BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of 2013-2014 Energy Efficiency Programs and Budget (U39M).	Application 12-07-001 (Filed July 2, 2012)
Application of San Diego Gas & Electric Company (U902M) for Approval of Electric and Natural Gas Energy Efficiency Programs and Budgets for Years 2013 through 2014.	Application 12-07-002 (Filed July 2, 2012)
Application of Southern California Gas Company (U904G) for Approval of Natural Gas Energy Efficiency Programs and Budgets for Years 2013 through 2014.	Application 12-07-003 (Filed July 2, 2012)
Application of Southern California Edison Company (U338E) for Approval of Energy Efficiency and Demand Response Integrated Demand Side Management Programs and Budgets for 2013-2014.	Application 12-07-004 (Filed July 2, 2012)

COMMENTS OF THE LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION, SAN FRANCISCO BAY AREA REGIONAL ENERGY NETWORK, AND SOUTHERN CALIFORNIA REGIONAL ENERGY NETWORK ON ATTACHMENT D OF SCOPING MEMO

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I. INTRODUCTION

As directed by the Scoping Memo, and the August 31, 2012 electronic mail ruling from Administration Law Judge Fitch, the Local Government Sustainable Energy Coalition[1] ("LGSEC"), the Southern California Regional Energy Network ("SoCalREN"), and the San Francisco Bay Area Regional Energy Network ("BayREN", collectively "government parties") submit this Response to Attachment D of the August 27, 2012, *Scoping Memo*. The LGSEC, and its members, have been active participants in the California Public Utilities Commission ("CPUC" or "Commission") proceedings on energy efficiency for many years. With the 2013-2014 Transition Period, the Commission is poised to adopt modest changes that hold the potential to increase the effectiveness of energy efficiency funds. The LGSEC has long advocated for a more meaningful role for local governments in the development and delivery of energy efficiency programs in California. The SoCalREN and BayREN are the logical extension of local governments taking leadership on energy management issues at the local level. The RENs will operate in concern with local government partnerships, complementing the work of existing programs and creating new opportunities for participation in energy efficiency.

II. RESPONSES TO QUESTIONS POSED IN ATTACHMENT D

A. Residential Programs

1. Should whole house (Whole House Upgrade Program and/or REN whole building proposals) programs direct more funding and/or marketing to "hotter" (or "hot-dry") climate zones, where homes tend, on average, to use more energy for cooling? If so, how should hotter climate zones, or an alternative geographic region of smaller or larger scale, be defined?

Whole house programs should be made available in every region equally because of energy efficiency, comfort, and indoor air quality benefits. It may be that different entities design

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[1] The LGSEC is a statewide membership organization of cities, counties, associations and councils of government, special districts, and non-profit organizations that support government entities. Each of these organizations may have different views on elements of these comments, which were approved by the LGSEC's Board. A list of our members can be found at www.lgsec.org.

and implement whole house programs to meet specific regional needs. It is possible, and no doubt desirable, to specifically target homeowners in more extreme climate zones. This can be accomplished by targeting direct mail and community outreach by zip code to homeowners in inland climate zones, and encouraging participating contractors to serve these areas. It is also important to recognize the importance of targeting hard to reach utility customers by language or geographic area. These outreach techniques have been used successfully by Los Angeles County as part of the Energy Upgrade California ("EUC") pilot programs funded through the American Recovery and Reinvestment Act ("ARRA") in the 2010-2012 program cycle.

2. As a market transformation program, does the Whole House Upgrade Program merit greater funding levels for marketing and outreach? If so, why and for how long? How should the Commission determine appropriate funding levels for this program on a statewide basis?

In selecting the SoCalREN and the BayREN to administer energy efficiency programs during the transition period, the Commission will be leveraging tens of millions of dollars of investment on the part the lead partners (Los Angeles County, the Association of Bay Area Governments) to build EUC brand awareness, train and support contractors, and develop unique marketing and outreach channels. This leverage of ARRA funding means less marketing and outreach funding is needed to continue the process of market transformation. It is critically important for the Commission to recognize and act on this unprecedented opportunity to build on a well-established market transformation infrastructure. This investment of ARRA funding and the development of exceptional program teams make the SoCalREN and BayREN uniquely qualified to continue program administration and drive demand for Energy Upgrade programs.

3. For purposes of utilizing ratepayer funds, how should "whole house" be defined?

The government parties suggest another way to phrase this might be: is it better to get a homeowner to do something as opposed to nothing? The Advanced Path program has demonstrated that a modeled approach can be beneficial and even desired for specific homes, but it is not a path that will lead to a high or sustained volume of retrofits. It is a good program, but it is not for everyone. The Basic path as introduced by the utilities was intended to be the high volume program, but in its goal to be comprehensive it proved to be too restrictive for homeowners and failed to achieve significant market penetration. The Los Angeles team developed and implemented Flex Path as an alternative to the Basic Path. Flex Path was deployed as a pilot to test market acceptance of a streamlined, flexible approach to whole house upgrades. In seven months of operation, Flex Path has received more than 1,100 applications, clearly demonstrating market acceptance of the approach and penetration of low-middle and middle income households. This is with virtually no marketing of the program, relying solely on EUC participating contractors to deliver the program. It is important to note that more than 30 percent of participating households have completed two or more Flex Path projects, clearly demonstrating that homeowners will use a simple, deemed approach to move toward comprehensive retrofits without being required to do so.

The SoCalREN has proposed to continue the Flex Path pilot during the transition period and is working with SCE to design a tiered approach that rewards homeowners for doing more comprehensive retrofits. The SoCalREN has a highly qualified consultant team in place to continue administration of the Flex Path program. The BayREN has recently launched a Flex Path program in Alameda and Sonoma Counties based on the model and success of the Los Angeles County experience.

4. Should utility multifamily programs be required to file advice letters or full applications during 2013-2014, once multifamily whole building pilots are approved?

The government parties request that there be ample opportunity for review of any modification to utility multifamily programs, and encourage the Commission to require the appropriate process to allow for stakeholder input prior to full program launch. The Commission should be mindful that the BayREN and SoCalREN Motions will, if approved in their entirety, include multifamily programs. The SoCalREN and BayREN should continue to administer their multifamily programs during the 2013-2014 transition period and the utilities should be required to submit full applications for 2015 and beyond. The Commission should preserve the opportunity to evaluate all the multifamily programs that will be offered during the Transition Period.

5. Is TURN's proposal for a cost-effectiveness test for "comprehensive" programs that include valuation of avoiding "cream skimming" through avoiding multiple contractor visits to a building site practical to implement? If so, how? What considerations should the Commission give to such a proposal?

The Basic Path program as initially launched by the utilities for the 2010-2012 program cycle is a good example of designing a program to satisfy regulators, not consumers. The Commission should consider adopting programs that will result in homeowners taking some action that leads to home performance. Not all homeowners are able or even willing to take on a whole house upgrade, and implementing programs that force homeowners to take a comprehensive approach will likely lead to poor market acceptance. Successful programs, such as Flex Path, are successful because they allow the market to provide the solution using an easy to understand, flexible approach. These programs overcome financial market barriers that represent the difference between an engaged and invested consumer and nothing. The homeowner and contractor evaluate the needs of the home together and plan the retrofit work based on priority measures and the homeowner's budget. Homeowners can make the decision to do a comprehensive retrofit today, or complete a series of retrofits over time as their budget allows. In the meantime, homeowners are being educated about home performance, contractors have repeat customers, and job creation is sustained throughout the market transformation period. The BayREN's pilot model (Alameda County) has demonstrated the importance of a full-service, hands-on Home Upgrade Advisor to this process.

6. The IOUs provided low, medium, and high participation scenarios for the Whole House Upgrade Program for 2013-2014. Which is the most appropriate scenario to approve and why?

The investor-owned utilities ("IOUs") tend to underestimate the number of retrofits that are possible in any scenario. The SoCalREN has provided participation numbers that are realistic and achievable for its Flex Path and Multifamily pilot programs. It is not in the Commission's or ratepayers' best interest to allow the IOUs to defer significant program participation for another two years. The SoCalREN and BayREN can get reasonable retrofit results while at the same time gather critically important data related to homeowner and contractor attitudes, market penetration, household income levels, preferred measure packages, financing options, incentive levels, transformative indicators, and actual energy savings.

7. Should the "Universal Audit Tool" be extended to the multifamily building sector, or should the IOUs consider usage of the multifamily tools developed with ARRA funds for this purpose (e.g., Compass Portfolio Tracker and/or Funding Finder)?

The Commission should adopt the Multifamily pilot programs proposed by the SoCalREN and BayREN, utilizing a well-established program approach for quantifying retrofit results. The SoCalREN and BayREN should continue to administer their multifamily programs during the 2013-2014 transition period, and the IOUs should be required to submit full applications for 2015 and beyond.

As the Commission considers this question, it should direct the utilities to use Information Technology ("IT") tools that are specifically developed for the multi-family sector, and consider selecting a tool to use consistently across the state. The data needs of the multi-family sector differ from single-family, particularly regarding the type of measures possible and data accessibility. For multi-family developers with portfolios across the state there will be greater market adoption of tools if there is a common platform between utilities. The tools developed with ARRA funds are customized to serve the statewide multi-family market and should be leveraged, rather than investing ratepayer funding in a separate platform. The Commission could use the SoCalREN and Bay REN Multifamily pilot programs to test the "Universal Audit Tool" as well as other IT tools and audit approaches

B. Third Party Programs

8. Utilities were requested to include effective third party programs for extension in their applications. Should the utility selections be approved?

The government parties offer no comment at this time.

9. Should the Commission approve IDEEA365 as a model for third party solicitations for the 2013-2014 transition portfolio? Why or why not?

Yes, IDEEA365 should be approved for 2013-2014. IDEEA365 provides a means to test market acceptance of emerging technologies, innovative program designs, and new and unique delivery channels. Given the elimination by PG&E of its innovator pilot program, no analog exists for local governments to bring forward new ideas mid-cycle. The Commission should direct that the utilities make IDEEA365 available to interested local governments, as well, or otherwise provide explicit direction that local governments must have an avenue to incorporate new elements and programs into their partnerships or RENs.

10. Does the IOU proposal to use IDEEA365 address the concerns raised by the Peer Review Group Report from 2009-2011?

The government parties offer no comment at this time.

C. Local Government Partnerships

11. Utilities were directed to include "successful" local government partnership programs for extension in their applications. Should the utility selections be approved?

The government parties appreciate the support from the various utilities for local government partnership programs. Ultimately, the government parties advise the Commission to approve extended partnerships. However, local government partners have questions about what is actually being proposed for their individual programs for the Transition Period.

Most local government partners submitted their proposed programs and budgets to the utilities many months ago. Those governments that operate partnership programs in PG&E, SCE, and SoCalGas service territory did not receive any information from the utilities about whether the entire program and budget, as proposed by the local government partner, is what the utility ultimately submitted to the CPUC. The work papers are not sufficiently detailed to determine whether elements have been removed from the budgets and programs the local governments submitted to the utilities. While the budgets may look acceptable, the local governments do not know if targets have been increased without notification, which would mean the operating budget actually was decreased per unit of energy saved. Furthermore, while the base budget may be the same, some local governments do not yet know the amount of the budget for extended and/or expanded programs, at least in SCE territory. In addition, commonly local government partnerships are unilaterally reduced by independent agreements executed by Utilities with third parties. This imposes not simply financial constraints, but programmatic and advance planning constraints.

For example, and based on budgeting practices of SCE and SCG, the partnership budgets included "restricted funds" that could only be spent by the IOUs to cover the costs of technical support provided by their selected third parties designated to undertake audits at local government facilities that primarily identify incentivized savings measures. The "total" allocated budget reported in the IOU filings has many nuances that impact programs and have yet to be discussed with local government partners.

In PG&E's work papers, the local government partnership budgets reflect funding for

PG&E, primarily PG&E staff, but do not indicate how much of the budget will be directed to PG&E for the partnership program. This again makes it difficult to determine there is in actuality an extension of the partnership, or whether funds are merely being directed to utility program administration. The government partners suggest that funds should be directed to program delivery, actual local government work, not just rebates or utility staff.

D. Codes and Standards

12. Should the energy efficiency savings goals related to codes and standards be revised to reflect lower new construction rates in the past few years, as suggested by SCE?

The government parties offer no comment at this time.

13. Should REN or IOU programs be permitted to incentivize measures that are only "to code" (Title 24 compliant) energy efficiency levels?

Yes, REN programs should be permitted to offer incentives for measures that are "to code." Early replacement of HVAC equipment and water heating equipment, and upgrading building shell systems is essential to market transformation for whole house upgrades and provides a substantial opportunity for energy savings and meeting the *California Long Term Energy Efficiency Strategic Plan* objectives. As there is no requirement for homeowners to bring their homes up to code voluntarily, incentives should be used to encourage investment in home performance projects that achieve Title 24 compliance or above. Otherwise, low-middle and middle income homeowners are likely to do nothing.

14. What do you feel is the appropriate role of IOUs in the arena of Codes and Standards at the local level, and how would you characterize the effectiveness of such IOU efforts and expenditures to date?

The LGSEC in its August 3, 2012 *Response* provided information on the role of the utilities in Codes and Standards work. At the local level, many local governments have adopted codes that exceed the State's Title 24 building standards. At minimum, any local government must adhere to Title 24, which becomes progressively more stringent on a regular basis. A new code is pending for adoption in 2014, within this transition cycle. The challenge is not getting local governments to adopt aggressive building codes: it is ensuring that building inspectors are adequately ensuring compliance with the aggressive code in place. LGSEC suggests that if there are great concerns about codes and standards at the local level, the Commission should consider providing funds for local building inspectors to ensure compliance with code.

Another option might be to provide a fee waiver for projects that exceed Title 24 by some predetermined minimum percentage. This is similar to the current Savings By Design program offered by the utilities, except it provides the incentive to the developer upfront through lower fees, instead of after the project is complete.[2] A fee waiver would create a shortfall for the local government, a disincentive, because permit funds often pay for local government building code staff. The Commission therefore would want to authorize the use of ratepayer funds to make up that difference for the local government. The Commission also could consider a mechanism for creating incentives for local governments to adopt and then enforce voluntary reach codes. All of these options could be provided using resources that otherwise would fund utilities to do "local code and standards work."

E. Regional Energy Network and MEA Proposals

15. What do you believe should be the primary purpose of the RENs? Various documents, including Commission decision, party comments, etc., mention delivery of programs at lower cost, filling gaps for government entities, and innovation, as examples. Please comment on the most important goals or criteria for RENs.

D.12-05-015 outlined goals for the RENs:

- Leverage additional state and federal resources so that energy efficiency programs are offered at lower costs to ratepayers;

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[2] LGSEC members note that they have heard anecdotally from developers that the time delay in receiving the incentive payment is a deterrent to some developers from using the utility programs.

- Address the water/energy nexus;
- Develop and deploy new and existing technologies;
- Address workforce training issues; and
- Address hard-to-reach customer segments such as low to moderate residential households and small to medium sized businesses. (D.12-05-015, pp. 149-150)

The Motions to Establish the BayREN and the SoCalREN identify how each REN will meet these goals.

The RENs are uniquely qualified to deliver programs that drive consumers to utility core programs. The SoCalREN proposal offers a number of unique program implementation strategies that the IOUs either cannot or will not provide. It is important to note that there is very little overlap with current IOU programs and what the SoCalREN has proposed. Contractor co-op marketing, for example, is an innovative approach to assisting contractors in scaling up their business and directly supports market transformation by allowing EUC participating contractors to leverage ARRA funding with their limited resources to promote their EUC home performance business. Los Angeles County and the Retrofit Bay Area program have also assisted contractors with advanced training, scholarships, organizing homeowner workshops, and hosting a job fair specifically aimed at the home performance industry. Both the BayREN and SoCalREN, because they are led by government entities with regional foci, can leverage those regional efforts among the 9 counties (in the case of ABAG) and numerous cities and sister counties (in the case of the County of Los Angeles) in water conservation, sustainable communities strategies, climate action and adaptation, etc. to maximize the profile, application and output of each REN's energy efficiency program, and provide other related benefits.

From the perspective of the LGSEC, our members welcome the opportunity for collaboration between RENs and existing partnerships. The LGSEC supports the RENs for the role they will play in filling gaps, realizing projects through bulk procurement and sharing of technical information, financing, and other critical services. It should be noted that many local governments already work together to share and develop programs, and create innovative solutions without the express direction and participation of the IOUs. The IOUs could be the beneficiaries of both quantitative and qualitative energy savings should they be directed to work in true partnership with local governments to develop and implement collaborative program strategies.

16. Should the BayREN and SoCalREN proposed bundled incentives for single-family or multi-family incentive offerings be available at the statewide level in 2013-2014? If so, should the REN proposed single-family bundled incentive general approach supplement or replace the current IOU Whole House Basic Path incentive?

The 2013-2014 transition period presents a unique opportunity for the Commission to test a number of different market penetration strategies and program designs. It may be in the Commission's best interest to not insist on immediate statewide consistency, but allow some variations in the REN programs to determine what works best. Program design and tools will be refined through the targeted pilot. For example, the BayREN is proposing a deemed approach for Multifamily, while the SoCalREN has proposed a modeled approach. Additionally, the BayREN Multifamily bundled measure incentive relies on the availability of technical assistance to determine the bundle of appropriate measures, and should therefore be limited to regions with this level of technical assistance in place.

The Flex Path programs may vary as well, as the SoCalREN feels it is important to test a tiered Flex Path approach that promotes more comprehensive retrofits than the current pilot program. The Flex Path program should replace the Basic Path in order to properly evaluate market acceptance. The Flex Path program, even in a tiered design, will complement the

Advanced Path program and provide the volume path that is required to advance market transformation. The BayREN has designed its program for cross-support and leveraging among subprograms, and offers a unique pilot environment for assessing and identifying productive combinations on a scale that is substantial (roughly 50 percent of PG&E's customer base), yet scalable and adaptable.

17. How many RENs are appropriate for the Commission to fund at any given time? Should there be a limit?

The number of RENs should be determined by local capacity to perform the work, local need, and the value the RENs will provide. The Commission should not establish an artificial limit on the number of RENs. The Commission and parties should be mindful that for the Transition Period, the RENs are operating as pilots. And, these two pilots have the support of several existing local government networks (i.e., councils of governments and joint power public agencies) that see the value in further leveraging activities and budgets throughout the neighboring smaller regions. Assuming they are successful and there is interest from other regions, the Commission can then evaluate whether more RENs should be authorized.

18. Should successful REN programs be scaled up to implementation at a statewide level? How and on what timeframe?

The RENs are equally capable as the IOUs in collaborating statewide for program implementation. The Commission should consider evaluating programs implemented by RENs during the Transition Period and allow the RENs to modify programs based on what works best in the marketplace. REN programs could be scaled up to become statewide in 2015 and beyond.

19. How do the REN program and portfolio offerings maximize the state's investment in efficiency in ways that are not already adequately accomplished? Which program elements, or subprograms, are the RENs uniquely positioned to offer?

The REN program and portfolio offerings maximize the State's investment in efficiency by adding substantially more breadth to the market transformation strategy than the IOU's are able to offer on their own. The RENs are more connected at the community, neighborhood, and individual homeowner level than the IOUs will likely ever be. The IOUs implement regulated energy efficiency programs. The RENs implement community-based solutions that touch homeowners in energy efficiency, comfort, and indoor air quality. Educating consumers about energy efficiency at the grassroots level is not something utilities do well, if at all. Homeowner workshops are an example of the approach taken by Los Angeles County and the Bay Area counties to community and neighborhood based outreach. These workshops connect homeowners with EUC participating contractors to learn about building science and explore the possibilities for improving the efficiency of their homes. The RENs are uniquely qualified to implement all of the programs proposed because they either offer something unique to market transformation and delivery channels, or they have demonstrated that they can simply do it better, as in the case of Flex Path.

The IOU's are, by definition, making profit on the specific ratepayer funded customer programs; in contrast, local governments offer programs on the basis of cost recovery. Local governments have the unique ability to create and implement changes in programs through a local public approval process (i.e., City Council, Board of Supervisors) that is more flexible than the IOU/Commission approval process. Thus, given the general terms and conditions of the RENs, the Commission may expect to see some activities quickly adjusted to meet market demand and respond to changing social and local economies.

20. How should the RENs be overseen?

D.12-05-015 sets out a very sensible approach to REN oversight. D.12-05-015 invited RENs to submit proposals to the Commission for its consideration, and requires the IOUs to contract with RENs selected by the Commission, with Commission Staff serving as a joint contract manager. See D.12-05-015 at Ordering Paragraphs 32-36. REN programs will be part of the portfolio of the IOU in which the REN is located and the Commission, in reviewing and approving the REN proposals and the IOUs/ proposals will ensure that the combined offerings are cost-effective, comprehensive, complementary and balanced.

Thus, in certain ways the RENs are treated much like the IOUs: they must submit defensible proposals directly to the Commission for its review and approval, rather than to the IOUs. In other ways, the RENs are treated like other components of the IOU portfolios, such as by contracting with the IOU and having the IOU serve as the fiscal agent, with Commission Staff acting as joint contract manager. As *joint* contract managers, the IOUs should act as fiscal agents, while final decisions related to program design, administration, and implementation will reside with the RENs in collaboration with Commission staff.

Having the Commission Staff actively co-manage the IOU agreements with the RENs will be very important, particularly at the beginning. IOU pleadings in R.09-11-014 and in this docket reveal IOU resistance to the formation and development of RENs. Unless the Commission Staff takes an active role in ensuring fair contract negotiations and implementation, the IOUs could use their position as contract counterparties to undermine the RENs.

a. What should be the role of the IOUs?

See above response. The IOUs should be a fiscal agent for the RENs, with Commission staff acting as a joint contract manager. The RENs need to be able to move quickly and without the constraints of IOU procurement practices that can add months to even the simplest contracting change or invoice payment. The Commission should be mindful of its own guidance on this, in D.12-05-015:

"We anticipate that the 2013-2014 programs would lead to a series of lessons learned on the appropriate level of local government administration of ratepayer-funded energy efficiency programs." (p. 148)

"Commission Staff and parties should evaluate the proposed pilots to assess which pilots may merit support by ratepayers, and *the Commission* will determine which, if any, warrant adoption. This approach is consistent with a key objective underlying the proposed pilots – to determine if local governments are in a position to plan and administer energy efficiency programs absent utility support or intervention" (p. 149, emphasis added)

b. What should be the Commission staff role?

Commission staff should take an active role in continuously evaluating REN programs. As indicated above and anticipated in D.12-05-015, the Transition Period provides an opportunity to test many unique market approaches and continuously update the market transformation strategy. Commission staff should be in regular communication with the RENs, and should make site visits to REN programs to better understand how the programs operate and the value they provide in their communities. Commission staff should also monitor IOU procurement activities with the RENs to ensure that unnecessary delays are not imposed by the IOUs that limit the effectiveness of the RENs.

c. Should these roles be different for the REN proposals than the CCA proposals?

The government parties cannot say affirmatively the most effective way for the Commission to monitor the performance of the RENs. The Commission may choose to use a similar process with CCAs that choose to administer energy efficiency funds. See also response to Question 21, below.

21. How should RENs and CCA programs be evaluated by the Commission?

The RENs should be evaluated equivalent to how the Commission evaluates other third-party program administrators.

a. Verify savings?

Savings from REN programs should be verified. The government parties are pleased that the Commission is examining how it can simplify cost-effectiveness processes, as the current process for verifying savings is time- and resource-intensive. A streamlined EM&V process, which ideally would also be less costly, will allow more resources to be directed to program delivery.

b. Measure program and administrative performance?

As indicated above, the Commission should evaluate RENs for program and administrative performance equivalent to how it evaluates other third-party program administrators. The Commission also has an opportunity in this Transition Period to evaluate the 'behavioral' elements of energy efficiency. For example, and as discussed in response to Question 21.c, the RENs could identify additional stakeholders who participated in the REN programs. This could include, among others, chambers of commerce, schools, and community colleges. There should be an opportunity for the RENs to track and report that is different from reporting by the IOUs and valuable to Commission.

c. Evaluate coordination between RENs/CCAs and IOUs?

In D.12-05-015, the Commission outlined its goals for the RENs, and the benefits they can provide. In particular, the RENs are designed to fill gaps in utility programs. The Commission should use these goals as it evaluates the RENs. Suggested criteria are provided below.

- Fill gaps in existing programs, complement (work in concert with) IOU programs

- did the REN programs/subprograms truly fill gaps, not duplicate IOU programs,
- identify the gaps filled,
- how did the REN programs work with the IOU program,
- document activities and non-savings benefits achieved

- Work with local governments that are not in a local government partnership
  - document activities, accomplishments with jurisdictions not in partnerships
  - identify additional stakeholders who participated in REN programs

- Leverage ARRA and other resources
  - did programs originated with funds from ARRA continue?
  - what other dollars/resources were leveraged, and how?

- More Cost Effective
  - Identify new programs created by the RENs
  - describe market transformation results
  - describe results created that would not have happened absent the RENs
  - compare cost-effectiveness numbers (ex-ante, ex-post)

- Identify how the RENs moved the State towards its *Energy Efficiency Strategic Plan* objectives and strategies, and complement implementation plans in the areas of:

  1) Market Transformation
  2) Residential
  3) Commercial
  6) HVAC
  7) Codes/Standards
  9) Workforce Education/Training
  10) ME&O
  12) Local Governments

22. Should the Commission authorize the use of ratepayer funds for green building certifications, as proposed by SoCalREN? If so, why, and at what level?

Yes, the Commission should authorize the use of ratepayer funds for green building certifications. Part of establishing the value proposition for homeowners to undertake energy efficiency upgrades is demonstrating that green homes increase in value at the time of sale.[3] The SoCalREN and participating BayREN local governments have successfully engaged and trained

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[3] The Value of Green Labels in the California Housing Market - An Economic Analysis of the Impact of Green Labeling on the Sales Price of a Home, Nils Kok (Maastricht University, Netherlands/University of California, Berkeley CA) and Matthew E. Kahn (University of California, Los Angeles, CA), July 2012

the real estate community to support increased property values for green homes. Training real estate brokers/agents, home inspectors, and appraisers must continue. This also is an activity in which local governments will be involved as AB 1103 is implemented and local governments implement Property Assessed Clean Energy programs for commercial properties.

Providing incentives for green building certification is a practice already established in the 2010-2012 single-family California Advanced Home Program, where a kicker incentive of 10% above base incentive is given for various green building certifications. Green building certifications such as ENERGY STAR, LEED for Homes, and GreenPoint Rated allocate a significant amount of their points to energy efficiency, and have been established to verify and communicate to consumers that a home is designed and built to use energy efficiently. Green buildings also provide benefits beyond energy savings that help address the water-energy nexus as well as other quality of life issues such as indoor air quality, which is becoming increasingly important as an issue to address in conjunction with energy efficiency measures to tighten building envelopes. Supporting green building certifications through infrastructure development and incentives should be a key tactic of the EUC market transformation strategy.

23. Should the Commission authorize scholarships for contractor trainings in the area of Whole House via the RENs (i.e., in some geographic areas of the state only)? If so, what level of subsidy is appropriate and why?

The Commission should authorize the continuation of contractor scholarships. Los Angeles County is piloting the concept of contractor scholarships to reduce the barrier of building science training costs and encourage contractors to invest in their business to support expansion of EUC. The SoCalREN proposes continuation of the Contractor Scholarship pilot in order to support contractors as they adopt EUC in their business model and scale up their business to support market transformation. Currently the Commission authorizes the IOUs to offer technical trainings at no charge to contractors; this "scholarship" may be viewed as a similar approach with more direct community connections and leveraged with other resources.

24. Is it appropriate to allocate energy efficiency funds for solar thermal for domestic hot water heating and pool heating measures (as proposed by BayREN)? Why or why not?

Yes, it is appropriate to allocate energy efficiency funds for solar thermal for domestic hot water hearing and pool heating measures. These activities contribute directly to the energy-water nexus. The ability of the BayREN to offer this cross-media program is an example of how the RENs can transcend historical compartments of demand side-programs to meet the consumer needs. Several BayREN member jurisdictions have local sustainability and climate change plans that call for greater use of solar for hot water heating. Using energy efficiency funds for this purpose is a win-win-win: the State realizes energy savings goals because less energy is used to heat water; consumers save money on water heating; and local jurisdictions bring greater service to their constituents while meeting local sustainability objectives. The RENs are aware that solar thermal measures should only receive REN incentives if they do not receive California Solar Initiative (CSI) incentives, which are also rate-payer funded. The BayREN technical assistance provider will refer projects to CSI, and will track whether a project is applying for a CSI rebate.

25. Is it appropriate to use ratepayer funds to subsidize whole house audits (as proposed by BayREN and SoCalREN)? If so, at what level and with what requirements? Would it be appropriate to approve incentives for audits only at a regional scale (via the RENs) and not statewide? Why or why not? Finally, would ratepayer-subsidized audits be scalable or not, and what might be the cost and/or participation implications be?

If the Commission has a goal to move to more whole-building approaches to energy efficiency, then the Commission must prioritize whole building audits. To the extent the Commission wishes to engage the residential sector, it will need whole house audits. Given the large amount of California's housing stock that is already built, it would be prudent to use any effective means to reach the owners of those buildings. The data provided through the audit process is one of the most effective ways to motivate consumers.

Both the BayREN and the SoCalREN have indicated their intention to pilot the approaches outlined in their applications, building on successful programs established for Energy Upgrade California using ARRA funds. Given that these programs are ready to roll now, the Commission might decide to focus incentive funds for audits in the SoCalREN and BayREN areas exclusively through the RENs for the Transition Period. As indicated in response to Question 18, above, the RENs expect their programs could be scaled statewide for 2015.

26. Should ratepayer funds be used to train contractors to market or promote whole house incentives (as proposed by BayREN) or should funds be directed to cooperative marketing for contractors or a similar area?

The Commission should authorize the use of ratepayer funds to support contractors in the early years of EUC. Both sales training and cooperative marketing are vital contractor support initiatives piloted by the SoCalREN. These types of contractor support services are necessary to attract top quality contractors to EUC and secure their commitment to driving demand for whole house retrofits.

27. What should be the reporting requirements for the RENs and MEA? Should RENs and MEA be required to comply with the Energy Efficiency Policy Manual in part or in whole? Explain why.

The Commission may choose to require the RENs and MEA to comply with the Energy Efficiency Policy Manual, recognizing that there may be a learning curve during the transition period and that Commission staff will need to be involved in working with the RENs, MEA, and the IOUs to meet the Policy Manual requirements. It is in the best interest of the Commission to assist the RENs in complying with the Policy Manual so that the Commission will have more options for program implementation in 2015 and beyond.

F. *Administrative Costs*

28. The March 23, 2012 memorandum from the Commission's Water and Audits Division to the Energy Division, noticed to the R.09-11-014 service list on August 15, 2012, states that Commission reporting requirements established in D.05-01-055 and ALJ ruling dated August 8, 2007 are inadequate for the reporting of non-IOU administrative costs in their annual reports. The report recommends that non-IOU energy efficiency administrative costs should be disclosed or reported as a separate line item in the energy efficiency Annual Reports and not co-mingled with Direct Implementation Costs. Do parties agree with this recommendation?

The government parties offer no comment at this time.

III. ADDITIONAL PROPOSAL FOR LOCAL GOVERNMENT PROGRAMS

In developing these comments, LGSEC members identified an additional challenge at the local level in realizing more energy efficiency projects in our communities. There is a gap between the costs associated with installing energy efficiency equipment and the payback period for those projects, at which time the owner is made whole. Many local governments encourage local contractors to participate in municipally-sponsored energy efficiency programs, for a number of reasons, including keeping resources within the local economy and building community-level capacity for energy management work. In many cases, contractors are small and cannot cover the financing costs for projects. At the same time, small municipalities do not have that capacity. One solution for this conundrum would be to use energy efficiency funds to help finance upfront costs associated with these projects. This would keep energy efficiency projects in the local economy, increasing local capacity for energy management and local support for these programs.

IV. CONCLUSION

There is a great opportunity in the Transition Period to more fully engage local governments and our constituents in energy efficiency, and broader energy management work that will yield great benefits to California, in terms of energy and environmental goals, and economic goals. Local government partnerships and RENs, working together and with the utilities, will expand the reach and impact of energy efficiency, building on successful programs and creating new opportunities. The Commission should approve the partnerships and the RENs for the Transition Period.

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Respectfully submitted,

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SUSTAINABLE ENERGY COALITION