



Local
Government
SUSTAINABLE ENERGY
Coalition

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RE: Comments of the Local Government Sustainable Energy Coalition on Southern California Edison Advice Letter 2628-E: Request for Increased Funding for the 2010-2012 On-Bill Financing Program

Dear Staff of the California Public Utilities Commission:

The Local Government Sustainable Energy Coalition submits these comments on Southern California Edison's ("Edison") Advice Letter 2628-E: Request for Increased Funding for the 2010-2012 On-Bill Financing Program ("OBF"). The Advice Letter seeks permission to shift unspent, uncommitted funds from 2010-2012 local government and institutional partnerships to Edison's OBF program. The California Public Utilities Commission ("Commission") should approve the advice letter with the following modifications:

- Local governments must be allowed to aggregate demand from multiple accounts toward the OBF program. Currently, separate OBF loans must be arranged for discrete projects at the meter level. This is not cost-effective for government entities whose accounts, and utility meters, are geographically dispersed across their jurisdictions.
- Edison should be directed to work closely with local governments before re-directing funds from existing partnerships to the OBF program.

Problem Statement

Based on a meeting with Edison staff, it is our understanding that the utility would like to extend the momentum for implementing energy efficiency opportunities that has been created by funds from the American Recovery and Reinvestment Act ("ARRA"). SCE forecasts that many

of its local government partners will not achieve their forecasted savings level, and proposes to re-direct \$15 million that would otherwise be spent on program implementation toward OBF, so that more energy efficient technology is installed.

Flawed Partnership Program Model

The LGSEC has long been on record that the Energy Leader model Edison is using for local governments in this program cycle is flawed.¹ In 2008, when the model was first proposed, we criticized it for requiring all local governments to be treated the same, regardless of the track record of the local government. We stated: “This basically renders the local government partner into a marketing agent for the utility. In which case it is even more unclear why SCE is assigning such high administrative costs to the local government partnerships. The past model of success whereby local governments with greater energy management expertise utilized their resources to find cost effective and innovative projects in hard to reach facilities and successfully implement them has been abandoned.” We anticipated that local governments might not reach their targets under this model. “Simply put, for some local governments, if they are not able to obtain the additional 20% to 50% required for electricity savings projects, they will not get implemented. This situation is true for all public agencies.”²

This is not a situation where we are pleased to say “we told you so.” Rather, we are disappointed that both Edison and the CPUC disregarded our first-hand knowledge of what type of programs will best serve local governments. It is ironic that Edison now is seeking to provide additional funding to local governments to implement projects in the form of OBF, when this situation could have been avoided by adopting a different program model.

Ten-year Simple Payback for Individual Projects

Moving to the specific questions raised by the Advice Letter, a key problem for local governments is that Edison requires that any individual project meet a 10-year simple payback. Local governments have municipal facilities throughout their jurisdictions. As a local government looks at opportunities with OBF, it will want to net projects throughout its jurisdiction against one another. For example, there may be opportunities at City Hall, a recreation center, and a fire station. Under Edison’s current OBF rules, each project at each location/meter must be evaluated individually and meet a simple payback of 10 years. Projects may have different paybacks. The customer, in this case the local government, may prefer to look at the package of opportunities. The Commission should be aware that there are some government entities that operate at a single site – a “campus” – and bill all energy usage through a single meter. Because projects on a “campus” are installed behind the meter, they can be bundled before the simple payback rule is applied. If Edison is interested in having its current local government partners use energy efficiency funds that might otherwise go unspent on OBF, it should provide the flexibility to evaluate a package of projects.

¹ *Response of the Local Government Sustainable Energy Coalition to Utility Energy Efficiency Applications for 2009-2011*, pp. 11-12, August 28, 2008, in A.08-07-021 et al.

² *Ibid.*

We note that there may be some local governments that have the ability to use OBF to meet the 10-year simple payback, and then finance the remaining portion of a project themselves. The Commission should preserve this opportunity for local governments that have this ability. We note that most local governments will be relying solely on OBF. That is why customers, especially government customers with multiple meters, must be able to bundle projects as well.

We note that there is a precedent for local governments netting energy usage at different sites for energy projects. Assembly Bill 2466 allows local governments to install renewable energy systems up to 1 MW at a site under the control or ownership of the government entity. The local government then designates accounts throughout its jurisdiction whose usage will be credited against the renewable energy project. That opportunity is not so different from what we know would make OBF a more attractive opportunity for local governments.

Sufficient Time to Execute

The advice letter suggests that six months is sufficient time for a local government to determine whether it will take advantage of an OBF opportunity after funds are redirected; the LGSEC suggests eight months is probably more realistic. The Advice Letter is not specific about many aspects of this proposed fund shift. First, there is no indication which local government programs are in danger of not fully using their energy efficiency partnership funds. Identifying those partners, and engaging with them around this different opportunity, must be a transparent process.

Second, it has been the experience of some local governments that Edison requires certain steps on its end, such as pre-inspection and application of program rules, such as the simple payback rule discussed above. One local government recently had to reduce scope on a \$3 million energy contract with an OBF loan component because of a 3 month delay by Edison in resolving these types of questions. Another local government has experienced, for example, problems on Edison's part with the pre-inspection, problems with the letters sent to the City, problems with the amounts approved by the letters, and equipment/savings amounts being attributed to the wrong account. It appears to us that Edison itself might benefit from more than six months to reach agreement on OBF opportunities.

Third, it is possible that if a partnership is modified to remove funds from certain areas and apply them to OBF a contract amendment will be required. For local governments this will require approval by the City Council or Board of Supervisors, a process that is required by statute to accommodate public notice. We are concerned that six months may not be sufficient for this activity to occur.

Recommended Changes

Local governments may be interested in taking advantage of an opportunity to use funds through OBF, rather than for the purposes originally designated when the current portfolio was approved. To increase the likelihood of participation in this opportunity, the Commission should make the following changes to the advice letter:

1. Allow government customers to aggregate projects as they apply the 10 year simple payback rule.
2. Allow customers eight months to determine whether they wish to use unspent, uncommitted funds in their budgets for OBF projects.
3. Require Edison to work closely with potentially eligible local governments before any clock starts ticking.

Sincerely,

A handwritten signature in blue ink that reads "Jody London". The signature is written in a cursive style with a long, sweeping tail on the "n".

Jody London