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July 21, 2009

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

RE: PG&E Advice Letter 3030-G/3487-E – Unspent Energy Efficiency Funds

Dear Energy Division:

This letter is sent on behalf of the Local Government Sustainable Energy Coalition ("LGSEC") in reference to Pacific Gas & Electric Company's ("PG&E") Advice Letter 3030-G/3487-E, which requests permission to take $40.9 million in unspent energy efficiency funds and use them to augment certain programs that are currently operating under bridge funding. LGSEC agrees that the California Public Utilities Commission ("Commission") must amend the bridge funding process, but we are not convinced that the advice letter process is the appropriate vehicle for doing so.

On June 25, 2009, LGSEC filed a *Motion to Amend Bridge Funding* in dockets A.08-07-021, A.08-07-022, A.08-07-023, and A.08-07-031. The *Motion* specifically asks the Commission to:

- Remove the cap on bridge funding and direct the contracts to extend at least six months beyond the date the 2009-2011 programs are approved;
- Recognize local governments as part of the commercial category and as such, eligible for up to 100% direct installation program approaches;
- Recognize that the Total Resource Cost may not be a valid test of cost for local government programs; and
- Reduce excessive reporting and analysis to streamline programs while retaining evaluation, measurement, and verification ("EM&V").

The *Motion* notes that during this bridge funding period, local governments also are responding to multiple opportunities created by the American Recovery and Reinvestment Act ("ARRA") of 2009, some of which include opportunities to leverage funds for energy efficiency projects, as long as they meet the primary criteria of ARRA, which are different than those employed by the CPUC and focus on job creation. Also during this bridge funding period, the reduced and inflexible budgets are diminishing the effectiveness of local government partnership programs, and not allowing us to pursue opportunities that further the goals of the Commission's *Energy Efficiency Strategic Plan*.

Against this backdrop, LGSEC offers the following observations about PG&E's Advice Letter.

1. The Advice Letter only addresses the PG&E service territory, yet local governments are located throughout the State. While PG&E is to be commended for recognizing that it has funds that can help address bridge funding challenges, this does not fix the problem statewide.

2. The Advice Letter is not clear about the criteria by which funds will be allocated. Attachment A identifies nearly $2.2 million in additional funds for "mass market partnerships," and lists in a footnote the twenty partnerships included in this category. It is entirely possible that some partnerships will receive additional funds, while others will not receive any. This is not an outcome the LGSEC endorses. The Advice Letter is not clear on the criteria PG&E will use in distributing these funds.

3. The Advice Letter is not clear about whether these additional funds will go directly to the local governments, or whether they will be used internally by the utility to hire additional utility staff. It goes without question that any additional funds should go directly to program delivery, which in turn creates jobs in local communities.

4. In choosing its allocations, it is interesting to note that PG&E intends to get 45% of additional MW and 30% of additional GWh from Codes and Standards support, using less than 2% of the budget. This quick and easy method of claiming large savings speaks to why Codes and Standards should not be mixed with resource programs. These funds might be put to better use capturing new, real, and verifiable savings or provided to the California Energy Commission for direct administration of all Codes and Standards activities in conjunction with local governments.

5. The Advice Letter includes in Attachment B "testimonial" letters in support of the need for additional funding from several vendors, most of whom appear to offer third party programs. Local Government Partnerships have experienced many of the same limitations and frustrations expressed by other program implementers in letters attached to the Advice Letter.

   The problem, however, is not simply a shortage of funds for the year. What several parties indicate in their attached letters, which was not emphasized by PG&E in the Advice Letter, is that monthly spending limits and accounting requirements have presented serious obstacles to program management and implementation. Most comprehensive retrofits, which LGSEC members strongly support, require lead time and often phased construction before completion. Partnerships implementing programs that serve the private sector are seeing countless lost opportunities because of the caution and uncertainty that prevails due to these monthly limits. This phenomenon, which the Commission and all parties are aware occurs towards the end of program cycles, is now a constant reality.

6. In addition, the monthly forecasting and new reporting and accounting mechanisms that have been put in place to accommodate monthly bridge allotments have also caused significant increases in administrative costs. It is unclear what purpose this serves, especially in light of the fact that it has been clear for months that a decision on the 2009-2011 program cycle would not be reached until late in the year. By continuing in this vein, 2009 will prove to be a banner year for excessive costs and meager energy saving results.

LGSEC supports the idea that additional funds must be made available during this bridge period. However, we are not convinced that a piecemeal approach – utility-by-utility – using different, undefined criteria in each instance will produce the optimum policy result. We urge the Commission to act favorably on the LGSEC *Motion to Amend Bridge Funding* with the knowledge that there are funds available within PG&E's service territory, and possibly those of the other utilities.[1]

Respectfully submitted,

Jody S. London

For THE LOCAL GOVERNMENT
SUSTAINABLE ENERGY COALITION

cc: Service List for A.08-07-021

[1] Southern California Edison last week submitted an ex parte notice indicating that it intends to submit an Advice Letter to allocate nearly $60 million in unspent energy efficiency funds to select programs.