modifications Regarding RENs*

SCE would eliminate Conclusion of Law 6, which gives the RENs and the Marin Energy Authority (“MEA”) independent responsibility to deliver programs. The Commission should not follow SCE’s advice, and should rebuff SCE’s suggestion. A key purpose of the Commission’s decision to pilot the RENs is to make them independently responsible for program delivery. This is necessary to the Commission’s objective, clearly identified in D.12-05-015, that the REN pilots will demonstrate the appropriate level of independent design and implementation of energy efficiency programs by local governments, free from utility administration and interference.

In Conclusion of Law 11, SCE would tighten the approval criteria for RENs such that they would be required to meet all, rather than one, of the criteria provided in Conclusion of Law 11. The Commission should reject this recommendation. The Proposed Decision contains a detailed analysis of the criteria and how the BayREN and SoCalREN programs meet them.

SCE seeks permission for the stakeholders, namely utilities and REN, to reach consensus on the scope of each entity’s respective Energy Upgrade California service areas. While this may be appropriate in Southern California, it does not work for the BayREN. The BayREN, by virtue of being comprised of government entities in ABAG’s region, is by definition restricted to the nine-county area.

F. *The Commission Should Reconsider the 30% Reduction*

A great majority of parties in their opening comments expressed concern with the direction in the Proposed Decision for a 30% across-the-board reduction in non-incentive costs. The BayREN concurs with the many issues raised in the comments, even though the cut would not impact REN programs. The comments show that the utilities understand the Commission’s concerns with creeping costs, as evidenced by their alternate budget proposals. The Commission should reconsider the manner in which the cost of the portfolio will be reduced.

G. *Market Transformation*

The RENs should have equal representation and consideration in development, adjustment or refinement of EUC Programs, including the enhanced basic package. Parties are divided on the proposal to engage a market transformation specialist to inform an enhanced basic

package design. If the Commission should proceed with this approach, the BayREN will support it. We only recommend that the Commission provide a more defined schedule with specific milestones in order to ensure that this process will not delay approval or implementation of programs that can earn present energy efficiency gains and provide data that will be meaningful to the market transformation specialist's responsibilities.

The BayREN notes that this proceeding is on a parallel path with the CEC staff scoping report and adoption of an Action Plan for AB758 as described in CCSE comments. (p.6) As Market Transformation is also being considered in that process, it is important that there is close coordination with the CEC. During this transition period, it might prove more beneficial for aspects of market transformation to be defined, tested, and refined using certain differences in the RENs, Marin Energy Authority Community Choice Aggregation, and IOU models, rather than spending time at the outset determining a single enhanced basic path model. Specific information and data, systematically collected statewide, could be used to develop the necessary criteria for measuring the benefits of market transformation and its value in improving program cost-effectiveness.

III. ADMITTING TESTIMONY AND EXHIBITS INTO EVIDENCE

DRA in its opening comments objects to the Proposed Decision granting into evidence the testimony and exhibits submitted by the utilities. Although testimony and exhibits have been available and modified by the parties over the past several months, it is the timing of the request to enter them into evidence that is relevant. This request does not take into account due process (reasonable notice and the opportunity to be heard), and it is well settled that these fundamental rights can only be limited by an established *paramount interest*. The utilities have not identified or explained the need or the reasoning, much less the paramount interest, to be served by this request. If the Commission is going to admit materials from any party into evidence, it should submit materials from all parties into evidence.

IV. CLARIFICATIONS TO BayREN FINANCING COMMENTS

ABAG clarifies herein its financing Comments for the benefit of all parties. First, on August 17, 2012, the courts validated commercial Property Assessed Clean Energy ("PACE") programs for 6 of the 9 BayREN counties, activating the program only after the expiration of ARRA funds to Renewable Funding for program implementation. Without those resources, Renewable Funding is looking to the BayREN to design, administer, implement, monitor, and

report the commercial PACE Program (including validation of the remaining 3 counties) throughout the BayREN region. Renewable Funding's Comments do not represent a separate request for funding, but a declaration of support for the BayREN Commercial PACE funding proposal.

The BayREN Comments relating to Commercial PACE elements, in addition to Administration and Marketing, Outreach and Education (ME&O), are primarily funded through revolving funds and have been designed from discussions with major stakeholders and participants (banks, lenders, program brokers, building owners, contractors) over the past 18 months regarding gaps in program uptake. A discrete Commercial ME&O budget has been proposed to address this specific marketplace, and includes specialized stakeholder workshops and forums, professional trade and cooperative marketing, market surveys analyses, studies for ROI on commercial measures (presently, none have been conducted).

If the Commission still has questions regarding this program, the BayREN respectfully requests that the Commercial PACE Program elements and budget be deferred until conclusion of the Assigned Commissioner's assessment during the financing proceeding.

IV. CORRECTION TO OPENING COMMENTS

ABAG has identified an oversight in our opening comments. Our recommended modifications to Ordering Paragraph 7 are detailed in Attachment A. First, the corrected budget amount for the BayREN should be \$28,623,000. Second, the BayREN program does not include a multi-family Loan Loss Reserve; at this time only the SoCalREN is offering a multi-family loan loss reserve. The BayREN proposal is a multi-family Capital Advance/Co financing program, as described on page 38 of the Proposed Decision.

V. CONCLUSION

ABAG and the BayREN look forward to launching the BayREN. The Commission's support for a new delivery model is important. The Commission must hold strong against requests to delay the launch of the RENs, or impede the ability of the RENs to pursue their stated and approved goals.

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For THE ASSOCIATION OF BAY AREA
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Attachment A

Corrected Proposed Modification to Findings of Fact, Conclusions of Law, and Ordering Paragraphs

Note: The Proposed Modifications provided in Attachment B of the ABAG Opening Comments are still in effect.

Ordering Paragraph 7

Pacific Gas and Electric Company shall enter into a contract, no later than 60 days after the issuance of this decision, with the Association of Bay Area Governments on behalf of the San Francisco Bay Area Regional Energy Network for a maximum of \$26,117,750 \$27,546,500 \$28,623,000 to fund the following programs to be available in 2013 and 2014:

- a. Energy Upgrade California Single Family
- b. Energy Upgrade California Flex Package (in limited geographic areas pending final approval and implementation of the enhanced Flex Path and/or Basic Package)
- c. Energy Upgrade California Multi-Family, including the Multi-Family Co-Financing program
- d. Single-Family Loan Loss Reserve (funding reserved pending further Decisions on the program design)
- e. Multi Family Loan Loss Reserve (funding reserved pending further Decisions on the program design)
- f. Commercial PACE Administration
- g. Commercial PACE Audit Incentives (tiered and recoupable in part through a revolving fund)
- h. Financing-Dedicated Marketing, Outreach and Education Fund
- i. Loan Enrollment Advance (tiered and recoupable in part through a revolving fund) to be funded from the BayREN Financing Portfolio Subprogram existing incentives budgets
- j. Pay As You Save Water Efficiency Pilot
- k. Codes and Standards