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 ON PROPOSED DECISION APPROVING 2013-2014 ENERGY EFFICIENCY PROGRAMS AND BUDGET

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For THE LOCAL GOVERNMENT
SUSTAINABLE ENERGY COALITION

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I. Introduction

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission ("CPUC" or "Commission"), the Local Government Sustainable Energy Coalition[1] ("LGSEC") submits these comments on the Proposed Decision of ALJ Fitch, approving programs and budgets for the 2013-2014 energy efficiency transition period. The LGSEC is encouraged by the strong support in the Proposed Decision for local governments, both for partnership programs between local governments and the investor-owned utilities ("IOUs") and for local government Regional Energy Networks ("RENs"). The LGSEC recommends the final decision:

- Clarify that the utilities complete negotiations and submit amended or new contracts to local government partners for governing board approval no later than 60 days from decision issuance;
- Provide flexibility to local government partners to determine how best to position energy audits;
- Include local governments and RENs in the development of evaluation, measurement, and verification ("EM&V") studies focused on government and REN programs.
- Establish four percent as a cap, and not an absolute spending goal, for EM&V studies.

II. Support for Local Government Programs

The Proposed Decision is notable in its strong support for local governments as innovators in delivering energy efficiency services. The Proposed Decision concurs with the proposal from the utilities to continue the local government partnership programs. The Proposed

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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.

Decision also approves the creation of two Regional Energy Networks, which will complement the work of the partnerships. This combination of programs should produce strong results in terms of the broad cultural change that is an underlying goal for the Commission and California, and the immediate push for whole building retrofits of existing buildings in every sector. The partnership programs are, in most cases, established and will continue work initiated during the 2010-2012 program cycle. The RENs will continue and build from programs established with non-IOU funding sources during the current cycle, namely funds from the American Recovery and Reinvestment Act ("ARRA"). The Proposed Decision properly emphasizes that the "partnership budgets should not be penalized to account for the REN proposals."[2] The LGSEC encourages the Commission to proceed with these local government intiatives during the Transition Period.

III. Issues of Concern

While the LGSEC supports the Proposed Decision, there are a few areas where further clarification is required, or where small changes would greatly aid the subsequent program rollout. These issues are described below.

A. Contract Timing

The LGSEC has for many years described the challenges in program delivery that occur when there are stops and starts as contracts are renegotiated as program cycles turn over. (It is our hope that during the Transition Period the Commission and parties can determine how to move to an "evergreen" model that avoids these disruptions.) Assuming the Proposed Decision is adopted at the November 8 business meeting, that leaves less than two months for contracts to be negotiated and put in place before the Transition Period commences. Opening meeting

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[2] Proposed Decision, p. 81.

requirements and government code require contracts between the utilities and local governments to obtain approval from locally elected governing boards. Because of the holiday season, many local government entities have fewer business meetings, and also very full agendas (as the Commission itself knows).

The Proposed Decision provides guidance to the utilities to finalize and sign REN contracts within 60 days.[3] We encourage the Commission to provide similar guidance for the local government partnerships. Because many of them are continuing, the Commission could direct the utilities to amend existing contracts in terms of budget, end date, and/or scope. A contract amendment can be easier to process.

The LGSEC recommends the Commission add a new Ordering Paragraph 10:

<u>Pacific Gas & Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall submit new or amended existing contracts with local governments participating in partnership programs with the utilities to those local governments no later than 60 days after the issuance of this decision, for adoption by the respective local government governing boards, as applicable.</u>

B. Availability of No-Cost Audits

Some LGSEC members are concerned about language in the Proposed Decision (p. 68) that prohibits funding of no-cost audits unless they are followed by installation of three measures. In the San Joaquin Valley, the Home Energy Tune-up Program has been successful very largely due to the no-cost feature of the audit services. The LGSEC believes the Proposed Decision's view on no-cost audits is too narrow and will stifle the kind of program innovation that local governments are trying to achieve in 2013-2014.

The LGSEC understands that there is concern over audit costs and the dialogue about cost-effectiveness of audits; our members are working to reduce that cost and drive higher

[3] Proposed Decision, p. 99.

conversion. However, the fact is that without some form of in-home, specific testing, most homeowners in the San Joaquin Valley and other economically depressed areas of the state will not take action to retrofit their homes. The 37% conversion rate from audit to retrofit that occurred in the San Joaquin Valley during the 2010-2012 program cycle was with homeowners that would otherwise not have undertaken ANY retrofits without the partnership program's testing services. The LGSEC believes that the decision on the cost for audit services should be left to the local government administering the program so that maximum homeowner program participation can be achieved, given the wide variation in local economic conditions and public attitudes toward energy efficiency that exists in the state. The final decision should allow flexibility on this issue. The LGSEC recommends the modifications below:

Add new Finding Of Fact:
Without some form of in-home, specific testing, most homeowners in the San Joaquin Valley and other economically depressed areas of the state will not take action to retrofit their homes.

Add new Conclusion Of Law:
The decision on the cost for audit services should be left to the local government administering the program so that maximum homeowner program participation can be achieved, given the wide variation in local economic conditions and public attitudes toward energy efficiency that exists in the state.

Modify Ordering Paragraph 12.
Any energy efficiency program implementer whose program is approved in this decision ~~may not offer~~ should be encouraged to offer free audits ~~unless~~ where the audit is followed by a project ~~that~~ installs~~s~~ing at least three energy efficiency measures. Local governments participating in utility partnership programs should determine whether local economic conditions support a mandatory three-measure installation, or whether other incentives will best facilitate customer participation.

C. Non-Incentive Cost Reduction

The PD at p. 91 calls for a 30% across-the-board cut in non-incentive costs. The goal is to bring the Total Resource Cost test to 1.25. Spillover effects, utility codes and standards program costs and benefits, and costs and benefits of the RENs and the Marin Energy Authority program are not included in this across-the-board cut. The LGSEC is concerned that this cut, while wellintentioned, may be too broad-based. In particular, the LGSEC is concerned that an across-the-board cut will have adverse impacts on the ability of local government partners to deliver programs.

Some LGSEC members are concerned that their Local Government Partnership budgets will bear the majority of this reduction and materially impact their ability to provide energy efficiency programming as anticipated in the submitted Program Implementation Plans. The Commission should specifically direct the utilities to not reduce Local Government Partnership budgets, so that jurisdictions can continue to make meaningful progress towards our assigned California Long-Term Energy Efficiency Strategic Plan goals. The LGSEC recommends the modifications below.

Conclusion Of Law 66:
It is reasonable to expand local government partnership budgets, as long as it is not at the expense of budgets for RENs <u>or local government partnerships</u>.

Conclusion Of Law 73:
To cover uncertainty risks associated with the prospective approval of the utility 2013-2014 portfolios, we should require the utility portfolios to achieve a TRC benefit-cost ratio of at least 1.25, before accounting for the costs and benefits of the MEA and REN programs, <u>local government partnerships,</u> spillover effects, and codes and standards advocacy costs and benefits.

Ordering Paragraph 36:
Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall reduce their non-incentive budgets for their portfolios by at least 30% and resubmit the reduced budgets in their compliance filings. The utilities shall reduce these costs without reducing the total projected energy savings from the portfolio, though individual program targets may be adjusted. <u>Local government partnership programs and the MEA and REN programs, spillover effects, and codes and standards advocacy costs and benefits are not subject to this budget reduction.</u>

D. EM&V Budget

The Proposed Decision directs four percent of the overall portfolio budget be directed toward evaluation, measurement, and verification ("EM&V") studies (pp. 57-58). The LGSEC and our members have recently appreciated the opportunity to participate in webinars sponsored by the Energy Division to discuss how to structure these studies. The LGSEC will take advantage of the informal opportunities to collaborate with the Energy Division on the focus, content, timing, and stakeholder involvement in those studies.

We also wish to take advantage of the opportunity to provide input on this for the final decision. Specifically, the Commission should ensure that studies are designed to inform future energy efficiency portfolio design and performance. Studies should rely on data to determine study direction: for example, look at energy usage across sectors to determine where there is higher or lower energy use for similarly situated customers, then look at whether the program being studied is driving those trends. As a preliminary matter, there is not consistent data available to local governments and other participants on energy usage in an usable format, something the Comission is addressing in other venues but which must be acknowledged here.

Finally, the four percent budget for EM&V should be regarded as a cap, and not a total amount that must be spent. While it is helpful to have the data from EM&V studies and related work, it may not be necessary to spend four percent of the overall budget to gather this information. In the Proposed Decision, four percent is about $67 million; even a fraction less of four percent would be significant and could be directed to actual program delivery, which LGSEC believes should be the goal for all energy efficiency programs.

The Proposed Decision directs the Energy Division to "continue the existing process of collaboration and dispute resolution between Commission staff and the utilities." (p. 57) It does not provide similar direction to consult with other entities that are designing and implementing programs for this portfolio, particularly local government partners and the RENs. The LGSEC assumes this is an oversight that can be corrected in the final decision.

IV. CONCLUSION

The opportunities presented in the Proposed Decision to change the delivery of energy efficiency are exciting. The LGSEC is encouraged by the support the Proposed Decision provides for local governments as leaders of change. With the modifications discussed above, we encourage the Commission to adopt the Proposed Decision at its November 8 business meeting.

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Respectfully submitted,

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