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MEMORANDUM

TO: Local Government Sustainable Energy Coalition
FROM: Jody London
DATE: February 9, 2010
SUBJECT: Utility Advice Letters Implementing 2010-2012 Energy Efficiency Portfolio

This memo summarizes several advice letters filed by the investor-owned utilities to implement their 2010-2012 energy efficiency portfolio. Below I highlight where the Local Government Sustainable Energy Coalition (“LGSEC”) might file protests or comments, which are due later this week, as noted below. This memo also summarizes a recent report from PG&E that finds local government involvement in direct installation programs to be beneficial and recommends their continuation. Finally, there is some information about staffing for local government programs at the California Public Utilities Commission (“CPUC”) moving forward.

Because there are a large number of advice letters and our observations on each are very similar, I recommend we send a letter to the CPUC that offers broader comments about the opportunities for greater integration and meaningful engagement with local governments. We should also highlight the need for metrics and accountability to ensure that there is true collaboration. It is my observation that this is probably going to be easier to accomplish with some of the utilities than others.

Background

In September, the CPUC approved a \$3 billion energy efficiency portfolio for the utilities to implement in 2010-2012 (Decision 09-09-027). D.09-09-027 ordered the utilities to file advice letters that provide greater detail and, in some instances, justification for some of the local government and other innovative programs. The utilities have requested extensions to the due date for some of the required filings. Several, however, were submitted in late January and comments or protests are due this week.

Relevant Advice Letters

Below I provide a brief summary of each relevant advice letter, and a recommendation for possible further comment by the LGSEC. Because the CPUC has already approved most of the programs addressed in the advice letters, I am not sure that it is worth our while to spend a lot of time protesting them. I recommend that our advocacy on the advice letters be focused on improving the ability of local governments to participate in the program in question.

1. PG&E Innovator Pilot – Advice Letter 3081-G/3597-E

Filed January 22, 2010

Comments due February 11, 2010

Proposed Budget: \$4.3 million

PG&E's Innovator Pilot initially was proposed to be a \$17 million program under which local governments would bring forward projects that advance the goals of the *Energy Efficiency Strategic Plan*. When PG&E submitted its revised portfolio budget in November, LGSEC shared with the CPUC our concern about PG&E cutting the program to \$4 million as a result of the reduced budget the CPUC authorized for 2010-2012.

In the recently filed Advice Letter, PG&E proposes seven projects from five local governments, at a total budget of \$4.3 million. PG&E states that it received proposals for 29 projects from 19 local applicants, with a total proposed value of \$16.5 million. PG&E winnowed down this pool for several reasons. The Advice Letter states that many of the proposed projects were duplicative of existing PG&E programs or would be offered elsewhere in the portfolio. In addition, PG&E claims several of the projects were similar to one another. Other projects did not appear to be easy to replicate. The projects for which PG&E asks approval include:

1. Alameda County Office of Education – provide energy management services to local school districts
2. City of Chico – Residential Retrofits
3. Quantum Energy Services and Technology and Cities of Berkeley, Oakland, and Emeryville – (1) Integrated energy efficiency services and (2) residential tenant and landlord policy solutions
4. Sierra Business Council – workforce development program
5. Silicon Valley Energy Watch – (1) mini-grants to fund social marketing programs and (2) municipal whole house rehab

PG&E also states that there are components in some of the other proposals that it may fund at a later time as “mini-projects,” if there are any Innovator Pilot funds remaining.

A concern with the Innovator Pilot advice letter is that PG&E does not provide any budget information for the proposed projects. PG&E says that it is still negotiating the budgets with the applicants, as PG&E believes the programs can be trimmed.

Recommended LGSEC Action: Because the LGSEC has been actively advocating for more opportunities to undertake projects that support the *Strategic Plan* goals, we may want to file comments. Comments could reiterate our concern that there must be opportunities for innovation, and our concern that PG&E is trimming budgets. While there is a tension between giving the utilities authority to manage their portfolios and micro-managing every decision, the Commission – and ratepayers – should receive everything the applicants hope to offer.



2. PG&E Green Communities -- AL 3082-G/3598-E

Filed January 22, 2010

Comments due February 11, 2010

Proposed Budget: \$21 million

Green Communities is PG&E's "capacity building" program. The aim of this program is to provide local governments with a "community-scale capacity-building." The Advice Letter acknowledges that the utilities have not widely served community-scale energy needs. This program is supposed to leverage opportunities to encourage participation in PG&E's integrated demand side management programs. The program is designed to provide data, tools, and training to local government customers. PG&E will work with 7 non-governmental and government organizations. Green Communities has three sub-programs:

1. Statewide assistance for local governments (statewide program) -- This is the vehicle for coordination with the other utilities, using ICLEI, Institute for Local Government, and Local Government Commission. Budget: \$2.3 million. Includes the Statewide Coordinator position that will bring together best practice in local government, etc.
2. Climate Planning Assistance – contract with Association of Bay Area Governments, Association of Monterey Bay Area Governments, Sierra Business Council, Great Valley Center, and ICLEI to provide assistance with greenhouse inventory and climate action plan development. If more money becomes available, PG&E might include audits, etc. This piece of the Green Communities will provide standard reports to local governments that have not yet received them, and additional reports to those that are in progress on climate action plans. PG&E says it will provide multiple reports to local government to get around the data/privacy concerns. PG&E will use the partners to host workshops on greenhouse gas inventories. PG&E will work with ABAG to develop benchmarking reports, training. Budget: \$17,659,784
3. Fluorescent Lamp Recycling – Will provide a standard menu of marketing, education, and outreach tools for local governments to conduct their own outreach campaigns. Work with local governments, retailers, manufacturers, non-profits, other state agencies on a recycling "Take it Back" campaign. Budget: \$1 million.

Recommended LGSEC Action: In this case, if we were to file comments I would start by commending PG&E for working with existing, regional entities, in a manner that appears to follow closely some practices and strategies we have been recommending for many years. Jean Lamming from the CPUC contacted me to discuss her impressions of this advice letter. Jean has about four pages of detailed questions, particularly around the data and benchmarking reports. She was going to submit these to PG&E as a data request. LGSEC could piggyback on that issue and reiterate our recommendations on building usage data and how it can be most useful.

3. PG&E Zero Net Energy Pilot Program -- Advice Letter 3078-G/3594-E

Filed January 21, 2010

Protests due February 10, 2010

Proposed Budget: \$7.6 million

The *Energy Efficiency Strategic Plan* sets state goals for zero net energy residential and commercial buildings by 2020 and 2030, respectively. The CPUC cut back the budget to \$7.6



million from a proposed \$31 million. This is where PG&E intends to address land use, long-range planning, and collaboration with all the players in community development. PG&E has revamped the program, which will work in four areas:

- Community design guidelines
- Demonstration projects
- Collaborative research
- Development and dissemination of best practices

The Zero Net Energy Pilot will, if all goes as PG&E plans, feed best practices and other information to the Green Communities program, and vice versa.

Recommended LGSEC Action: The Advice Letter is very general in terms of the program's goals and strategies. It is not clear exactly whether or how PG&E will engage local governments or regional organizations. LGSEC could indicate our support for bringing together the players, and our interest in ensuring that there is a meaningful role for local governments in this long-range planning.

4. PG&E Green Pathways Pilot – Advice Letter 3080-G/3596-E

Filed January 21, 2010

Comments due February 10, 2010

Proposed Budget: \$1.4 million

This is PG&E's jobs training program. It is focused on connecting students with "green" workplace opportunities, and includes both high school and college components. At the high school the program will include curriculum, support for career technical academies, and an online platform. One of the goals of the program is to recruit students to green careers. The program will offer workshops and classes at PG&E's energy centers.

Recommended LGSEC Action: Again, green workforce is another area where local governments are focused, particularly right now with the Stimulus funds. The Advice Letter does not talk specifically about local government coordination, nor am I sure it needs to.

5. Joint Utility Advice Letter on Integrated Demand Side Management - -SDG&E Advice Letter 2139-E/1921-G

Filed January 22, 2010

Comments due February 11, 2010

Proposed Budget: \$3.65 million

This Advice Letter establishes up a statewide task force to coordinate utility implementation of the statewide Integrated Demand Side Management plan, as ordered in the *Strategic Plan*. This plan is supposed to look at things like how to measure impacts from multiple measures, how to account for greenhouse gas emissions reductions and reduced water use, in addition to energy savings, integrating various utility teams working on energy efficiency, demand reductions, distributed generation, marketing. According to the Advice Letter, the program, "Encourages programs that integrate the full range of demand-side management (DSM) options including energy efficiency (EE), demand response (DR), and distributed



generation (DG) as fundamental to achieving California's strategic energy goals." In addition to the statewide task force, each utility will have individual pilot programs. This program also will support the statewide energy efficiency marketing effort.

The budget for the program basically pays for staff at each utility who will lead internal task forces and coordinate with the statewide effort. The budget of \$3.65 million over three years will be allocated as follows:

PG&E: \$1.2 million
SCE: \$1.25 million
SDG&E: \$0.6 million
SoCalGas: \$0.6 million

Recommended LGSEC Action: If we file comments, I recommend we discuss how local government involvement could help with this integration effort. It is disappointing that the proposed statewide task force only includes utilities and the CPUC Energy Division. Local governments could play a role here; we are de facto integrating all these delivery channels. Local government would require funding to participate.

6. SCE Sustainable Portfolios and Sustainable Communities – Advice Letter 2425-E

Filed January 22, 2010

Comments due February 11, 2010

Proposed Budget: \$8,623,801 for Sustainable Portfolios

\$7,879,106 for Sustainable Communities

Sustainable Portfolios is designed to increase energy efficiency in the leased commercial office space sector, Classes A and B. The program will focus on installing or implementing specific equipment or practices. It also will include audits, toolkits, "green" business cases, etc. The program will have financial incentives and financing programs ready to roll so building owners can act quickly on audit results.

Sustainable Communities is SCE's version of the community planning support for new construction, similar to what the other utilities are proposing. It is looking in particular at master planned communities, campuses, and office/industrial parks. The idea is to engage with project architects, developers, and contractors in the very early stages to ensure sustainability components. One of the measures of program success will be adoption of LEED for Neighborhood Development.

The Advice Letter does not provide any detail on how the budget is broken out within the two programs, the actual implementation strategy, roles and responsibilities, other partners SCE will engage. Without this information, it is difficult to evaluate the program.

Recommended LGSEC Action: Recommend the CPUC require a detailed budget and workplan before approving the program. This is a program that will benefit from strong local building codes and involvement from local government. There is no mention in the advice letter of this linkage. There is a lot of "what" SCE will do, but not much "how."



7. SDG&E Advice Letter 2138-E/1920-G – Energy Efficiency Pilots

Filed January 22, 2010

Comments due February 11, 2010

Proposed Budget: \$3.6 million

This Advice letter includes two programs. The first is a micro-grid program that will offer integrated residential and commercial audits on a pilot basis, with more attractive incentives for customers that choose the “whole building” approach. The amount proposed for the micro-grid program is \$2.6 million.

The second proposed program is a Sustainable Communities pilot. Under this program, SDG&E will work with community developers to address emissions from multiple sectors (transportation, building, water, generation). The goal is to get at all the players in the supply chain, from architects and engineers to contractors, both general and trade specific. This program is designed to address community master plan/timeframe issues, which have a long lead time. One component of note in this program is SDG&E wants to use the program to “... explore the potential for utility ownership of major energy efficiency equipment to facilitate the installation of the highest efficiency HVAC systems in commercial buildings.” The amount proposed for the Sustainable Communities program is \$964,000.

Recommended LGSEC Action: If we were to comment, it would be to point out that many local governments are launching municipal finance programs, at the urging of the CPUC and the California Energy Commission. We might also question why the utilities are getting into the business of owning HVAC systems in commercial facilities. Is this truly a benefit to customers, who otherwise would not be able to afford the equipment, or is it a way for the utilities to increase capital costs included in rate base?

8. SoCalGas Advice Letter 4065 – Sustainable Communities

Filed January 22, 2010

Comments due February 11, 2010

Proposed Budget: \$828,449

Same as SDG&E – see above. Note that the appendix to these advice letters includes a description of how SoCalGas’ and SDG&E’s energy efficiency department is organized.

Some Advice Letter Filings Have Been Delayed

The utilities in several instances have asked for additional time to file compliance advice letters. SCE requested and was given an extension until Feb. 22 (more or less) to file the assessment on best practices and cost-effectiveness for local government marketing, outreach, and education. This is based on the final EM&V report coming out Jan. 25. That said, PG&E on January 22 filed its assessment of local government direct installation programs (see below).

The utilities have requested and were granted a 4 month delay in filing proposed performance metrics for the energy efficiency portfolio, to May 21, 2010. This applies to statewide programs and associated sub-programs



SCE has been granted a delay in filing its local government Strategic Plan Pilot Solicitation. CPUC did not grant quite the extension SCE wanted. The RFPs were ordered to go out 1/18 (even though the letter from the CPUC was dated 1/19), with proposals due March 22. SCE will hold a workshop on April 13 to review the proposals, and notify winning bidders on May 3. SCE then will have to file with the CPUC for approval, as PG&E is doing with its Innovator Pilot program.

PG&E Report on Local Government Partnership Direct Install Programs

As indicated above, PG&E submitted a report to the CPUC in late January on the effectiveness of direct installation programs coordinated through or implemented by local governments. PG&E reports the programs add significant value and “play a vital role in program success.” The report recognizes the unique position of local governments in coordinating across various initiatives, such as energy efficiency, climate action planning, workforce development. The report recommends continuing these programs in 2010-2012, in both small business and residential programs.

Recommended LGSEC Action: There is no formal comment opportunity on this report. However, we may want to send a letter to the Commission acknowledging the report and highlighting its favorable findings. This could be important because the other utilities have asked for and been granted a delay in filing the same report. We do not know where they will come out on this, and whether they will make the same findings as PG&E.

CPUC Staff Changes

Jean Lamming, who for several years has been the CPUC’s staff person assigned to local government programs, told me that she has received a promotion and will no longer be working on local government issues. Jean is moving to a different section, and will be doing evaluation, measurement, and verification work. It sounds like the CPUC Energy Division is being reorganized. Jean did not know whether the yet-to-be-identified management would continue to staff a local government liaison. She pointed out to me that local government programs are only 5-6% of the overall portfolio for 2010-2012, with the implication being it might not be worth devoting an entire FTE to local government programs and issues. One also could speculate that the CPUC is assuming the new Statewide Coordinator position the utilities were ordered to fund will take on some of the oversight role for the local government programs.

Next Steps

I will prepare a comment letter to the CPUC, for submittal on February 10. If you have any particular issues you would like to highlight, please let me know by COB Wednesday. I will work with the Board to finalize the comment letter.

