

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

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| 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
TO SUPPLEMENTAL INFORMATION SUBMITTED IN RESPONSE TO
ATTACHMENT A OF SCOPING MEMO**

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For THE SAN FRANCISCO BAY AREA
REGIONAL ENERGY NETWORK

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I. INTRODUCTION

As directed by the Scoping Memo, and the August 31, 2012 electronic mail ruling from Administration Law Judge Fitch, the Association of Bay Area Governments (“ABAG”) submits these Reply Comments regarding responses by Pacific Gas and Electric (“PG&E”) to the Request for Supplemental Information (Attachment A) of the August 27, 2012, *Scoping Memo* (“PG&E Response”), on behalf of the San Francisco Bay Area Regional Energy Network (“BayREN”).

Following ALJ Fitch’s direction during the Pre-hearing Conference on August 16, 2012, ABAG initiated good faith meetings among it, PG&E, and the BayREN Programs Committee, to resolve any questions regarding duplication in program proposals, and to leverage the independent PG&E and BayREN programs.

In the course of these discussions, however, PG&E – without consultation or notification to ABAG – used its September 14, 2012 Comments filing¹ to unilaterally file an alternate BayREN proposal, incorporating new objectives, structure, and budget. The proposal migrated programmatic elements from the BayREN program implementation plan into a proposed new PG&E program, and reduced the BayREN’s function to that of another partnership for PG&E, with a focus on marketing programs. These actions run counter to the direction provided in D.12-05-015, in which the Commission clearly stated its interest in testing different administration models for local government programs. These developments also underscore why the CPUC must ensure there is a neutral entity such as the Energy Division with whom the RENs and other third parties can objectively interact.

¹ Pacific Gas and Electric Company’s (U 39 M) Opening Comments and Response to Scoping Memo and Ruling Attachment D, September 14, 2012, pp 2-6 and Attachment A.

ABAG and the BayREN regret that despite their efforts, by these events a cooperative endeavor may now appear controversial. ABAG and the BayREN continue to hold the lines of communication open to the utility. Notwithstanding these developments, ABAG and the BayREN entered the 2013-2014 Energy Efficiency Program process with the primary intent to make a positive and transformative difference in the marketplace of energy efficiency performance. Our standards remain performance-based and we continue to work with the Local Government Partnerships/Energy Watch Programs (“LGP/Energy Watch Programs”) and other stakeholders to meet the objectives of D. 12-05-015², permit an optimal and timely consummation of the proceedings, enhance outcomes from the 2013-2014 Transition Period, and create a dynamic and promising path for future energy efficiency cycles.

II. PG&E’S ALTERNATIVE TO THE BAYREN PROPOSAL IS A UNILATERAL RETURN TO BUSINESS-AS-USUAL, INTERVENES IN THE REN PROPOSAL PROCESS CONTRARY TO D. 12-05-015, AND RUNS COUNTER TO FUNDAMENTAL OBJECTIVES AND DIRECTIVES OF D.12-05-015

In D.12-05-015, the Commission clearly articulated its reasoning for structuring the 2013-2014 Energy Efficiency Period as a transition period for testing new models, new roles, and new administrators as mechanisms for enhanced program function and potential program modifications beginning in 2015. Moreover, the Commission recognized that over the past seven years the programmatic capacity of local governments had evolved, and that the 2010-2012 Energy Upgrade California cycle had demonstrated that a number of governments had moved from potential to practice to performance. Merging those concepts, the Commission recognized Regional Energy Networks (“RENs”) and invited direct program applications by the RENs. It also found “the concept of local government regional pilots to be reasonable”³ and

² May, 2012. *Decision Providing Guidance on 2013-2014 Energy Efficiency Portfolios and 2012 Marketing, Education, and Outreach* (the “Guidance Decision”).

³ The Guidance Decision, p. 148

created the overarching purpose of REN programs to identify the “appropriate level of local government administration of ratepayer-funded energy efficiency programs”.⁴

Further, in stipulating that REN Program Implementation Plan Proposals would be evaluated by the Commission, rather than the Joint Utilities, the Commission stated: “This approach is consistent with a *key objective* underlying the proposed pilots - to determine if local governments are in a position to plan and administer energy efficiency programs *absent utility support or intervention*” (emphasis added).⁵

A. PG&E Would Preserve the Status Quo

PG&E would have the Commission revert to business-as-usual models that have existed and arguably contributed to concerns delineated by the CPUC in D. 05-01-055. PG&E’s alternate proposal compels local governments to test and create meaningful EE programs that will be implemented and administered by the utilities, and relegates local governments to a dependent marketing, education, and outreach role. It also ignores Findings of Fact contained in D. 12-05-015⁶

B. PG&E’s Proposal Thwarts Implementation of D.12-05-015

PG&E’s proposal intervenes in the process clearly set forth in D. 12-05-015 for review and evaluation by Commission staff only of REN program applications to determine REN capacity to plan and administer energy efficiency programs *absent utility support or intervention*” (emphasis added), and usurps the process clearly set forth in the Guidance Decision⁷

⁴ *Ibid.*

⁵ *Id.* at 149

⁶ *Id.*, Findings of Fact, Paragraphs 36-38, p. 373

⁷ Ordering Paragraph 35, p. 404; see also, The Guidance Decision p. 150: “The Commission Staff will conduct and/or oversee the evaluation of any pilots selected, consistent with the process set forth for evaluation of IOU programs in D. 10-04-029 and other decisions. If we determine that there are desirable proposals for regional local government energy efficiency pilot programs, the utilities will be directed to contract for selected regional pilots.”

c. D.12-05-015 Defined Goals and Objectives for the RENs

Without value-added, PG&E's Alternate Proposal raises insurmountable obstacles to clear goals and objectives of the Commission in authorizing RENs, as articulated in D. 12-05-015; including without limitation:

- i. To provide local governments the opportunity to develop a track record⁸
- ii. To determine if local governments are in a position to plan and administer energy efficiency programs, absent utility support or intervention⁹

III. PG&E'S ALTERNATE PROPOSAL DUPLICATES THE BAYREN PROGRAM, VITIATES BOTH THE INTENT AND FUNCTIONALITY OF REGIONAL ENERGY NETWORKS, AND SHOULD BE DENIED

A. PG&E Has Plagiarized the BayREN Proposal

Both the PG&E Amended PIP (September 5, 2012) and the Alternate Proposal borrow from the BayREN PIP (July 14, 2012) and/or claim originality of benefits that already exist among the BayREN governments; including but not limited to:

- PG&E is currently engaged in efforts to accelerate approval of a modified Basic Package that takes substantially from the BayREN's Flex Package program, before the BayREN has the opportunity to implement its own program;
- PG&E would replace existing financing programs initiated by the BayREN participants with yet-to-be-developed financing programs through PG&E. There is no reason the existing programs should not continue while other programs are tested in other parts of the State;
- PG&E's Alternate Proposal claims advantages that are inherent to local governments and already institutionalized among the Bay Area governments (often facilitated by ABAG), e.g., energy efficiency and climate planning efforts, strategies for achieving *Long-Term*

⁸ The Guidance Decision. p. 148

⁹ The Guidance Decision, Findings of Fact, Paragraph 39, p. 373

Energy Efficiency Strategic Plan goals, customization of programs to local and regional needs, energy program piloting and improvements, stakeholder forums, and leveraging with other programs and partners, including PG&E (such as during Energy Upgrade California 2010-2012). There is nothing unique to or unprecedented in PG&E's Alternate Proposal that serves as a *raison d'être* to these and other initiatives that are part of the historical record of the Bay Area governments

B. PG&E Would Eviscerate the REN Program

PG&E's Alternate Program proposes to significantly scale downward the proposed budget for the BayREN (by roughly 80 percent), relinquish all programmatic and independent functions of the BayREN to the Utility, and transfer sole implementation and administration of programs created or substantially developed by the BayREN to the utility.¹⁰ These budget and contracting actions effectively dismantle the RENs, and compromise if not entirely prevent the RENs from fulfilling the directive of the Commission¹¹ to:

- Leverage additional state and federal resources so that energy efficiency programs are offered at lower costs to ratepayers
- Address the water-energy nexus
- Develop and deploy new and existing technologies
- Address workforce training issues; and
- Address hard-to-reach customer segments such as low to moderate residential households and small to medium sized businesses

¹⁰ In fact, the total funding to ABAG and the BayREN governments under the Alternate Proposal is approximately equal to the combined ME&O 2013-2014 budgets solicited by PG&E as “back of the envelope” estimates from the ABAG and the BayREN governments during the week prior to filing of the original PG&E PIP (July 2, 2012).

¹¹ The Guidance Decision, pp. 149-150

Also, while the functional impacts of PG&E's Alternate Proposal for the Marin Energy Authority ("MEA") are identical, PG&E's pursuit to place the Bay Area RENs under its jurisdiction, so to say, ignores State regulation that enjoins PG&E from any contractual or other authority over MEA's energy efficiency programs.¹² We also question PG&E's logic of isolating only one element of an MEA Program such as incentives¹³ as a basis for urging disapproval of its program. Rather, these programs must be assessed in their entirety and according to their unique compositions, to judge whether they meet guidelines established by the Commission, and its present call for responsible, progressive, and higher-performing programs. In addition to controverting D.12-05-015, PG&E's approach also defeats the goal of the *Long Term Energy Efficiency Strategic Plan* for local governments to develop in-house capacity to manage energy efficiency programs. The budget and contractual modifications proposed under its Alternate Proposal will diminish the capacity-building opportunities for local governments.

Therefore, in order to ensure an objective arms-length assessment of REN Programs, such analysis should be carried out, pursuant to D. 12-05-015, by Commission staff. In order to ensure optimal performance of the RENs, the programs should be assessed in their entirety. And to ensure parity and equity among the REN Programs approved, and to ensure their optimal performance, the RENs should be supervised pursuant to the Guidance Decision (in the case of the BayREN and SoCalREN) and according to regulation (in the case of the MEA REN).

c. PG&E Has Created Duplication Through Takings of BayREN Programs

PG&E also claims that its Alternate Proposal avoids duplication (even though it appears the Utility is freely duplicating BayREN programs in updates and amendments to its original

¹² CCA program administration is governed by Public Utilities Code Section 366.2, which stipulates that CCAs are public entities with governing boards comprised of elected representatives that serve on behalf of the CCA's customers.

¹³ See Pacific Gas and Electric Company's (U 39 M) Opening Comments and Response to Scoping Memo and Ruling Attachment D, September 14, 2012, p. 14.

PIP), by allowing for “effective leveraging and coordination” and claims that the RENs represent duplicative program offerings in the Bay Area.¹⁴ It is unfortunate that PG&E did not genuinely engage the leveraging and coordination process offered by ABAG and the BayREN. Among its principal advantages, through this process PG&E could have gained greater understanding of the RENs, clarified its misinterpretation of an “apparent overlap between MEA REN, the BayREN, and the Marin County Energy Watch”,¹⁵ and we could have collectively avoided using the Commission’s time to address these issues. As explained in prior filings, the BayREN developed its PIP in close coordination with the MEA REN and the regional Energy Watch Programs.

It is critical here to demonstrate that, through its Amended PIP and other subsequent filings, PG&E has in fact created duplication through its taking of BayREN subprograms. For example:

Multifamily Financing The co-financing pilot proposed last week for IOUs in the CPUC financing proceeding is *exactly the same program* proposed in the BayREN application’s Financing Subprogram named “Multi-family Capital Advance Pilot”. The BayREN proposal was available for public review for 60 days prior to the release of the consultant proposal on multifamily.

The BayREN Originally Developed This Program to Incorporate the Benefits of an Integrated Co-Financing Subprogram: ABAG and the BayREN recognized the advantages of this model over the Loan Loss Reserve (“LLR”) model that had been described by the IOUs previous to last week’s draft proposal. For reasons stated in the BayREN proposal dated July 16, and echoed in the IOU consultants’ proposals dated September 14 (with whom ABAG and

¹⁴ Pacific Gas and Electric Company’s (U 39 M) Opening Comments and Response to Scoping Memo and Ruling Attachment D, September 14, 2012, p. 8.

¹⁵ Pacific Gas and Electric Company’s (U 39 M) Opening Comments and Response to Scoping Memo and Ruling Attachment D, September 14, 2012, p. 7.

BayREN consulted), the BayREN asserts that the capital advance/co-financing model better serves the multifamily market in a streamlined and expeditious way. We believe that the BayREN integrated Co-financing Subprogram is preferable to an LLR model and would support its availability statewide (which we do not believe is best administered by the IOUs). This is the desired outcome of a successful local pilot in the BayREN region, and in some limited respect we are gratified to see that the IOU consultants agree with our assessment of the viability of the model. Most importantly, the Bay REN program is poised for timely implementation and is prepared to screen projects and provide the 3rd party verification and systematic project tracking that is needed to support a financing program.

REN Programs Provide Cross-Support to IOU Programs. Local Government Regional Energy Networks multifamily program activities should be leveraged by the IOUs rather than supplanted by them. The following are examples of program activities appropriate for RENs that would benefit the IOU whole building program and should be coordinated in program design: Property Owner/Manager Outreach; Technical Assistance; IT tool improvements, including audit light energy analysis software and management/maintenance of Funding Finder & Tracking System; low-interest gap financing offered to projects; Green Certification and marketing benefits; professional trainings. A Multi-Family Home Energy Retrofit Coordinating Committee meeting to be convened in fall 2012 will be a good opportunity to discuss program coordination and organize around areas of technical interest such as combustion safety protocols, eligible measures and Multi-Family financing pilot design.

IV. REPLIES TO PG&E COMMENTS ON SUPPLEMENTAL INFORMATION PREVIOUSLY PROVIDED BY THE BAYREN

A. Residential Programs Are Not Duplicative

ABAG again refers to its prior filings which distinguish in detail the differences between the BayREN and IOU Residential Programs. We believe that the Utility's confusion does not lie in a failure to discern distinctions between the programs, but simply that its model only allows for a single arbiter and administrator of energy efficiency programs – the Utilities. It would seem, however, that the Commission took multiple models into account when allowing for a transition period that would host both IOU and REN programs, to explore different formulas and configurations, and to monitor the traction and performance of various options. ABAG and the BayREN are confident that we have resolved this issue with our suggested Next Steps (see Section VII), which incorporates salient elements of PG&E's Alternate Proposal and should therefore have PG&E's ready endorsement.

B. Factual Errors Alleged by PG&E Are Not Present

In response to the observation by ABAG in its September 5, 2012 Response¹⁶ that PG&E's WHUP-Multifamily subprogram lacked details, PG&E refers to its Amended Residential Program Implementation Plan, *also filed* on September 5, 2012.¹⁷ At best, this does not demonstrate factual errors, but simply new information introduced on the same date as the BayREN Response. However, this new information does not alter ABAG's assessment that the Utility's WHUP-Multifamily Pilot is structured to either low-income customers or high-value

¹⁶ *Response of the San Francisco Bay Area Regional Energy Network to Scoping Memo and ALJ Ruling Requesting Additional Data on Regional Energy Networks*, September 5, 2012

¹⁷ PG&E's amended Residential PIP was not available at the time of ABAG Response. Also, note that several components of BayREN Multifamily-EUC proposal were included in the LGSEC response to the IOU Multifamily Advice Letter filing occurring in parallel to PG&E's Application for Approval of 2013-2014 Energy Efficiency Programs. The Joint IOU Advice Letter, and the Amended PG&E residential PIP and PG&E 2013-14 filing issued by the Investor Owned Utilities ("IOUs") have since clarified several of the key issues raised by stakeholders regarding the original Advice Letter issued in December 2011.

comprehensive retrofits supported by “clipboard” audits, while the BayREN Multifamily-EUC subprogram is designed for middle-pathway properties and features an all-purpose Energy Advisor, and supporting audit and financing enhancements. More importantly, the limited scale and budget of PG&E’s WHUP-MF Pilot¹⁸ is highly compatible with the ABAG-BayREN Counter-Proposal (see Section VII), and supports the practical common-sense solutions of the Counter-Proposal.

PG&E suggests that there is a misunderstanding in language between individual measure, bundled measure, and whole-building programs. It also states that the Energy Savings Assistance Program (“ESAP”) has a whole-building approach, which is not the case according to our understanding of the language. **The MF Bundled Measure Incentive serves an unmet market need¹⁹** – to fill a specific gap in the market not otherwise served by existing IOU direct install individual measure programs (ESAP and Multi-Family Energy Efficiency Retrofit) or proposed whole-building performance programs (WHUP). The gap filled by the bundled measures incentive is to provide a “middle of the road” participation path that achieves deeper and more customized savings than a direct install individual measure program, but does not carry the up-front cost of an investment grade audit associated with a whole-building performance program. The BayREN Program Committee developed this subprogram to capture untapped energy efficiencies among a market that lacks interest in the PG&E multifamily programs²⁰. While there is promise that the IOUs will provide streamlining of multifamily program services

¹⁸ Pacific Gas and Electric Company 2013-2014 Energy Efficiency Portfolio Statewide Program Implementation Plan Residential Program, As Amended September 5, 2012, p. 151.

¹⁹ See BayREN Multifamily and PG&E multifamily comparison document.

²⁰ While ESAP, MIDI, MFEER are being successfully delivered to limited portion of the overall multifamily sector, the origination of the BayREN proposal is in response to property owner requests for an alternate approach to program implementation which enables them to have up-front information about potential upgrades, trade-offs in selecting cost-effective measures, and the ability to leverage construction funding into the deal by utilizing their own qualified contractors. Local governments have pipelines of property owners who are interested to make building upgrades but do not find the current PG&E programs to be attractive for participation.

throughout the upcoming program cycles, the Bay REN approach can be delivering savings in coordination with PG&E in the interim.

Regarding PG&E's correction of ABAG's projection 2,225 Advanced Path jobs by the Utility during the transition period 2013-2014²¹, our forecast was generated internally based upon PG&E reported projects from April-July (i.e., post State Energy Program), with PG&E averaging *less than* 100 advanced projects per month in the Bay Area during this time period. PG&E also observed²² that during 2010-2012 it partnered and coordinated on the Whole House Program with the ARRA, State Energy Program, and Energy Efficiency Community Block Grant implementers, and "plans to continue to work with and leverage these partners [in 2013-2014] as described in further detail in the Local Government PIP". However, please note that the Whole House ARRA and SEP Programs were independently implemented through March 31, 2012 in the Bay Area Region by counties (the parties to the BayREN), and not by PG&E's LGP/Energy Watch Programs. Therefore, it is possible that PG&E's forecasts are based upon the BayREN counties' Whole House Program performance, and not the IOU Program performance post-ARRA.

ABAG also projected that, in the Bay Region, the Utility's ME&O administrative infrastructure would require at least 8 additional contracts with ABAG and different County agencies, in addition to Bay Area Energy Watch Program and Third Party Implementer contracts. Although PG&E contends otherwise, ABAG reasserts its earlier Response. PG&E's Comments here are in conflict with other parts of its Comments, including its own PIP and the Alternate Proposal, as well as its June 2012 solicitations (before PG&E submitted its original PIP

²¹ *Response of the San Francisco Bay Area Regional Energy Network to Scoping Memo and ALJ Ruling Requesting Additional Data on Regional Energy Networks*, September 5, 2012, p. 42

²² Pacific Gas and Electric Company 2013-2014 Energy Efficiency Portfolio Statewide Program Implementation Plan Residential Program, As Amended September 5, 2012, pp. 114-115

and application on July 2) of most of the BayREN counties to provide summary proposals for 2013-2014 ME&O, to be contracted separately. More importantly, the Bay Region's various LGP/Energy Watch Programs do not implement identical programs. The programs they implement are highly-customized and are both utility-facing and crafted toward local priorities. Large-scale Whole House programs are not commonly found among the historic core programs offered by the LGP/Energy Watch Programs. The LGP/Energy Watch Programs are prolific; however their lack of regional programmatic and operational uniformity does not align with PG&E's claim to a holistic ME&O rubric. And again, ABAG notes that the BayREN worked and coordinated with Bay Area LGP/Energy Watch Programs to develop a PIP that focused on large-scale programs of uniform demand on a broad regional basis and avoided duplication with historic core programs of the LGP/Energy Watch portfolios.

c. The BayREN Codes and Standards Program

The BayREN was at first pleased to read PG&E's opening sentence, which reads: "PG&E supports ABAG's proposal to provide enforcement and contractor training, as long as it is coordinated with PG&E offered training" (PG&E's Comments, Section C, p. 10). BayREN's PIP does indeed include a rich variety of trainings including combined energy/green building/water/local reach code classes, in-field sessions, workshops, and other forums that would engage local stakeholders to address problems common in the Bay regions. The PIP also expresses the intent to coordinate and support PG&E's standard classes. However, rather than actually support BayREN training, PG&E later implores the CPUC to be cautious not to allow the program to replace PG&E C&S training and "welcomes BayREN's collaboration to update training materials, add new modules, and most importantly, to encourage participation in the [PG&E C&S] training" (p.11) In other words, BayREN's activities would not exist as proposed

in “collaboration” with PG&E, but would be reduced to serve solely in a supporting role to PG&E.

BayREN firmly believes that PG&E’s fears are unfounded and that both programs can operate side by side and in mutual support. As stated in BayREN’s PIP and Opening Comments, code compliance and enforcement is markedly underfunded, given its importance in reaching Strategic Plan Zero Net Energy (“ZNE”) goals. It is unfortunate that the Commission’s 2011 Goals and Targets Study does not include any energy savings potential associated with compliance improvement. The IOUs therefore devote little of their budget towards efforts that would dramatically increase code compliance. Despite all that PG&E claims it is doing or planning to do with their “boots on the ground” in local jurisdictions, much more strategic, constant, and measurable work needs to be done in a shorter timeframe. The approaching series of updated codes will prove to have limited effect if local building staff and the design and construction community they deal with on a daily basis are not on the same page. BayREN’s C&S subprogram was designed to provide a regional framework to support ZNE goals, which are embraced by jurisdictions in the region.

V. THE BAYREN FINANCING PORTFOLIO SUBPROGRAM SHOULD BE APPROVED, ALONG WITH ITS CROSS-CUTTING SUBPROGRAMS, AS AN INTEGRATED ENERGY EFFICIENCY FINANCING PILOT

For clarity, we separate the question of financing programs into two parts – those being developed by the statewide financing consultants in consultation with key stakeholders and implementers, including BayREN and SoCalREN member governments, and those to be implemented directly by the utilities (e.g., On-Bill Financing and On-Bill Repayment).

First, ABAG does not disagree with the relevance of Ordering Paragraph 22 of D. 12-05-015.²³ Rather, we disagree with PG&E’s interpretation of that directive, which states that “financing programs will be *offered* statewide on a pilot basis in 2013, and on a larger scale in 2014”, i.e., various financing programs will be piloted across the state in 2013, with promising performers rolled out on a larger scale in 2014. ABAG and the BayREN applaud this approach, because statewide programs are administratively difficult to adjust or refine once adopted. We are, however, confused with PG&E’s comment which asserts that Ordering Paragraph 22 means that the IOUs are immediately to “create new programs that would be consistent statewide” (PG&E’s emphasis)²⁴, because the Utility itself is presently negotiating with third parties to offer discrete financing *pilots* in targeted areas.

ABAG respectfully proposes that the BayREN Financing Portfolio should be approved as a financing pilot: It cross-supports every other BayREN Subprogram, can be readily implemented, is based upon previously piloted and/or demonstrated programs, structured for flexible and nimble adjustment and refinement, and is prudently scaled (5% of the Commission’s allocation applied to 50% of PG&E’s consumer base). The BayREN Financing Portfolio Subprogram was also developed to integrate the CaliforniaFIRST PACE Program with its commercial component. BayREN has worked with CaliforniaFIRST over the past six months to coordinate those programs for optimal uptake in the marketplace. This BayREN Subprogram represents a viable finance program laboratory, applied to a densely-populated, diverse area of various building types and ages, and is logically scaled to produce reliable data on the efficacy of

²³ “A set of new financing programs to be designed in 2012, and then *offered* consistently on a statewide basis, in pilot form in 2013, and on a larger scale in 2014.” (emphasis added). D. 12-05-015, pp. 107-108.

²⁴ Pacific Gas and Electric Company’s (U 39 M) Opening Comments and Response to Scoping Memo and Ruling Attachment D, September 14, 2012, p. 12.

statewide application (whether through a central administrative body or via increased enrollment of regional energy networks).

Further, ABAG and the BayREN remain uncertain that utility financing programs can be reasonably expected to be ‘shovel-ready’ as quickly as stated in PG&E’s Comments. For example, in its Program Implementation Plan PG&E proposes an on-bill repayment (residential projects) design that is set forth in 91 steps, elements, and requirements (including Information Technology Changes) over 6 pages (single-spaced).²⁵ We understand the challenge of such a program, and the need for the utility to be comprehensive and responsible. We also comprehend critical barriers to shifting its existing on-bill-financing to cover residential customers, such as service termination upon default.

VI. COMMENTS TO PG&E RESPONSES TO ATTACHMENT D

Below we offer responses to the Comments PG&E submitted on September 14, 2012.

A. Residential Programs

Q6 The IOUs provided low, medium, and high participation scenarios for the Whole House Upgrade Program for 2013-2014. Which is the most appropriate scenario to approve and why?

For the reasons set forth in IV.B.iii above, the BayREN would recommend that the parties revisit the scenarios and reconsider whether the low participation scenario might represent a more reasonable expectation.

B. Codes and Standards

The IOUs maintain that it is appropriate for them to support both compliance improvement and reach codes at the local level because it strengthens their codes and standards advocacy efforts. The motivation that drives their efforts is that they receive energy savings credit for their advocacy work. Not only is this a very narrow view, it fails to take into

²⁵ Pacific Gas and Electric Company 2013-2014 Energy Efficiency Portfolio Prepared Testimony, July 2, 2012, pp. 3-A-3 through 3-A-9.

consideration that local governments are responsible for code enforcement and compliance, and that utilities operating in local jurisdictions are subject to these codes. It is not, therefore, appropriate for IOUs to be actively engaged in such activities. BayREN offers a program framework that would demonstrate proper motivation, i.e., actions that would have a direct and measurable effect on higher compliance rates, and would engage local authorities legally charged with code enforcement.

C. Regional Energy Networks

Q15 through Q27. In order to avoid unnecessary repetition, ABAG and the BayREN reassert Section II above, with the following additional comments.

PG&E (A.15) does not appear to have given the RENs any real consideration but, instead, acted to absorb REN subprograms, accelerate their implementation by the IOUs, and diminish the REN agencies to wholly dependent ME&O mechanisms (A. 20). It is somewhat incredulous to claim another's program as your own, and then claim that the original is duplicative of itself? One example of this is the BayREN Flex Package, or the Basic Path modified by the RENs for greater uptake and to serve as an on-ramp to progressive advanced package upgrades. The REN model is the model now being copied by the IOUs; yet, in a separate response (A. 16), PG&E unilaterally sets criteria for a "successful, flexible, redesigned Basic Path" and claims the BayREN model does not meet the standard.

Considering the overall size of the multifamily market, and that the PG&E WHUP pilot (500 units) and BayREN Multifamily Incentive program (6,000 units) collectively would achieve less than 1% market penetration, there is not a real danger of saturation in this market with the proposed offerings. While a review of the overlap of the measures offered is in order, there are already multiple IOU programs offered with overlapping measures so it is unclear why this comment would be unique to Bay REN and IOU offerings.

To avoid duplication of services among its multifamily programs, the Bay REN will work with PG&E staff to ensure double dipping can be prevented, to refine an outreach message which will avoid confusion and to develop a referral system between Technical Assistance provider and Single point of contact to filter projects into appropriate PG&E offerings while providing more comprehensive services.²⁶ This is symbolic of the productive coordination ABAG envisioned when it launched discussions among it, the BayREN and PG&E in August.

Similarly, PG&E seems to be intent on suppressing any independent pilot to test local government design and implementation of energy efficiency programs independent of utility administration and control (A 16). Perhaps this is evident in the absence from PG&E's PIP or budget any reference to the BayREN or the MEA REN.

It is a mischaracterization to claim that the BayREN Proposal is the same as other programs but with richer incentives (A. 15), especially if it proves to be – much as the ABAG counties' ARRA/SEP Energy Upgrade California programs – significantly more competitive in generating advanced or comprehensive retrofit projects.²⁷ The cost-effectiveness analysis must take into account output as well as costs. And, as noted in our previous filings, the BayREN Program elements were structured in several aspects for cross-support, so that a single incentive may serve multiple purposes (e.g., the tiered, recoupable commercial building audit incentive under the Financing Portfolio also has the ability to support the Multifamily subprogram).

²⁶ BayREN technical assistance will include making upgrade recommendations for a range of energy, water, indoor air quality and resources conservation best practices. It will also assist owners in pursuing Low Income Housing Tax Credits, State Housing Bond Financing, HUD Green Retrofit programs, water utility incentives and green building certification.

²⁷ Also, here again, PG&E claims that the BayREN program includes measures deemed insufficient by code, but fails to identify the measures. Therefore, we reserve the opportunity to address this point once PG&E has clearly defined its claims.

In addition, PG&E now advances the proposition that wholesale expansion beyond the programs of its many distinct, customized LGP/Energy Watch Programs (plus some new, to-be-contracted local programs), fueled with generous budget increases, across uneven and sometimes compartmentalized geographic application, and subjected to third party contracts negotiated by and answerable to the utility, is somehow a more holistic, streamlined and practical apparatus for implementation of uniform, large-scaled programs (Single Family-EUC, Multifamily-EUC, Codes and Standards and/or EE Financing).

In calculating PG&E's requested increase to its LGP/Energy Watch Programs for 2013-2014, the utility converts this to a 15% "increase over the prior cycle". However, the BayREN arrives at a calculated increase of nearly 30%.²⁸ While the BayREN applauds greater funding of local government programs, we do not agree that such funding should be at the expense of the RENs moving forward.

Regarding contractor scholarships, ABAG believes that a right-sized fund to encourage advanced training is appropriate. Regarding increased enrollment in general skills or certifications, the REN governments were the first parties in IOU workshops during ARRA to express concern about contributing to an imbalance between supply and demand. However, we do not advocate for the use of IOU "enrolled contractors" as a uniform standard for gauging how jobs are distributed across the full spectrum of available contractors. As private, for-profit corporations, IOUs are not compelled to undertake a strict process of competitive bidding, and commonly attach a select group of contractors to specific programs. On the other hand, even in a competitive bidding environment, work and jobs completed are generally represented through

²⁸ This calculation compares the per annum average budget of its 2010-2012 (3-year) program of \$54.4 million (\$172 million over 3 years), to the per annum average budget of its 2013-2014 (2-year) Local Government Program of \$70.5 million (\$140,910,724 over 2 years). This results in a roughly \$16 million/year increase, or roughly 30%.

that tier of contractors that are committed, aggressive and competitive. We do not believe that either scenario can serve as an across-the-board metric.

Regarding PG&E's response to Question 25, a number of statements are made here that are not applicable to the BayREN whole home audit incentive proposal, and some might even be ready to imply that the underlying ABAG region audit incentive program was somewhat profligate and unsustainable. For clarity, ABAG summarizes here the long-term strategy of its audit incentive model. We are creating a new economy based upon a commodity that consumers cannot touch, use, or see, and have little or no understanding; and any demonstration of its value is subject first to an outlay of up to \$800 for a whole home energy assessment. During the 2010-2012 Energy Upgrade California cycle, this was clearly identified as a key market barrier to movement in the residential market. Phase 1 of successfully establishing this market is to remove the "high cost of uncertainty" and create an affordable price that still balances consumer "skin in the game".²⁹ A successful Phase 1 is reflected in the ABAG-SEP (ARRA-funded) Energy Upgrade California Program, with a 43% conversion rate, and an average audit rebate of 7.2 percent compared against the average cost of the advanced retrofits completed.³⁰ Phase 2 is designed to build public awareness off the success of the Phase 1, which in turn stimulates marketplace demand and contractor pricing flexibility. This phase (BayREN model) utilizes a smaller audit incentive than that deployed in the initial phase. Phase 3 is the longer-term outcome, at the point where public energy-IQ has become so common (including understanding of the full suite of co-benefits), that the program approaches market transformation.

²⁹ No program in the Bay Region provided free whole home energy assessments.

³⁰ Again, this program was designed and implemented in the County of Santa Clara. The City of Fresno followed suit, using a proportionately larger rebate, resulting in a 37% conversion rate. Based upon the Santa Clara County model and outcomes, the State of Maryland modified its statewide EE program to include assessment rebates and early performance of the program is trending toward the Santa Clara County outcomes.

ABAG concurs with the response of CCSE that a combination of contracting training and cooperative advertising is preferred over a single-prong approach (A. 26).

The Bay Area RENs have always submitted that REN programs should be reported and measured as other programs, but again restate that under D. 12-05-015, the RENs are to report to the Commission (Q. 27).

VII. RECOMMENDED NEXT STEPS

The BayREN proposes the Commission take the following actions as it considers the Motion to Establish the BayREN.

- Approve the BayREN PIP, which will stimulate more meaningful discussions among the ABAG, the BayREN, and PG&E to coordinate a seamless and optimally-performing energy efficiency program
- Approve the BayREN Financing Portfolio Subprogram as a financing pilot for the 2013-2014 Transition Period, with monitoring and reporting to include scalability assessments, consistent with the recommendation in the PG&E Alternate Proposal for a large-scale program customized to and to be piloted in the Bay Region.
- Enhance the BayREN Program to incorporate the more robust data-sharing element proposed by PG&E in its Alternate Proposal.
- The BayREN will continue to closely network its program with the Bay Region LGP/Energy Watch Programs, and we respectfully elaborate upon this element to signal its importance to both the REN and to the Bay Region's LGP/Energy Watch Programs.

ABAG and the BayREN look forward to working with the Commission to develop the details of the scope of work of our contract, where specific program design and implementation strategies will be spelled out as well as the process for coordination with other programs and

leveraged resources. BayREN envisions ongoing oversight and reporting by the ED as well as continual interaction with PG&E, from contracting throughout implementation.

VIII. CONCLUSION

The 2013-2014 Transition Period is equally defined by its complexity and promise. In the Guidance Decision, the Commission embarked a number of bold but prudent experiments to move beyond the status quo, preserve meaningful programs, and yet at the same time foster strategic innovation and enhanced performance in modified programs, roles, and standards. In addition, the Commission launched a process, ultimately to create a statewide suite of energy efficiency financing tools and mechanisms that reach to the State's diverse social and economic demographics. We submit that the Alternate Proposal submitted unilaterally by PG&E is entrenched in the culture of the status quo, but this observation is tempered by our continued willingness to craft a new and productive dynamic among independent but leveraged local government and IOU programs. Respectfully, we submit that a stable foundation for those discussions would be laid in the Commission's general approval of the BayREN Counter-Proposal.

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Respectfully submitted.



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