BEFORE THE CALIFORNIA ENERGY COMMISSION

COMMENTS OF
THE LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION
ON FUNDING ALLOCATION PRIORITIES FOR
THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

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For THE LOCAL GOVERNMENT
SUSTAINABLE ENERGY COALITION

May 22, 2009

Introduction

The Local Government Sustainable Energy Coalition[1] ("LGSEC") appreciates this opportunity to provide input to the California Energy Commission ("CEC") on priorities for funds from the American Reinvestment and Recovery Act of 2009 ("ARRA") or "Federal Stimulus"). Members of the LGSEC have been participating in person and by web in the CEC's deliberations on this historic opportunity. We are working to develop local and regional plans that will allow local governments to expand and improve our sustainability programs, and help the State achieve its ambitious energy and climate change goals. The LGSEC has narrowed its priorities for ARRA funds to five areas:

- ♦ Resource Conservation Manager staff positions for local governments;
- ♦ Whole-house performance for middle income home owners;
- ♦ Public Interest Energy Resource demonstration and commercialization;
- ♦ AB 811 programs; and"
- ♦ Reaching beyond "shovel ready.

1. Resource Conservation Managers for local governments.

Much of the work in California to reduce the impacts of climate change is expected to occur in the energy sector, particularly through stronger implementation of energy efficiency and green building policies and programs. One of the themes of the *Energy Efficiency Strategic Plan*, as well as the *AB 32 Scoping Memo* and other State policy documents, is the need for

[1] The Local Government Sustainable Energy Coalition includes: the Association of Bay Area Governments, the Association of Monterey Bay Area Governments, the City of Berkeley, the City of Huntington Beach, the City of Irvine, the City of Pleasanton, the City and County of San Francisco, the City of Santa Monica, the County of Los Angeles, the County of Marin, the County of Ventura, the Energy Coalition, the South Bay Cities Council of Governments. Each of these organizations may have different views on elements of these comments, which were approved by the LGSEC's Board.

widespread attitudinal change on energy and climate change issues. Both documents have great expectations for local governments to lead the way to achieve energy and sustainability goals. The State will best achieve these institutional transformation goals by investing in a Resource Conservation Manager position for local governments, including school districts and other special districts.[2]

Local governments, including school districts and special districts, should be allowed to use ARRA funds to create Resource Conservation Manager positions within their organizations. Most local governments lack a funded position that is responsible for energy management, is the champion for energy efficiency in an organization, and the agent for change**.** This is particularly true for school districts (whose governance and administrative structures are separate from cities) and small cities and counties. Attachment A lists the many potential responsibilities of a Resource Conservation Manager.

Depending on the size of the government entity, it may be preferable to share the position between government entities that are in the same region. By example, several councils of government and regional energy offices have formed around the state to fulfill these duties and could become the home agency for such a position. Fostering this job category in larger government entities (i.e., counties or large population cities) or through regional offices will aid in the development of the "green" workforce; most government entities currently do not have this type of position. The CEC also can require that the government entity commit to reinvest financial savings that accrue from reduced resource consumption – kwh, therm, and gallons – in order to create a revolving "energy/green" fund for investments in conservation and efficiency,

[2] The final version of the ARRA did not include any funds for facilities improvements at schools.

and continued funding of the Resource Conservation Manager position to continue after ARRA funds expire.[3]

All local governments are facing extreme budget uncertainties right now. Even with federal stimulus funds, local property tax revenues are declining, creating gaping holes in city, special district, and county budgets. School districts, which rely on the State for nearly 80% of their funds, are seeing their revenues decrease precipitously. It is very hard in these circumstances to justify creating new positions that must come from the general fund, particularly when teachers and other key staff are being laid off. For this reason, the concept of developing the position funding through a reinvestment account is preferable as part of building a long term, sustainable program. The concept is complementary to work underway in some local governments and could be a useful process for incorporation in ARRA funds applications and terms of acceptance.

The Resource Conservation Manager concept is not new. A few regional models started with public goods charge funds and have demonstrated the effectiveness of such an approach. The Marin Energy Management Team serves as the energy manager for all the cities, school districts, and special districts in Marin County. In Southern California, the Ventura County Regional Energy Alliance provides the "institutional memory" and is a shared energy management resource for the many small and medium cities in Ventura County, as well as

[3] One very large California city that is a leader on environmental issues funds its energy officer position totally from rebates and first year savings from the energy efficiency projects it implements. The position was started from a very large rebate the City received as a result of traffic signal retrofits to LEDs. The City needed that initial funding to have two years of the energy officer position, along with about $150,000 in funds it had received to do retrofits on some fire stations and community centers -- a small amount of money. The onus is put on the energy officer to get free audits and big first year savings in order to continue in the position and doing more projects. Smaller cities individually would probably not get the amount of savings from facilities to fund an energy officer, or resource conservation maanger, position.

school districts, the community college district, and other special districts. Similarly, the South Bay Cities Council of Governments operates the South Bay Environmental Services Center to provide its public agencies with shared resources.

There are many limitations placed on public goods charge funds, however, and recently the investor-owned utilities are adding staff to build their internal local government capacity. Money would be much better spent building institutional capacity at the local government level, where knowledge and procedures will become part of the fabric of local government best practice. Furthermore, the Resource Conservation Manager should have a comprehensive, integrated perspective, not one restricted to identifying projects eligible for utility incentive programs.

Puget Sound Energy in the Seattle area has for several years offered Resource Conservation Manager services to school districts, public sector government agencies, and commercial or industrial customers. Puget Sound Energy helps fund the Resource Conservation Manager position within the organization. The participating entity must make a three-year commitment to keeping the position on staff. The Resource Conservation Manager concept is common in the Pacific Northwest, where universities have published papers on the efficacy of this role in achieving energy saving goals.

In order to use ARRA funds to create a Resource Conservation Manager position, the governing board of the public entity should have:

1. A track record of energy efficiency efforts, and/or
2. Be ready to adopt a resource conservation policy, and/or
3. A sustainability policy as a demonstration of its commitment to successfully implement a resource conservation program.

These emerging green jobs must be created within local government if the State wishes to change institutional attitudes.

2. Home Performance For Middle Income Home Owners.

At the March 16, 2009, joint workshop of the CEC and the CPUC on energy efficiency and ARRA, the CPUC staff presented the case for programs that target middle income home owners.[4] These individuals do not qualify for low-income programs, including weatherization, and yet, they do not have the money to invest in energy efficient technology, or increase their mortgage payments. Thus, based on the current economic recession, it would seem that expected market transformation will be slowed. The CEC should encourage local governments to develop programs tailored to their communities that are designed to serve moderate income home owners in order lend support to the development of green jobs that are necessary to the residential market.

Moderate income programs create an opportunity to enhance workforce training programs. The CEC can require these programs to include training for contractors. This training could occur through community college programs, through trade associations that serve contractors, through utility training facilities, or other channels. The CEC may find that the criteria it has developed for its Home Energy Rating System ("HERS") are sufficient, and could use whole-house moderate income programs as an avenue for increasing the number of certified HERS providers.

A key reason to use Stimulus Funds for local government programs focused on moderate income homeowners is the access local governments have to property owners. Because cities collect taxes, create programs for redevelopment zones, and otherwise are in regular

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[4] *Moderate Income Weatherization Efficiency Program: A test bed for coordinated interagency implementation of the "Whole Neighborhood Approach,"* Michael Wheeler, CPUC Lead Analyst, Residential Sector EE Programs, March 16, 2009.

communication with property owners, they can identify potential participants for moderate income energy retrofit programs more readily than other entities, such as utilities.

A moderate income retrofit program also provides an opportunity to tie in other energy efficiency priorities that have climate change implications, such as solar hot water heaters.

3. PIER demonstration and commercialization.

Local governments offer an ideal venue for the demonstration and commercialization of new technologies developed under the CEC's Public Interest Energy Research program ("PIER"). The CEC should allow the use of ARRA funds to install and operate demonstration projects for PIER technologies, and to help bring those products to market. Local governments also can help with deployment of products that have already been demonstrated through the PIER program. Helping new technologies move from the development phase to demonstration and deployment – long recognized as a key obstacle in making new products commercially viable – will create jobs and economic opportunities for California inventors and entrepreneurs. Examples of the kinds of projects to be funded and advanced include: approaches to Zero Net Energy ("ZNE") existing buildings through advanced technologies and integrated efficiency and renewable solutions; linking efficient water and energy use; sustainable agriculture practices; and promotion of land use and planning process that support renewable energy facilities and distributed generation opportunities.

A consideration for the CEC as it looks at how to enhance PIER demonstration and commercialization efforts is the recent experience of one local government. This entity was hopeful on the recent announcement of the CEC's RESCO (renewable energy secure communities) projects through the PIER program. However, within the application, as a city, there was a requirement to provide matching funds over several years for the project. Because this city adopts its budgets on an annual basis, it could not guarantee matching funds (either in-kind/staff or actual resources) over the term of the proposed grants. The city has resolved this issue with U.S., but was unable to reach agreement with the CEC. Without being able to guarantee the funds, the city probably would not have received the project under CEC guidelines. This city did not make a proposal, due in part to this issue. The CEC should work with local governments to address legal and regulatory issues associated with demonstrations.

4. AB 811 financing.

CEC staff and Commissioners have expressed interest in using ARRA funds to jump start financing programs under California's AB 811. The LGSEC recognizes the requirements that no more than 20 percent of energy efficiency block grant funds can be used toward establishing AB 811 programs. The CEC should allow local governments to use State Energy Program funds to further accelerate the introduction of AB 811 programs. The revolving fund nature of these loan programs, particularly when tied to requirements for installing energy efficiency measures as well as distributed renewable energy, means the Stimulus funds will continue to be available long after their initial allocation.

At several recent conferences on AB 811 programs, discussion has included that a key impediment to their introduction is the availability of seed money for the initial round of loans. Particularly in the current financial environment, local governments are finding it challenging to identify lenders for AB 811 programs, notwithstanding the strong support for these programs from State policy makers. And, absent any reports that detail the successful development and deployment of an AB 811 program, this kind of financing program is still in the early stages of implementation and therefore is not yet easily duplicated by counties and cities.

5. Reaching Beyond Shovel Ready Programs

Regional energy offices, councils of governments, and larger counties and cities are in a unique position to facilitate sustainable programs intended to be funded with the stimulus funds but requiring more time than the immediate “shovel ready” projects. Individual city and county applicants should be encouraged, required, and rewarded for working regionally to implement programs that will benefit the greater good by leveraging CPUC utility ratepayer funded energy efficiency programs and the CEC low interest public loans and technical support programs. By example, Stimulus funds could be considered part of a community revolving loan fund managed by a regional energy office/resource manager to assist small governments, business, innovative industry, and non-profit organizations in their ability to identify, implement, and fund energy projects for the long term that yield measurable energy savings. There are myriad loans, grant resources, and ratepayer utility programs available that must be leveraged with stimulus dollars to create the desired impact for more than one-time shovel ready projects. Allocating funds to such locally administered programs will also provide the flexibility necessary to more fully engage the local community and add value to a program that is vital to the economic recovery, starting at the local government level.

Conclusion

The LGSEC looks forward to working with the CEC to take maximum advantage of the opportunity provided by the Federal Stimulus package. We stand ready to assist the CEC in developing guidelines, sponsoring pilot programs, and otherwise developing systems and programs that will continue after the funds have been exhausted.

ATTACHMENT A:
Resource Conservation Manager Responsibilities

Administrative	**Technical Analysis**	**Facilities Management**
Establishing Utilities Budget	Analyzing Utility Rates	Analyzing Facility Operations from a Resource Viewpoint
Authorizing Payment of Bills	Hiring Energy Related Consultants	Operating and Maintaining Building HVAC Control Systems
Aggregating Multiple Accounts within your organization	Providing Energy and Water Reports to Executive Mgmt. or Elected Officials	Interfacing with Building Control System Data
Verifying Accuracy of Utility Bills	Performing Facility Energy and Water Audits	Proposing and Implementing Facility Operational Changes
Preparing Periodic Consumption and Utility Spending Reports	Performing Energy Efficiency and Water Project Costs/Benefits Analysis	Directly Installing Energy Projects
Collecting Utility Billing Information and "Re-Billing" internal customers	Developing Energy and Water Project Proposals	Providing Facilities Maintenance
Providing Utilities Accounts Payable/Receivable Service	**Energy Project Management**	Interacting with Facilities Maintenance organizations
Interacting with Utilities Accounts Payable/Receivable organizations	Obtaining Energy and Water Project Funding	**Energy and Water Policy**
Directly Collecting Utility Consumption and Billing Information	Contracting for Implementation of Energy and Water Projects	Developing and/or Promoting a Formal Energy and Water Policy
Automating the Collection and Use of Utility Consumption and Billing Information	Administering Energy and Water Project Contracts and Contract Payments	Directly Interfacing with Other Public Agency Officials
Providing Energy Reports to internal organizations	Conducting Monitoring & Verification of Project Results	Participating in Regulatory Proceedings (e.g. CPUC, CEC)
Identifying organizational nexus to energy/water resource issues	Creating and/or Keeping Energy and Water Project Cost/Savings History	Participating in Legislative Proceedings
	Applying for Energy Efficiency and Water Project Funding from 3rd Parties	Providing Energy and Water Policy Input on New Building and Remodel Designs