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)

REPLY COMMENTS OF THE COUNTY OF LOS ANGELES TO JOINT COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY AND SOUTHERN CALIFORNIA GAS COMPANY AND COMMENTS OF SOUTHERN CALIFORNIA EDISON ON SUPPLEMENTAL INFORMATION FILED ON SEPTEMBER 5, 2012 IN RESPONSE TO SCOPING MEMO AND RULING OF ASSIGNED COMMISSIONER AND LAW JUDGE

Howard Choy, General Manager
County of Los Angeles Office of Sustainability
1100 North Eastern Avenue
Los Angeles, CA 90063-3200
Telephone: (323) 267-2006
E-mail: HChoy@isd.lacounty.gov

For the County of Los Angeles and the Southern California Regional Energy Network

September 21, 2012

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I. INTRODUCTION

Los Angeles County ("LA County"), on behalf of the Southern California Regional Energy Network ("SoCalREN") submits these reply comments which respond to the supplemental information and comments of both Southern California Edison ("SCE") and Southern California Gas Company ("SCG"). SCE and SCG state various concerns and policy positions about the SoCalREN to which we reply below.

In D.12-05-015, the Commission clearly articulated its reasoning for structuring the 2013-2014 Energy Efficiency Period as a transition period for testing new models, new roles and new administrators as mechanisms for enhanced program function and potential program modifications beginning in 2015. Moreover, the Commission recognized that over the past seven years the programmatic capacity of local governments has increased, and that the 2010-2012 Energy Upgrade California cycle has demonstrated that a number of governments have become experienced in the energy efficiency field through independent efforts initiated at the local level. Merging those concepts, the Commission recognized Regional Energy Networks ("RENs") invited direct program applications for the RENs for the 2013-14 Transition Period. This approach, as stated in the Decision, "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*" (emphasis added).[1] The Guidance Decision also states that "Desired characteristics of a regional pilot are inclusion of a

[1] Guidance Decision, page 148

broad geographical area, encompassing a variety of demographic characteristics, and depth and breadth of coverage related to energy efficiency program goals and objectives." [2]

SoCalREN, therefore, is eager to actualize the intent of the Guidance Decision through leveraging of successful American Recovery and Reinvestment Act ("ARRA") programs that are currently operating in the most populous County in California and expand them to neighboring counties and jurisdictions. Most of these programs are already being offered in other counties and cities under the current Energy Upgrade California, Los Angeles ("EUCLA") program and the Southern California Regional Energy Center ("SoCalREC") pilot program.

II. DISCUSSION OF ISSUES RAISED IN UTILITY COMMENTS

1) ***The proposed activities of SoCalREN do not duplicate current program offerings of SCE and SCG. The potential for program duplication only arises from SCE's and SCG's insistence on creating brand new programs for 2013-14 that merely imitate the proposed programs of the SoCalREN, most of which are already operating using ARRA funding.***

IOU Comment: In its comments, SCG stakes out a position that almost all of the SoCalREN program elements are duplicative with "the statewide programs" and should be removed. SCE, in its comments, states that most of the SoCalREN's Energy Upgrade California sub-program as well as Financing sub-program elements, and some of the SoCalREC sub-program elements duplicate SCE programs and should not be approved. SCG further states in its comments that "Overlapping and or competing products between the IOUs and the RENs are not in the best interest of ratepayers who are funding these programs."

[2] *Ibid*, page 149

Reply: LA County, on behalf of the SoCalREN, wholeheartedly agrees that overlapping and competing products are not in the best interest of ratepayers. The best way for the Commission to ensure that such a situation does not arise would be to approve the proposed SoCalREN scope of work which does not, in fact, duplicate any existing IOU program activities, and direct the IOUs to cease development of any new programs that will duplicate the programs that will be implemented by the SoCalREN. SCG and SCE are defining as duplicative any proposed SoCalREN program that overlaps with a proposed IOU program that has not yet been designed, developed or implemented. Most of the SoCalREN offerings, in contrast, have been underway since late 2010 and the proposed SoCalREN pilot will continue to test these offerings on an expanded regional scale. By leveraging ARRA funding, LA County has successfully launched single family and multifamily program energy upgrade programs, both of which are exceeding their goals.

LA County has repeatedly asked the IOUs from the start of ARRA-funded activities to collaborate on a plan to continue these programs beyond the ARRA program period and not waste the considerable ARRA investment. Duplication, to the extent any exists, has been created by the IOUs because they have only just recently begun serious efforts to work with the SoCalREN on merging and adapting distinct programs developed and implemented by LA County and jointly propose these programs to the Commission in order to create complementary, not duplicative or competing, programs. We agree with SCE and SCG that collaborative efforts are extremely important and necessary. With the approaching end of the comment and reply process and the frequently non-constructive rhetoric that abounds, LA County and the SoCalREN enthusiastically look forward to the very serious efforts that must be accomplished for SoCalREN, SCE ad SCG to work in concert in delivering and maximizing the unique benefits and potential of the SoCalREN.

2) ***Arbitrary limitations in the program scopes and geographical breadth of SoCalREN during 2013-14 would not serve any positive purpose nor serve the best interests of ratepayers.***

IOU Comment: SCE in its comments state that since the RENs are a "new and untested concept," it is appropriate to limit their breadth and scope, thereby ensuring that ratepayers are not exposed to undue risk from moving too quickly or too expansively on "unproven initiatives." SCG contends that REN proposals should be implemented at a pilot scale to start and that more attention needs to be paid to "properly scope a successful and prudently sized pilot program."

Reply: Although the fully expanded SoCalREN structure may be new, many of the proposed SoCalREN activities have already been piloted in 2010-2012, either through ARRA funds or SCE Flight 5.6 funds. It is therefore both feasible and reasonable for the SoCalREN pilot to broaden its offerings to the entire SCE and SCG service territories. The premise in the IOU comments that a territory-wide pilot is less likely to be successful than a geographically constricted pilot is not supported by actual experience or empirical data. No specific information supporting this opinion by the IOUs is either presented or cited in their comments. In fact, SCE in its comments states that one of the criteria for determining the scope and the number of RENs should be "equal customer access to services across the service territory".[3] The proposed SoCalREN territory-wide application would fully satisfy this key criterion identified by SCE for RENs. It would clearly be contrary to both the spirit and letter of the Guidance Decision to

[3] SCE Comments, September 5, 2012, page A-17

arbitrarily scale back the proposed depth, breadth and significant positive impacts of SoCalREN to fit the arbitrary definition of "pilot" as presented by the IOUs.

In addition, it is important to point out that in terms of the concern by the IOUs with "unproven initiatives", SoCalREN is the only entity in Southern California that is currently implementing the programs that are proposed to be continued and expanded during the transition period in 2013-14. We would respectfully contend that it is the proposed – but not yet created – IOU programs which would "duplicate" SoCalREN programs that actually constitute "unproven initiatives".

3) ***SoCalREN does not agree that all successful programs of the RENs should be incorporated into the IOU program portfolios and thereafter be implemented by the IOUs and not SoCalREN.***

IOU Comment: SCE in its comments states that if a REN pilot program is found to be successful, the Commission should then incorporate the successful elements into the IOU program portfolios.

Reply: The SoCalREN proposal is premised on the assumption that harnessing the collective capability and authority of local governments can lead to expanded energy upgrade actions and will produce greater and deeper energy savings. The Guidance Decision supports this role of local governments in the creation of REN pilots to demonstrate deeper energy savings and test potential alternative models for future program implementation, particularly the "appropriate level of local government administration of ratepayer-funded energy efficiency programs."[4] The

[4] Guidance Decision, page 147

Guidance Decision does not envision that the implementation of a program by a REN would be automatically taken over by an IOU as soon as it becomes "successful".

As stated in the Energy Efficiency Policy Manual, "Decisions on whether non-IOUs should be program implementers responsible for designing and delivering the program (rather than working to implement IOU-designed programs) should be made based on an evaluation of whether the program designs and delivery mechanisms proposed by non-IOUs are *superior* to those currently being implemented or planned for the future in achieving overall portfolio savings goals"[5] (emphasis added). The notion, therefore, that all REN pilots that are found to be successful should be automatically incorporated into the IOU program portfolios is contrary to the Energy Efficiency Policy Manual, in the absence of an objective empirical evaluation that documents how such an action would result in a *superior* outcome for ratepayers.

4) *SoCalREN's budget should not be reduced to eliminate what the IOUs incorrectly contend are duplicative programs or to discount for any remaining ARRA funding available to LA County.*

IOU Comment: SCE in its comments states that "The Commission should lower SoCalREN's funding request by $l7 million due to SoCalREN's additional funds from other sources." The reasons given by SCE are to ensure ratepayer funding is allocated effectively, and to avoid duplication of work in a given area.

Reply: SCE is referencing unexpended ARRA funds from DOE and CEC and other grant sources which are available to Los Angeles County as of August 2012. Most of these funds will be expended by July 2013 on ongoing EUCLA program and other activities, and complement,

[5] Energy Efficiency Policy Manual, Version 4.0, page 15

but do not supplant, requested SoCalREN ratepayer funding. A detailed explanation and breakdown of this funding was provided to the Energy Division in the supplemental information from LA County that was submitted on September 5, 2012.

It is patently incorrect to assume, as the IOUs have done, how much of these funds will actually remain by the time the SoCalREN contracts are executed with the IOUs and SoCalREN work has commenced in 2013, and to assume that all of these funds duplicate the budget amounts that were requested in the SoCalREN PIP. For example, SoCalREN has procured and reserved ARRA funding to provide for a Loan Loss Reserve ("LLR") applicable to municipal electric utility territories (e.g., City of Los Angeles). This LLR directly benefits SCG because financed projects in LA City will access the LLR for both electric and gas measures, an approach and benefit which cannot be replicated by the IOUs and which costs SCG and SCE ratepayers nothing. What possible purpose would an equal cut in SoCalREN funding serve for this type of leveraging?

SoCalREN has provided many pages of detail and illustrations to the Commission and the IOUs explaining the benefits that can accrue to the ratepayers by adopting the proposed SoCalREN programs that will drive greater participation in core IOU programs and incentivized measures. We look forward to a final EE Decision from the Commission that will clearly recognize the significant ratepayer benefits from leveraging the one-time infusion of resources through ARRA into Southern California, and the value from leveraging the capabilities that have been developed by LA County and other local governments for the benefit of ratepayers statewide.

5) ***SoCalREN and other approved RENs should be subject to administration, contract management, oversight and evaluation requirements that are in alignment with the***

Commission's Guidance Decision, represent reasonable and flexible best management practices and conform to relevant requirements in the EE Policy Manual.

IOU Comment: Both SCE and SCG believe that the RENs should be administered by the IOUs no different than any other program within an IOU portfolio and should be subject to the same EM&V) requirements, Energy Efficiency Policy Manual Requirements, and cost effectiveness requirements as the IOU portfolios.

Reply: LA County and the SoCalREN agree with the comments submitted by the City and County of San Francisco on this issue as follows:

> "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, RENs should largely be overseen 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 should be treated like other components of the IOU portfolios, such as by contracting with the IOU and having the IOU serve as the fiscal agent. However, consistent with D.12-05-015, the Commission Staff should act as joint contract manager and make determinations on program design and implementation issues arising during the program cycle. 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 administration, the IOUs could use their position as contract counterparties to undermine the RENs."[6]

6) ***The availability of SoCalREN services in municipal utility territories that are shared with SCG or SCE will not lead to an improper use of ratepayer funds and, if not provided, will result in an inequitable denial of SoCalREN services to many SCG and SCE customers.***

IOU Comment: SCE recommends that for the 2013-14 pilot the SoCalREN be limited in size to a few cities and counties that are jointly shared by SCE and SCG in order to ensure ratepayer funds are properly utilized to subsidize IOU ratepayers only.

Reply: Currently, all of the LA County (EUCLA) ARRA programs are also offered in municipal utility territories including LA City, Burbank, Glendale, Pasadena, Azusa, and Long Beach. ARRA grant funding has been used to ensure that IOU ratepayer funding does not support municipal utility provided services in those cities. On a going-forward basis in 2013-14, the proposed SoCalREN will provide services to all SCG and SCE customers regardless of where they reside. In the supplemental information provided to the Energy Division by LA County on September 5, 2012, it was explained how the SoCalREN will ensure that SCG and SCE ratepayer funds will not be used to subsidize a municipal utility customer project. We contend, based on our experience with EUCLA and the implementation of various pilot projects with multiple funding sources over the past three years, that it is not that complicated to keep track of different funding sources with different eligibility requirements and restrictions when implementing energy upgrade programs. In fact, the fear of misusing IOU ratepayer funds does not currently prevent SCG and SCE from implementing their programs within municipal utility jurisdictions, which begs the question of why it should be different for the SoCalREN. To make

[6] *Comments of the City and County of San Francisco on Appendix and the Supplemental Information,* pp. 6-7, September 14, 2012.

all joint IOU/municipal utility customers ineligible for SoCalREN services would not only be unfair to those customers but would ignore tremendous potential energy savings opportunities in Southern California.

7) ***Proposed SoCalREN programs are more cost-effective than similar programs proposed by the IOUs for 2013-14 and, consistent with the clear direction in the Guidance Decision, the overall SoCalREN application should not be required to meet a specific "portfolio" cost-effectiveness test.***

IOU Comment: SCG contends that the Commission should require the SoCalREN to uphold the same cost-effectiveness standard as the IOUs, i.e. an overall "portfolio" TRC of at least 1.0. SCG also claims that it's proposed WHUP programs have a higher PAC Ratio than SoCalREN's proposed Flex Path and Multifamily programs.

Reply: It is indeed curious that SCG, which manages its local government partnership programs as non-resource programs (i.e. a TRC of zero) would demand that the local government led SoCalREN, which has been fully transparent in estimating and reporting its projected TRC values, must achieve a TRC of at least 1.0. The Guidance Decision is very clear in its description of the criteria that it will use to review and consider REN PIPs, and nowhere in the stated criteria of the Guidance Decision or any subsequent rulings or memos from the Commission is there included a requirement that RENs must achieve a TRC of 1.0. Instead, the Guidance Decision describes at length the numerous non-TRC factors that it wishes to see emphasized and addressed in the REN proposals that stress deeper energy efficiency efforts and long-term market transformation strategies. Nevertheless, using ex-ante parameters for energy savings and measure costs derived from the DEER 2011 Update adopted in the Decision the SoCalREN has calculated and provided its E3 cost-effectiveness calculations to the Commission and the IOUs for their review and has timely responded to a number of subsequent detailed data requests from SCG.

In its comments of September 14, 2012[7], SCG presents a table that incorrectly lists the PAC Ratio for the SoCalREN's Flex Path and Multifamily programs as 0.76. In the supplemental E3 calculator information submitted by LA County to the Energy Division (and provided to SCG) on September 5, 2012, the PAC Ratio for gas savings of the SoCalREN Flex Path program is clearly listed as 1.89 and the PAC Ratio for gas savings for the SoCalREN Multifamily program is clearly listed as 1.53. The comparison PAC Ratio number for the SCG WHUP program is 0.75. Contrary to the SCG comments, the proposed SoCalREN Flex Path and MF programs have a much higher PAC than the proposed SCG WHUP program.

SCG correctly urges the Commission QA and EM&V consultants to undertake a careful review of all filed workpapers prior to any program approval in order to ensure that savings claims, measure costs and prospective cost effectiveness meet Commission standards. SoCalREN welcomes a careful Energy Division review of workpapers submitted by all parties and looks forward to working with Energy Division staff to determine the most appropriate energy savings assumptions for REN implemented programs.

The following sections cover the specific LA County/SoCalREN reply to IOU comments and questions on the three distinct sub-programs proposed under SoCalREN.

[7] Joint Comments by SDG&E and SCG, page 12

III. REPLY TO UTILITY COMMENTS ON SoCalREN SUB-PROGRAMS

A. *SoCalREN Subprogram A: Energy Upgrade California*

IOU Comment/Question: Is there significant program overlap between the proposed SoCalREN and SCG/SCE whole house programs and marketing activities?

Reply: SoCalREN is not suggesting that it implement programs which compete with the IOUs, but rather offers the Commission an opportunity to continue the successful EUCLA pilot as opposed to starting over with a new and wholly untested utility program design. At a time when the Commission is seeking to find innovative and cost-effective approaches to accelerate market transformation, the IOU's argument is without merit. The Commission can eliminate any overlap by simply selecting the whole house program that it deems most appropriate for the 2013-2014 transition period, or by directing SCG and SCE to work with the SoCalREN to create new joint programs that will totally eliminate any potential overlap.

The inference that the IOUs are more capable of dealing with the specific needs of the multifamily market as it relates to comprehensive whole home performance retrofits is unsubstantiated and unproven. SoCalREN actually has a fully functioning multifamily pilot already in place. SCG and SCE have no unique qualifications or track record to deliver comprehensive multifamily retrofit services. It is indeed true that the SoCalREN multifamily program incentive levels are below what was proposed by the IOUs, but it should be noted that the SoCalREN program is nevertheless fully subscribed with a waiting list of interested participants. The SoCalREN program can also be adjusted to complement the Multifamily Energy Efficiency Rebate program ("MFEER") and the Energy Savings Assistance Program ("ESAP"). The SoCalREN has repeatedly offered to work with SCG and SCE to achieve this goal, but has so far been rebuffed.

With respect to Flex Path, the operational aspects of the program continue to be mischaracterized, clearly demonstrating a failure to understand the program's fundamentals. EUC Participating Contractors have promoted the program because it works. Flex Path has attracted more than 50 EUC participating contractors to become active in the program, at least 70 percent of whom never submitted an Advanced or Basic Path application. Flex Path was designed and implemented with adherence to the same best practices that have been used in the development of prescriptive utility programs nationwide, and each Flex Path project is thoroughly documented and undergoes rigorous desktop quality assurance and random field quality control inspection by a BPI certified analyst. While Flex Path does not encourage multiple applications, it also does not limit the number of unique applications that a homeowner can submit because each separate Flex Path project must stand on its own merits in terms of energy savings. Out of more than 1,200 Flex Path projects, 30% of participating homeowners have elected to do two or more Flex Path projects simultaneously, connoting that they recognize the opportunity to undertake a more comprehensive home retrofit and choose to do so voluntarily. The Flex Path pilot is intended to test market acceptance of a simple, flexible approach that introduces homeowners to the concept of home performance and motivates them to take concrete action, as opposed to doing nothing. One of the greatest successes of the Flex Path program has been the demonstrated market acceptance by lower-middle and middle income homeowners. SoCalREN is eager to build on this success and continue increasing the number of participants in these underserved income groups where a tremendous volume of energy upgrade potential is present.

SCG also contends that, "the energy savings derived from the Flex path projects are unknown, as work papers have not been reviewed or approved to validate energy savings." This is an inaccurate and misleading statement. While the U.S. Department of Energy and California Energy Commission may not have required TRC and PAC calculations or E3 work papers to approve the Flex Path program, energy savings by home vintage and climate zone have been well documented and provided to Energy Division staff. SoCalREN has made every effort to respond to Commission requirements and data requests, and will continue to work with Commission staff to assist in their review of the Flex Path program. SoCalREN recognizes that Flex Path will require some design changes to fully align the program with Commission standards and EE policies but is confident that it would be a relatively simple transition for Flex Path to meet Commission requirements in order to continue the pilot during 2013 and 2014. SoCalREN has also been working with SCE and SCG to propose a Flex Path program that will increase the comprehensiveness of projects while still maintaining the less restrictive program participation requirements. The challenge that must be surmounted is to achieve an appropriate but reasonable level of comprehensiveness and still capture the high volume of market penetration that the Basic Path was initially intended to provide.

After discussing the technical aspects of Flex Path and Multifamily programs with Energy Division staff and consultant reviewers in early July 2012, SoCalREN revised its single family calculation methodology to create a consistent, statewide approach between the BayREN and SoCalREN. SoCalREN thanks the Commission for the opportunity to modify its methodology and provide the most current measure savings numbers that are more in line with Energy Division methodology. The assumptions and methodology used for the SoCalREN single family program submission on September 5th are aligned with the modeling methodology allowed by the Energy Division reviewer during the WHRP Basic Path development in 2009-2010. That approach allowed for modeling of individual measures and for the results to be combined appropriately to account for interactive effects between combined measures. This approach results in a more conservative analysis of the energy savings potential for the Flex Path program, as proposed by the SoCalREN, and thus lowered the TRC and PAC ratios relative to those submitted to the Energy Division in July. These SoCalREN TRC and PAC ratios, however, are still significantly superior to the ratios submitted by SCG and SCE for similar programs.

Many of SCG's assertions make reference to data that is either taken out of context or is inaccurate, and therefore negates the validity of its claims. SCG also challenges the accuracy of SoCalREN's average Flex Path project cost of $5,347 ($5,400), a figure which is supported by paid invoices on the projects approved through June 15, 2012 and which is the same set of projects that was used to determine the representative measure mix of projects in the E3 energy savings calculations. There is no reason to believe that future Flex Path projects will differ significantly from this figure in terms of average project cost.

Since June 2012, when the "snapshot" of the project measure mix of 549 completed projects and its associated average costs was established for E3 calculator development, the Flex Path program has continued to grow rapidly. There are now more than 1,200 Flex Path applications in the pipeline and 840 projects have been completed with an average project cost of $5,531.78. SCG incorrectly compares the average cost of an Advanced Path upgrade ($12,000) to that of a Flex Path project and infers that SoCalREN has underestimated average project cost. Comparing "apples and oranges" in this way is just poor analysis on SCG's part and its speculative conclusions should be disregarded.

SCG also correctly infers that SoCalREN used "replace on burnout" to support lifecycle savings when in fact the SoCalREN assumed the status of equipment at the point of upgrade would be "early retirement" and used this designation in the single family and multifamily program E3 calculations submitted on September 5th. It is clear from the SCG comments that it has not accurately assessed the SoCalREN proposal as it relates to cost effectiveness and measure savings.

Although SoCalREN is very supportive of a joint program design that capitalizes on the current Flex Path success, there is concern that requiring as many as five mandatory measures, as the IOUs are proposing, will be too restrictive and will suppress participation in much the same way as has occurred with the Basic Path. While SoCalREN appreciates the need for homeowners to engage in projects that are whole house-oriented, we would prefer to use a comprehensive walk-through audit to educate homeowners rather than offering what would appear to be a repackaged and more complicated Basic Path that would, inevitably, not be well received by homeowners or contractors.

EUCLA has done much to market EUC to homeowners, support and train contractors, and finance energy efficiency upgrades. What is really at issue is not competing program designs, but instead the lackluster performance of the IOUs in implementing EUC programs. EUCLA has already identified and implemented the program innovations that were needed, and has built a track record of program success. With the Commission's approval of SoCalREN, these programs will be continually improved and implementation will be successfully expanded to throughout Southern California.

B. *SoCalREN Subprogram B: FINANCING*

IOU Comment/Question: Should the SoCalREN's proposed financing programs not be allowed to move forward until the current statewide stakeholder process to develop new financing initiatives has been completed? Do the SoCalREN financing programs duplicate the proposed SCE and SCG financing programs?

Reply: The IOUs have no financing programs operating currently except for their On-Bill financing ("OBF") programs. It is unwise to rely on On-Bill Financing as a long-term option based on the Commission's own desire to end 0% interest, unsecured financing using ratepayer dollars for the direct support of projects. LA County through EUCLA has had a residential, commercial and public agency financing program in place using private capital for many months. These financing initiatives directly support IOU incentive measures. If duplication exists, it exists because the IOUs have not worked collaboratively to adapt these existing LA County programs as viable pilots that will satisfy their needs for the financing programs they have been directed to develop by the Commission. We agree that it is not advantageous to have competing financing offers or administrative structures. The proposed design and implementation plans for the SoCalREN loan loss reserve and revolving loan fund will therefore not duplicate any existing and continuing EUCLA programs.

C. *SoCalREN Subprogram C: SOUTHERN CALIFORNIA REGIONAL ENERGY CENTER*

IOU Comment/Question: Is the Virtual Energy Center proposed by SCG to bridge service gaps and organize resources to support local governments (both partners and non-partners) with EE projects a viable alternative to the proposed SoCalREC approach?

Response: The Southern California Regional Energy Center was funded by SCE as a Flight 5.6 pilot project in 2010 and has been operating using ratepayer and ARRA dollars since. ARRA dollars were contributed by LA County so that actual projects could be implemented and savings could be realized through what is otherwise deemed a non-resource program which provides centralized, technical services to multiple local governments. Outreach was made to SCG unsuccessfully in 2010 to solicit its participation and funding contribution so that SoCalREC projects could include gas measures.

As project successes were realized by SoCalREC, and as the concept of providing cities with needed technical support in moving projects from concept to implementation was proven, the IOU Local Government Partnerships ("LGPs") were not modified to include this type of support. The current LGP PIPs still do not show this type of support. The IOUs now claim that it was their intent all along to provide similar services thru partnership enhancements and, in the case of SCG, a Virtual Energy Center. SoCalREN has provided detailed comparison charts for both the SCE and SCG programs showing how the SoCalREC services are being utilized. We have been provided with no similar listing of detailed services from the IOUs – only assurances that such services are being planned.

The SCG Virtual Energy Center is so virtual that no specific information about what it would actually do and how it would be implemented has yet been provided by SCG. Importantly, SCE has not offered to establish a similar Center, which raises the real problem of further fragmentation of local government support services between SCG and SCE. To clarify any misunderstandings, the SoCalREC is offering services not provided by SCG. These are aggregated procurement activities, project implementation guidance documents and policy templates, Electronic Energy Management Information System training and administration, localized project tracking for GHG input, obtaining third party financing, and comprehensive technical assistance across all sectors including integrated demand side management, behavior, water-energy nexus, and other resource integration areas.

It does not make sense that an imagined and underfunded Virtual Energy Center, along with promised enhanced SCE partnership services (this despite an overall 30% cut in SCE-LGP budgets for 2013-14), is a more reasonable program approach than the SoCalREN's SoCalREC sub-program. LA County is encouraged, however, by the recent discussions it has had with both SCG and SCE to reconcile any misunderstandings regarding the SoCalREN's proposed scope of work, budget and coordination with current and proposed LGP program efforts in 2013-14.

Although the SCG comments state that the proposed SoCalREC budget is $l7.7 million as compared to the proposed Virtual Energy Center budget of $645,000, the correct figure related to the proposed SCG budget for SoCalREC is actually $2.7 million and not $17.7 million. It is true that SCG is proposing to implement its Virtual Energy Center with a budget of $645,000, and SCG goes on to state that it will offer similar resources at a significantly lower cost. In the absence of any specific budget or program services information from SCG about the Virtual Energy Center idea, it is absolutely impossible for a valid comparison of proposed services and costs between the SoCalREC and the Virtual Energy Center to be made. We certainly look forward to learning more specifics about the SCG concept so intelligent comparisons can be accurately drawn.

IV. CONCLUSION

The Commission has affirmed its support for the establishment of local government led Regional Energy Networks and a process for reviewing, approving and administering the RENs has been provided. LA County, on behalf of SoCalREN, is currently engaged in collaborative discussions with the respective IOUs (SCE and SCG) which has been very productive and is leading to elimination of confusion and misunderstanding about the proposed role of SoCalREN. We look forward to the Commission's encouragement for additional collaboration on how the REN pilots can be successfully launched in the 2013-14 transition period.

September 21, 2012

Respectfully submitted:

Howard Choy, General Manager
County of Los Angeles Office of Sustainability
1100 North Eastern Avenue
Los Angeles, CA 90063-3200
Telephone: (323) 267-2006
E-mail: HChoy@isd.lacounty.gov

For the County of Los Angeles and the Southern
California Regional Energy Network

EXHIBIT A

Support Letters from Contractors

September 18, 2012

To Whom It May Concern:

Energy Upgrade of California has provided many contractors the opportunity for growth while providing homeowners incentives to achieve greener home. As one of the major participating contractors for Energy Upgrade of California, we at Rowland Air would like to reach out and share how this program has helped our company.

Rowland Air has been a participating contractor through Energy Upgrade of California since January 2011 providing homeowners the options of the Basic and Advanced packages allowing homeowners the opportunity to obtain a rebate up to $8,000.00 (Los Angeles County) and additional savings monthly in their utility bills due to their new energy efficient home. In 2012, Energy Upgrade of California expanded their rebate options introducing now the “Flex Path” program. This program has allowed homeowners the opportunity to achieve a greener home in a more simplistic form than the Advanced or Basic package while providing homeowners rebates paid out in increments of $1,500.00.

The “Flex Path” has been an excellent program for an HVAC business like ours who offer replacement of heating and air conditioning equipment, although the process for the contractor involves a bit of extra work, this program has benefited us as a small business. With the conjunction of our sales teams’ experience & knowledge backed up with the additional incentives from “Flex Path”, we at Rowland Air have been able to expand our employee base by hiring additional technicians and installers which has increased our revenue approximately 10% year to date for 2012. Since the “Flex Path” started in the beginning of the year, we have completed approximately 86 home improvements and had provided those homeowners a combined rebate amount of over $129,000.00. Most important, we are a better company because of it. Our jobs are turning out better with a higher quality on our installation than we have done in the past. That quality shows, in our test results, photos and customer comments. So many have stated that they were very happy the found us and chose to have our company do the work the right way. This program has been a blessing for us and given us an edge in a rough economy. We are a true example of small business and government coming together to help build the economy.

More important than the success Rowland Air has had as a company, would be the success our customers have had with this program and the positive feedback we have obtained. This program has been stream-lined to eliminate the homeowner having to deal with any “test-in”/ “test-out” appointments, paperwork, and will obtain their rebate within a matter of weeks verses months. One major success project most homeowners have been able to provide an abundance of positive feedback for is their duct replacement in the home. Before starting any duct replacement projects, a California State Certified HERS rater would need to test the air leakage of the home providing Rowland Air the before percentage of air leakage; often times this percentage has been far over 50-70%. After Rowland Air has completed the job, the HERS rater would return to the home to test the air leakage of the newly replaced ducting system (Rowland Air has achieved anywhere from 4%-14% leakage on all these homes) thus providing the homeowner a sealed system decreasing their utility costs.

When homeowners call us they are unaware of the programs which are offered by the EUC. As a matter of fact, most have never heard of the EUC. We at Rowland Air take the approach that education is priority. With education homeowners can make the right decision for their family. Education starts with the understanding of city and state requirements, as in city permits and state energy inspections. Our local city claims that less than 10% of contractors pull a permit, which means an energy inspection is never completed, so homeowners never know pre and post information. Through the flex path program, we have over 86 documented and tested jobs that have been completed. With before and after photos, showing pre and post air leakage on ducting and energy efficiency rating through the Preston guide. We can prove without a doubt that doing the job the right way will save energy, cleaner air and most of all save our customers money. Most customers today are getting 4to 5 estimates for work they are looking to get completed. Homeowners are fearful of the additional expense they may accrue by pulling a permit and completing an energy inspection. We use the approach that the FP program will pay to have the job done correctly, assuring them of an upgraded heating or cooling system, high efficiency ducts, air sealing, permits and inspections. All for the same price or less than our competitors and getting a few extras thrown in. The way it works out, is the rebates basically pay the cost of doing it right. This program is truly a WIN WIN for us as contractors and the homeowner.

Now the question has come up, Why are we choosing to promote and market the “Flex Path” over the Advanced package? The answer is quite simple, the Advanced package was geared towards the idea of a homeowner wanting to conform their entire home into a “green home” in one major project, the problem with this type of option is that most homeowners (low middle to middle income households) do not have the extensive amount of funds to upgrade their entire home in one project. The “Flex Path” program allows homeowners to make energy upgrade home improvements step by step based on what is most important to them at the time.

We at Rowland Air pride ourselves on our excellent customer service and our dedication to offering our customers great services at a fair price. To ensure an outstanding level of quality assurance we have initiated a price book within our selling process to provide all customers (no matter the demographic) what the flat rate price would be. A photo album is also provided to our customers of before and after pictures to help them identify the type of work that will be completed and also show the quality of work that will be performed.

Another added bonus that Energy Upgrade of California has provided to us contractors is the opportunity for the homeowners to take advantage of the 2% financing (up to 5 years) offered from partnered financial institutions. This has helped our customers in making the important decision to upgrade their systems and make additional energy saving changes to their homes.

Rowland Air will continue to market the “Flex Path” program and energy awareness until the program funds have been depleted. Energy Upgrade of California will continue to offer these important programs to our local communities.

Lindsay Rowland

Rowland Air, Inc.
P.O. 1266
Canyon Country, CA 91386
Phone: (800) 500-9068
Fax: (661) 424-0054
www.RowlandAir.com

SUMMIT INSULATION

7159 Old 215 Frontage Road | Moreno Valley, CA 92553-7903 | Phone: (951) 656-6411

September 19, 2012

Dear Flex Path Rebate Program Administration,

I am writing this letter in response to an email we received dated September 18th, 2012 which requested we make comments and concerns on the Flex Path Rebate Program.

We have based our business in L.A. County around the Flex Path Rebate Program and is an integral part of our business model. We have found that the Flex Path Program is much easier to use than the Basic or Advanced Paths. It is much easier for our customers to understand and make a more simple decision on how to improve their home. The Basic and Advanced Paths alone require a much greater out of pocket expense to the home owner. We have found that the vast majority of our customers are in a lower income bracket and cannot afford to participate in the Basic or Advanced Path. I would dare say that without the L.A. County Flex Path Rebate Program our customers would not be able to weatherize their homes.

The lower income customer is the person who needs this work done on their home more than anyone else. The upper income person has the education, money and ability to look at different options to weatherize and improve their home. Without the L.A. County Flex Path Rebate Program I feel that the home owner that needs this most will be disenfranchised by only having the Basic or Advance Path as options to improve their home and lower their utility consumption.

In L.A. County we have several people whose job depends on the Flex Path Rebate Program. We have installers and sales representatives who will most likely loose their source of income without the Flex Path Rebate Program. We as a company would hope that we could keep them employed in other areas but it would mean that they would have to relocate out of the L.A. area.

It is our sincere hope that the L.A. County Flex Path Rebate Program stays intact. This rebate program has benefited us as a business, but most of all it has benefited our customers. We have never had a complaint from our customers concerning the performance at the L.A. County Flex Path Rebate Program. Up to this point it has been a win-win situation.

We sincerely hope that the L.A. County Flex Path Rebate Program continues for years to come. We look forward to a long and mutually beneficial relationship.

Thank You,

Rick Service

September 18, 2012

Commissioners:

This letter is to request a continuation of the (in our opinion) very successful Energy Upgrade California (EUCA) Los Angeles County Flex Path program. To date, we have submitted 47 applications with Flex Path for customers with older equipment and deficient duct systems, and hope to do at least that many by year's end. If there is an opportunity to continue this program into future years, the benefits to LA County homeowners, to EUCA certified contractors, and to the State of California would be substantial.

When the original Energy Upgrade program was rolled out, I found the barriers to entry daunting, and chose to stay out. The need to use EnergyPro software (intended for designing mechanical engineer use and not contractors), the five-week BPI training program designed by the utilities, and the complexity of the MS Excel Job Reporting Template (with 10 worksheets and 454 data cells, ALL of which required entries for the form to even be accepted for review) made the program VERY unwelcoming for contractors. The need for homeowners to wait two to four weeks before work could even begin (waiting for the pre-approval of the EnergyPro model, even if the home's air conditioning had gone out during summer's peak), and the need to tell homeowners that rebate amounts were uncertain until the "test-out" process was complete made it just as unfriendly to customers.

Flex Path avoided nearly all those pitfalls (BPI training was still required, though LA County's scholarship program provided access to training programs much shorter than 5 weeks). While the application process was still somewhat daunting, it was all done on-line with minimal use of Excel. Rebate amounts could be quoted in advance with confidence. There was no waiting period for homeowners; if they needed work to begin immediately, it could start right away.

One particular success of the program is the amount of extremely old, asbestos insulated ductwork that we've replaced. Sixteen of these leaky, toxic-wrapped systems have been abated and replaced with properly insulated, well-sealed systems. This is especially gratifying, given that most of this asbestos ductwork is in older, smaller homes occupied by less well-off residents. Without this program, most would be forced to continue living with these inefficient and unhealthy ducts delivering all their conditioned air into their homes.

We strongly urge that funding be provided to continue this program beyond its planned year-end closing date.

Sincerely,

Bob Helbing
President, Air-Tro Inc.

ECONO-WEST, INC.

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To Whom It May Concern,

This letter is in regards to the Flex Path Program that Econo West has had the pleasure of being a part of since it started early this year. There is no doubt in my mind that this program has helped so many customers acquire the proper knowledge of energy efficiency and help them upgrade their homes all while saving money. Our business was extremely impacted by this program in very positive ways, such as being able to employ over 20 men and women from administrative work to installing the new equipment. The customers we have come into contact with are definitely lower –middle and middle income homeowners who would not be able to get the necessary work completed had it not been for this program. I personally have built a relationship with almost every customer from the application process to them receiving their incentive and it gives me great satisfaction being able to educate these customers on the Flex Path Program and help them achieve what they are looking for. Econo West would absolutely support the continuation of the Flex Path Program for the future years seeing what a great success it has been for so many homeowners, installers, technicians, administrative and overall saving the energy that is excessively being lost in these customers' homes. This program is doing exactly what it was designed to do and it is an honor to be a part of this success.

Sincerely,
Amber Shaffstall
ESAP Gas Company Representative/ Flex Path Representative

SoCalRemodeling
HOME PERFORMANCE CONTRACTOR

Save Energy, Save Money, Live Comfortably.

September 12, 2012

We would like to take this opportunity to comment on the LA County Flex Path rebate program. We have been an active participating contractor with the Energy Upgrade CA and Flex Path programs since their inception.

We, like many home performance contractors, were optimistic that the Energy Upgrade CA program would have a huge impact on our business and assist in our growth. The reality has been that the Advanced path of Energy Upgrade CA has helped serve homeowners who can afford, whether through cash or available credit, to perform deep energy retrofits. Advanced path rebates are most advantageous in the 35-40% energy savings tier but require the most out of pocket to reach those savings goals. This left a void for homeowners who wanted to make energy saving improvements but could not afford to perform deep energy retrofits all at one time.

The creation of the Flex Path program has allowed that group of homeowners to reduce their energy usage, save money on monthly utility bills and have the opportunity to complete additional upgrades as their budget allows. The increased business we have experienced as a result of Flex Path has, gladly, forced us to add 2 employees to our company.

We definitely support the continuation of the Flex path for participating contractors. We are pleased to report that 100% of our customers have been satisfied with their participation in the program. As a company we are 100% satisfied with the ease of use and increased business.

If you have any questions please let me know.

Sincerely,

Valerie Evans
So Cal Remodeling Products,Inc.

5530 Schaefer Ave. Suite E Chino,CA 91710
909-902-6090 fax 909-902-9553
www.socalremodeling.com

September 19, 2012

Dear California Public Utilities Commission,

Greetings! We are sending this letter to share our experience with LA County's Flex Path program. Our company, Progressive Insulation & Windows ("Progressive") has been in business for over 30 years. We are a family-owned, full service home performance company. We are strongly committed to improving the lives of our customers and the environment by providing high quality energy efficient home improvement products and the best procedures for installation of those products.

Progressive was among the first contractors to participate in the Flex Path program back in January 2012. News of this program was a like a breath of fresh air for our sales force. From January to now we have successfully submitted many applications. Most of the homeowners going through the Flex Path program are not able to afford a full upgrade in their homes through the Basic or Advanced Path incentive programs. The Flex Path program gives these homeowners an opportunity to participate in the state-wide effort of helping the environment and reducing their carbon footprint.

With Flex Path we have definitely seen an increase in the energy efficiency projects our company performs. Extending this program beyond 2012 would be an absolute positive to our entire organization as well as a positive to many homeowners out there who are considering upgrading their homes but may not have the means of doing so.

We truly believe continuing the Flex Path program will play an important role in helping contractors create more jobs which will improve the economy and also help the environment. Flex Path has the power to motivate homeowners and contractors alike to do their part for a greener planet.

We hope you will consider extending the program. Thank you very much for your time.

Sincerely,

Steve Anderson, President
Progressive Insulation & Windows
9750 Topanga Canyon Blvd.
Chatsworth, CA 91311
818-428-6263

September 20, 2012

EUC - Flex Path
C/O California Public Utilities Commission,

Flex Path has been a tremendous help in closing sales as well as allowing us to do our job correctly. In today's economy homeowners are not upgrading and spending as in years past. That being said in today's economy there are lots of contractors low bidding and not installing to the standards that we do (as a result of the rebate funds from EUC - Flex Path available to the consumer) and they are cutting corners and looking for the quick change out (quick $$). When I go into a home I have a huge advantage being a participating contractor through EUC and I look to do what is right for the customer, and Flex Path allows me to do this. Our business profile is not about the one time sale, we are looking at the future. So by installing high efficiency energy star products matched to an installation that meets or exceeds energy star standards I know I have done my job. With the continuation of Flex Path, it will allow us to continue to push and install high efficiency in today's economy and not be forced to install minimum efficiency standards. We are all a team and all looking at the future, let's not handicapped our self's and go back to installing basic equipment. I can honestly say that without the Flex Path Rebate's we would be installing basic equipment. Our customers whether lower, middle or higher income are all conscious on what they are spending and always will look at the bottom line, and the rebates make the difference. Another great tool is the financing available at a low interest rate for long term, and Matadors Community Credit Union has been super to work with.

I just want to also take a moment to acknowledge BKI and its staff (Tyson, Drew, Jordana, Zoe). They have always all been super helpful and professional and have gone above and beyond to help me. Always quickly responding to messages or emails. I could not ask for a better team to work with to assist with flex path and allow me to offer the rebates to my customers. In the beginning all the paperwork was a bit intimidating and they worked with me to get the process down and I have now submitted over 40 projects.

A big Thanks to EUC / Flex Path and BKI, I appreciate everything this program has done for our business and very grateful to be a part of it. I look forward to continuing and working together next year.

Sincerely,

--
Allen Puig
Alps Air Conditioning and Heating Inc.
Lic# 667953
1571 S. Sunkist ste. J
Anaheim, CA 92806
Cell: 714-357-3100; Office: 714-633-8892