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 LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION ON PROPOSED DECISION IMPLEMENTING 2013-2014 ENERGY EFFICIENCY FINANCING PILOT PROGRAMS

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I. INTRODUCTION

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission ("CPUC" or "Commission"), and the direction provided by ALJ Darling, the Local Government Sustainable Energy Coalition[1] ("LGSEC") submits these reply comments on the Proposed Decision of ALJ Darling Implementing 2013-2014 Energy Efficiency Financing Pilot Programs ("Proposed Decision"). The LGSEC's members are leaders in developing and implementing financing programs that are operating today. The LGSEC participated in the August 16 workshop, and appreciates the opportunity to submit these Reply Comments.

II. RESPONSE TO ISSUES IN OPENING COMMENTS

A. Eligible Energy Efficiency Measures

The LGSEC supports the recommendation of Global Green USA[2] that a comprehensive list of all Eligible Energy Efficiency Measures ("EEEMs") be included in the Final Decision or, in the alternative, the Final Decision should set clear and expeditious timelines for a comprehensive stakeholder process that facilitates creation of an EEEM List. Other 2013-2014 Energy Efficiency Program offerings provide guidance in this area. EEEMs should be eligible for financing under all ratepayer supported financing programs (investor-owned utility and American Recovery and Reinvestment Act, or "ARRA").

The LGSEC strongly endorses the inclusion of water efficiency and conservation measures into the list of EEEMs. The California Housing Partnership Corporation ("CHPC") illustrates in its Opening Comments the necessity of including all water saving measures in order to make it feasible to finance a project.[3] Recommendations to limit this class of measures to those specifically associated with water heating are too narrow and do not recognize the energy intensity of water collection, distribution, pumping, and treatment.

B. Loan Loss Reserve Programs

The LGSEC's request for restoration in the final Decision of the Single Family loan loss reserve ("LLR") proposed by the Bay Area Regional Energy Network ("BayREN") and the

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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.

[2] *Comments of Global Green USA (Global Green) on Proposed Decision Implementing 2013-2014 Energy Efficiency Pilot Programs (Global Green Opening Comments)*, p. 8.

3 *Comments From California Housing Partnership Corporation (CHPC) On Proposed Decision Implementing 2013-2014 Energy Efficiency Financing Pilot Programs*, pp. 5-7.

Multifamily LLR proposed by the Southern California Regional Energy Network ("SoCalREN") is analogous to the Joint Utilities' recommendation[4] for a master metered multi-family pilot that could be fast-tracked to provide performance data, energy savings, and serve as a "transition strategy to move these pilots to the full program when it is made available." Specifically, Southern California Gas ("SoCalGas") seeks to "conduct early implementation and to test the functionality" of a program that could then be more effectively and efficiently scaled upward. The REN programs are similarly positioned to be scaled upward.

The Joint Utilities[5] suggest that a Single Family LLR Program might be fast-tracked pending completion of several actions, most of which have already been undertaken by local governments (as well as establishing other interdependent actions relevant to a successful Single Family LLR financing program). The BayREN Single Family LLR Program could more readily and effectively be implemented, provide performance data, and serve as a transition strategy.

In its Opening Comments, PG&E[6] recommends setting aside $5 million from the Single Family Loan Loss Reserve toward "experimental pilot design." Again, the RENs are implementing and positioned to readily implement additional residential financing programs. The LGSEC respectfully recommends restoring the REN LLR Programs denied in the PD, and to direct engagement of the RENs (in program design and implementation) in any set-aside for innovative pilot development.

PG&E[7] also appears to suggest that any project loan potentially eligible under *either* the Single Family Loan Program *or* the California Alternative Energy and Advanced Transportation Authority's ("CAEATFA") existing LLR Program (under AB X-114) must exhaust the latter before access to the CPUC ratepayer-funded program is allowed. Assuming this interpretation is correct, a review of the performance of CAEATFA's existing program raises acute concern that recent changes to this program (referred to but not articulated or defined in PG&E's Opening Comments) may not drive meaningful change in its capacity to drive market uptake.

C. Potential Transfer of Contracts

A number of parties contend that an Interagency Agreement between the Commission and CAEATFA is insufficient, on the basis that CAEATFA cannot assume or be assigned

[4] See SCG Opening Comments, pp. 19-20,
[5] See SCG Opening Comments, pp. 20-21
[6] See PG&E Opening Comments, p. iv-v
[7] See pp. (v) and 11-12

contractual arrangements negotiated or created by "a private party."[8] It is not clear whether that restriction extends to assignments of agreements created by *public* entities (local government) pursuant to procurement rules and guidelines substantially similar or identical to those that govern procurement by CAEATFA. Should the final decision not reverse the recommendation to deny the continuation with ratepayer fund of programs currently being operated by local governments, it should clarify that CAEATFA's supposed inability to assume contracts executed by others is not the reason why those local government programs would be discontinued.

D. ME&O Allocations

The LGSEC supports the Marin Energy Authority's request[9] for a share of the Marketing, Education, and Outreach allocation authorized in the Proposed Decision. MEA's proposal is well-reasoned and proportionate.

E. Implications of Federal Rules on WHEEL

The LGSEC respects the assessment and thoughtfulness behind recommendations to authorize the Warehouse for Energy Efficiency Loans ("WHEEL"). The LGSEC maintains concerns articulated in prior filings throughout this proceeding and, in addition, urges that any reconsideration of the WHEEL take into account the impact of implementation of the Dodd-Frank Act, particularly implications of the Volker Rule on bank financing under any subordinated debt structure. The Volker Rule specifically will prohibit banks from acting as both deposit banks and commodities investment banks. The system would revert back to its former and historical position: banks can serve as one but not both simultaneously. The LGSEC suggests there is a possibility that this could have an impact on Citibank's (HBC's banking partner under the WHEEL) ability to freely deal as an equity investment in WHEEL, if it also serves as a deposit bank.

III. RESPONSE TO ISSUES IDENTIFIED AT AUGUST 16 WORKSHOP

A. Program Implementation Timeline

The Workshop presentation confirmed that the CAETFA program will be operational at earliest in the second or third quarter 2014. SoCalGas and CAETFA stated at the workshop that the on-bill repayment ("OBR") and other programs will not be available until the third quarter of next year, identifying many variables and contingencies and using the phrase "best guess" countless times.

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[8] E.g., SoCalGas *Opening Comments*, p. 6

[9] Marin Energy Authority *Opening Comments*, p. 8

Some parties at the workshop suggested the financing program might benefit from additional time beyond 2014 to operate, in order to be fully implemented and have time to produce results in the market. Opening comments also support the need for additional time.[10] The LGSEC concurs that the program should not be expected to produce results by the end of 2014, rather it should begin with a realistic expectation of the amount of time needed to complete the many tasks required before it is operational. Some form of extension will likely be needed. Until the new program is fully operation, all programs commenced with funds from ARRA should continue to provide needed experience and data.

B. Master Metered Multi-Family Pilot

As described at the workshop, the Gas Company will operate a pilot program for master metered multi-family properties. This program will be restricted to 3-5 customers and ideally only a single lender. This is an extremely limited scope for a key sector of the market, and an example of an ARRA program that should be fully supported to continue. The local government multi-family programs started with ARRA funds are successfully driving upgrade incentives.

Additionally, at the workshop the Gas Company said no "cold" water measures would be accepted. Because ratepayer funds would only be used for reserves in this program, it makes no sense to restrict the inclusion of things like water measures which, under energy/water nexus studies, have electric savings impacts and are part of comprehensive building upgrades. Ratepayer funds only get "spent" if/when loans default. This is the time for the Commission to leverage credit enhancements for building comprehensiveness. Credit enhancements do not directly fund water measures.

Financing needs to be integrated into a rebate/technical assistance (“TA”) offering, not offered separately. In order for the proposed timing to work, the Commission needs to either extend the financing pilots into 2015 and also approve 2015 cycle multifamily programs, or extend the 2013-2014 multifamily programs so that projects entering into a rebate/financing/TA package in Q3/Q4 2014 have enough time to complete their roughly nine-month construction timelines.

C. Program Approval Process

At the workshop, parties discussed option for consolidating the number of advice letters

[10] PG&E *Opening Comments*, p. 3: “Given the delayed roll-out of the pilots, the PD should be revised to authorize the pilots to be operated through 2015, consistent with the Commission’s original intent. One year of operational data is insufficient to draw conclusion about the pilots.”

required to implement whatever is ordered in the final Decision. The LGSEC concurs that reducing the number of regulatory filings is desirable. The LGSEC is concerned, however, about suggestions to shorten the regulatory timelines. The LGSEC also is concerned about suggestions to move the review process to CAETFA, and to then shorten review and approval processes employed by CAETFA. This moves approval authority from the CPUC, where parties are engaged and familiar with the regulatory process and requirements, to a new venue. It also removes from the Commission its authority over ratepayer funded programs.

D. Coordination with Existing Programs

The workshop emphasized that there is a large amount of coordination that is required to successfully launch new energy efficiency financing programs, including coordination between State agencies, with utility companies, with lenders and market participants, and more. It is important to remember that there are a number of financing programs in operation right now, which programs may be able to offer lessons for CAETFA as it launches.

The Commission should provide direction to CAETFA, as the administrator, to engage with currently operating programs, to ensure that they are able to continue. D.12-05-015 and D.12-11-015 were clear that the 2013-2014 Transition Period is a time of transition. The Commission has made clear that it encourages a range of programs to see which will be most successful in reaching different market segments.[11] Local government financing programs are part of the portfolio of financing programs and should be treated as such.

IV. CONCLUSION

The Commission should acknowledge and be realistic about the range of issues to be resolved as it authorizes energy efficiency financing programs. The Commission should allow programs that are currently operating to continue during the pendency of any new programs or structures that might be authorized in a final decision, as described above and in the Opening Comments of the LGSEC. The Commission should further authorize Regional Energy Network ("REN") pilots in their full and integrated form, and support continued REN and local government contributions to the statewide energy efficiency financing programmatic objectives.

[11] For example, D.12-05-015 states: "Our intent is to have this two-year transition period enable some additional research and provide time to make more fundamental changes to the energy efficiency programs." (p. 2) and "We expect this list provides all the more reason to embark on a path to test out financing products and means of delivery, as well as utilize outside experts to help engage stakeholder input into program designs, and then to scale up successful mechanisms." (p. 97)

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Respectfully submitted,

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