

I. INTRODUCTION

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission (“CPUC”), the Local Government Sustainable Energy Coalition¹ submits these comments on the draft *Energy Efficiency Strategic Plan* (“Strategic Plan”) circulated by the CPUC on July 14, 2008. The LGSEC commends the CPUC for taking control of the Strategic Plan. The CPUC has correctly recognized that the Plan needs to reflect State priorities and be implemented by the State. Like local government, State goals transcend particular utility service territory boundaries or program requirements. It is becoming very clear that as California implements AB 32, the Global Warming Solutions Act, local governments will have many new challenges and opportunities. The issues addressed in the *Strategic Plan* are a subset of the broader challenges local governments face as we move forward to reduce greenhouse gas emissions. The *Strategic Plan* should recognize this, and should anticipate a different way for local governments to engage on energy planning issues.

Below we respond to certain of the questions posed in the July 14, 2008 *Assigned Commissioner’s and Administrative Law Judge’s Ruling Regarding Initial Schedule on Strategic Plan*. We are responding to those questions most relevant to local governments and energy efficiency.

II. RESPONSES TO QUESTIONS POSED IN THE JULY 14 RULING

A. **What Strategic Roles Should The Commission Take In Working With Other Governmental Agencies And Other Non-Jurisdictional Stakeholders In Support Of A Commission Strategic Plan?**

¹ For purposes of this filing, the Local Government Sustainable Energy Coalition includes: the County of Los Angeles and the City of Santa Monica.

As outlined in the June 2008 *Climate Change Draft Scoping Plan*,² (“Scoping Plan”) the activities and issues that are addressed in the CPUC’s draft *Energy Efficiency Strategic Plan* are a subset of the broader activities and issues that local governments will be required to address if California is to reduce its greenhouse gas emissions. The State is embarking on a fundamental re-examination of many of the planning and policy assumptions that have driven California for decades. The areas in which the Air Resources Board anticipates reductions from local government include community energy, community waste and recycling, community water and wastewater systems, community transportation, and community design, among others. This means a re-examination of everything from garbage contracts to water conveyance to public transportation to building codes to permitting and inspections. With regard to energy, local governments will play a key role in the development of, among other things, local renewable energy permits for solar rooftop efforts, as well as conditions associated with traditional energy resources that require permits for transmission, which ultimately leads to a viable and integrated energy system. It will require an examination by local government of both internal operations and the day-to-day activities of residents and businesses. Energy use is implicit in all of these areas.

The Air Resources Board will be working with a host of other State agencies to help regional and local governments develop targets for greenhouse gas reductions. The Air Resources Board is expecting significantly greater regional collaboration by government entities on transportation and land use planning, in particular. The Air Resources Board also expects local governments to “align existing funding sources and help secure new funding to implement

² California Air Resources Board, *Climate Change Draft Scoping Plan*, June 2008 Discussion Draft.

blueprints at the local level, support local climate change planning and projects, and incentivize the desired high-quality, low-impact projects.”³

The Air Resources Board is relying on the energy policies established by the CPUC and the California Energy Commission to meet reductions in the energy sector. The CPUC recognizes that its policy recommendations will likely form the basis for the Air Resources Board recommendations. Achieving reductions in the energy sector, as described in the *Energy Efficiency Strategic Plan*, will include significant participation by local government. Thus, we see several regulatory agencies converging on local government to help meet State goals. The CPUC will need to be actively involved with all of them, as well as with regional regulatory agencies, such as the Air Resources Boards and Regional Water Quality Control Boards.

In the context of this new policy direction, the investor-owned utilities have an important, but not a central, role. The public goods charge funds that are currently administered through energy efficiency partnerships with local governments are but one of the funding sources that the Air Resources Board anticipates should be aligned with other sources to meet greenhouse gas reduction goals. For example, the Federal Energy Bill of 2007 includes a provision for block grants to local governments for energy efficiency programs. The funding formulas allow larger cities and counties to be awarded grant money directly. For smaller cities and counties, funding is determined by the states. California has pending legislation that addresses how this will occur (AB 2176, Caballero).

B. What Market Transformation Strategies, Including New Or Different Organizational Structures, Should A Commission Strategic Plan Address Or Contemplate? In Addition, How Should The Commission Define Market Transformation And What Standards Should Be Used To Determine When Market Transformation Has Occurred?

³ California Air Resources Board, *Appendices to Climate Change Draft Scoping Plan*, June 2008, p. C-44.

As local governments realize that energy management is one piece of a larger initiative to meet State goals for greenhouse gas reduction, the current model for engaging local governments in energy efficiency activities will need to be examined. Local governments are the first to respond to the community's changing views and conscience regarding the issue of carbon reduction, and therefore need to take a broad view of energy within the context of smart growth, transportation, and related topics. The CPUC should consider whether local government sustainability programs, of which energy programs are part, are better managed in a holistic manner by a State agency or independent, non-profit entity. The CPUC should view local government competence to manage and implement energy efficiency and sustainability concepts as a transformation in the local government sector.

While many local governments, agencies, and special districts are moving ahead with plans to address climate change, there also are many that are not. Even those who are addressing climate change are finding that they must create the organizational infrastructure to do so, for example, creating positions to oversee sustainability and environmental compliance programs that reduce carbon footprints. Something that has been lacking in the discussion to date around energy efficiency and climate change is information for local governing boards about what will be required if they are to comply with the many directives coming from State government on these issues, from the CPUC, the Energy Commission, the Air Resources Board, and others.

The draft *Strategic Plan* acknowledges the need for a statewide liaison to assist with helping local governments in discrete areas, specifically education and peer-to-peer support (p. 85) and assisting with energy efficiency/sustainability/climate change programs (p. 88). This is a good first step, but does not go far enough toward allowing local public entities to target public

goods charge energy efficiency funds to locally designed programs that are meeting the myriad objectives anticipated in both the *Strategic Plan* and the *Scoping Plan*.

Local governments will benefit from State guidance and oversight in meeting sustainability and energy efficiency goals. For example, there are some jurisdictions whose building plans require a commercial building developer to include a prescribed number of parking spaces for a given square footage, for example, four parking spaces for every 1,000 square feet of office space. If the State's goals are to reduce emissions from personal vehicles, these types of policies should be modified. Even though this example is not directly an energy efficiency example, it is a good example of how various sustainability policies can come together at the local level. Requirements for new construction are developed as a package, usually; the energy issues are implicit in the larger policy setting process. Achieving this type of local policy integration will best happen if local governments are provided with the tools and resources to build their internal capacity.

Since 2002, members of the LGSEC have participated in public goods charge energy efficiency programs. We have first-hand experience with various models of program administration for local governments. Increasingly under the current model, where the CPUC delegates to the investor-owned utilities the design and administration of energy efficiency programs for municipal entities, the programs administered by some of the utilities have become inflexible and are not allowing local entities to truly shape the program to take advantage of a particular entity's strengths and meet its needs. In thinking about the long-term future for energy efficiency in California, for public sector programs the CPUC may need to step outside the utility-led paradigm.

At least some of the current utility applications for 2009-2011, on which we will submit comments next month, do not at first review appear to be structured to allow the type of broad, community-based program that is envisioned in the *Scoping Plan*. The CPUC should engage local governments in discussion with other State regulatory agencies around the best way to fully leverage local government activities to meet the State's energy and environment goals. This process should be readily accessible for local government participation at the elected or staff level; it should not happen predominantly in San Francisco or Sacramento. This process should be driven by regional planning organizations and local government. While there will be a role for the State's utilities, the programs should be driven by local government priorities and plans for complying with AB 32, integration with smart growth, expansion of local response to demand reduction opportunities, and other related issues, and not simply focused on energy efficiency.

C. How Should A Commission Strategic Plan Coordinate Energy Efficiency Plans With Demand Response Plans And Solar Programs?

As indicated above, the *Strategic Plan* should anticipate sustainability strategies, of which energy efficiency, demand response, and solar programs are all part.

D. What Specific Low-Income Energy Efficiency Strategies Should Be Encompassed In A Commission Strategic Plan?

Many local governments have the capacity to assist in outreach to low-income communities, particularly those that operate public housing programs and public health clinics that serve low-income individuals. There is great opportunity, with sufficient funding, for the local government partnerships to play a stronger role in implementing low-income energy efficiency strategies. To date, the utility low-income energy efficiency programs have been predominantly developed and delivered by utility staff and/or their contractors.

E. What Process Should Be Used To Update The Commission Strategic Plan?

The process that led to the development of the current *Strategic Plan*, while very resource intensive, did provide opportunity for those entities that could participate to do so. An abbreviated version of that process, with more meetings at different locations around the State, would allow local governments to more fully participate. The CPUC also should hold periodic update meetings, at which it hears from a range of stakeholders, to determine how implementation is progressing. These meetings should be held in concert with the other State agencies that are implementing California's sustainability policies.

III. CONCLUSION

For the reasons stated above, the CPUC's *Strategic Plan for Energy Efficiency* should anticipate a different framework for engaging local governments in energy efficiency and other energy planning issues.

Dated: July 31, 2008

Respectfully submitted,

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For THE LOCAL GOVERNMENT
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CERTIFICATE OF SERVICE

I, Jody London, certify that I have, on this date, served a copy of “Comments Of The Local Government Sustainable Energy Coalition On Draft Energy Efficiency Strategic Plan” on all known parties to R.08-07-011/A.08-06-004 by transmitting an e-mail message with the document attached to each party named in the official service list, and by serving a hard copy on the Administrative Law Judge.

I declare under penalty of perjury, pursuant to the laws of the State of California, that the foregoing is true and correct.

Dated July 31, 2008 in Oakland, California.



Jody London

Proceeding: A0806004 - PG&E, EDISON, & SDG&
Filer: PACIFIC GAS AND ELECTRIC COMPANY
List Name: LIST
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