BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Examine the Commission's Post-2008 Energy Efficiency Policies, Programs, Evaluation, Measurement, and Verification, and Related Issues.	Rulemaking 09-11-014 (Filed November 20, 2009).

COMMENTS OF THE LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION ON ASSIGNED COMMISSIONER'S RULING REGARDING BRIDGE PERIOD AND POST-BRIDGE PLANNING

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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 ("Commission") the Local Government Sustainable Energy Coalition[1] ("LGSEC") submits these comments on the *Assigned Commissioner's Ruling and Scoping Memo Regarding 2013-2014 Bridge Portfolio and Post-Bridge Planning, Phase IV* ("Ruling"). LGSEC appreciates the Commission taking time to consider what is needed for the bridge period. We agree with long-term direction introduced in the Ruling. We are particularly glad to see the Commission's willingness to consider a different role for local governments. These comments focus on the longer term program design and administrative issues, with particular emphasis on a proposed new model for Local Government programs.

The LGSEC engages California local governments to speak with a credible and unified voice on energy matters that help the State achieve its energy goals, while leveraging our communities' commitment to a sustainable energy future. The LGSEC has been an active participant before California's energy regulators for many years, during which time we have successfully been in dialogue with State policymakers and regulators about the increasingly important role local governments play in achieving California's energy efficiency goals. Many of the topics for which we have long advocated are considered in the Ruling, including increased use of local government programs; "evergreen," or rolling, program cycles; and cost-effectiveness tests and program goals that focus on comprehensive, whole building solutions and long-term achievements, rather than short-term, quick fixes.

II. RESPONSE TO TOPICS IDENTIFIED IN THE RULING

The LGSEC's comments focus primarily on the issue of how to better use local governments to develop and deliver energy efficiency financing and programs, and achieve the goals of California's *Energy Efficiency Strategic Plan*.

A. *2013-2014 Bridge Portfolio*

In December 2010, when the Commission first entertained the notion of an extension to the current portfolio cycle, the LGSEC urged the Commission to postpone a decision until it had

[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.

better information. [2] We also premised our support for any extension of subsequent program cycles on the ability to positively modify the portfolio development process to incorporate greater local government participation. The attention being paid now to these issues is heartening.

A crucial implementation issue of which the Commission must be mindful is the need for any bridge period to be considered an extension of the current contract. It should not be considered a separate program cycle for program administration, reporting, budget, and other purposes. It is much simpler to approve amendments to existing agreements than enter into new contracts, a lengthy and difficult process for all parties, including utilities and non-profits. Executing these contracts with the IOUs has been for years one of the most frustrating issues for local government, and other implementers. Indeed, in comments filed earlier this year the LGSEC joined with utilities and third parties in supporting an "extension" approach.[3] However, if the Bridge Year program contemplates any new administration or program implementation models, including such as those described in these comments, it is possible that new contracts may be needed. We refer the Commission also to comments we have previously submitted on the mechanics of any bridge period.[4]

B. Policy Direction for Bridge Portfolio

1. CFL Incentives

LGSEC agrees with the assessment in the Ruling.

2. Appliance Recycling

LGSEC agrees with the assessment in the Ruling.

3. Deep Retrofits through Financing

Local governments have been working for several years to identify financing tools that will best allow us to undertake more retrofits in our municipal buildings, and encourage our

[2] *Comments Of The Local Government Sustainable Energy Coalition On Assigned Commissioner's Ruling Soliciting Comments On Energy Efficiency Savings Goals And Other Portfolio Planning Matters*, p. 2, December 3, 2010*, in R.09-11-014.*

[3] *Joint Parties Reply Comments To Administrative Law Judge's Ruling Regarding 2013 Bridge Funding And Mechanics Of Portfolio Extension*, June 30, 2011. Those comments present significant agreement between utilities, third parties, and local governments on a host of implementation issues related to a bridge period and may be useful as the Commission contemplates how to structure the bridge period.

[4] See, *Comments Of The Local Government Sustainable Energy Coalition To ALJ Ruling Regarding Portfolio Extension*, June 16, 2011, in R.09-11-014.

residents and businesses to do the same. Local government activities in financing programs for both municipal buildings and private sector buildings (including residential) represent a tremendous opportunity to fill a large void in implementing more energy efficiency.

Private sector financing programs are, for the most part, ignored by the IOUs. Property Assessed Clean Energy ("PACE") programs and other programs should be jointly supported and coordinated with the IOUs; they are not. LGSEC proposes below how these financing programs may be more fully developed and implemented. Here we provide a description of the work of local governments in financing programs, both for municipal buildings and private property.

Municipal Buildings

- **CEC Low Interest, Government Loan Program**

In reviewing prior programs, perhaps the most successful option historically has been the CEC low-interest loan program. It provided the most flexibility in terms and uses. The CEC program is a revolving loan, and when the fund was all loaned out a few years ago it was suspended, leaving many local governments on a waiting list. LGSEC recognizes that this program will be augmented with funds under SB 679 (Pavley). This funding, and accessing it, will be critical for implementing greater municipal building projects.

- **On-Bill Financing**

On-bill financing through local government utility bills has proven to be useful IF the projects can meet a variety of tests for eligibility and cost effectiveness. As with most utility programs, on-bill financing programs are not consistently applied or administered, have limited applications or use, do not promote a comprehensive approach, and have no flexibility. As an example, Southern California Edison ("SCE") only makes eligible for on-bill financing measures that qualify for the utility's incentive program. Additionally, financing is only eligible for a single meter – not to a customer that may want to aggregate projects across buildings and meters.[5] Cost effectiveness (simple payback) requirements eliminate many projects. With some utilities, the entire project must be financed – using financing for a portion of the project (that meets the cost effectiveness criteria) is not allowed. Additionally, gas and electric projects must remain isolated. On-bill financing is showing some success initially with local governments but will require flexibility concessions on the part of the utilities if is to be widely utilized.

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[5] For greater detail on this, see October 3, 2011 Comments of the Local Government Sustainable Energy Coalition on Southern California Edison Advice Letter 2628-E: Request for Increased Funding for the 2010-2012 On-Bill Financing Program, letter to CPUC Energy Division.

- **<u>Third-Party or Municipal Financing</u>**

Local governments, by and large, have not utilized third-party financing that has been prevalent in the market. Very few examples of individual jurisdictions successfully utilizing lease financing, energy service company ("ESCO") financing, or municipal financing exist due to the penalty interest rates assessed against the typical size for local government borrowing, usually less than $3 million. Primarily large jurisdictions and those with dedicated, technical resources have used financing. Many local governments do not utilize financing programs because they do not have the resources to appropriately evaluate, develop, implement and administer potential projects. Often these projects are proposed to local governments under a "turnkey" solution by an ESCO or other third party; local governments typically do not have the resources to assess or determine if these are good deals for them. Getting stuck in a bad deal is a worse alternative for many local government staff than doing nothing.

Services to evaluate financing program options <u>are not</u> provided under local government partnerships. LGSEC recognizes that financing projects is key for local governments. All of the networking, sharing of best practices, and recognition and awards for individual local government success stories will not provide the vast majority of local governments with the missing resources needed to begin implementing more projects. LGSEC proposes how to address this gap later in this filing.

Private Property Financing

- **<u>Property Assessed Clean Energy - PACE</u>**

Throughout the State, PACE programs have been developed, or are under development, in response to AB 811 legislation. AB 811 authorized PACE programs. Alternative PACE administrative and financing models have evolved in response to the guidance offered by the Federal Housing Finance Authority ("FHFA"), whose guidance has effectively frozen residential PACE programs.

Residential PACE programs are still offered in Palm Desert, Sonoma County, and Placer County, using government treasury pool funds or general funds. These jurisdictions are to be lauded and congratulated for single-handedly keeping residential PACE alive and part of the national legislative conversation. Unfortunately most local governments lack an enterprise fund or sufficient general fund reserves to implement this model statewide. Non-residential PACE programs, unimpeded by the FHFA, quietly operate in San Francisco and Los Angeles County.

These programs are really considered pilots because they are cautiously designed not to raise red-flags in the commercial mortgage marketplace. Nonetheless these commercial PACE programs have the potential to deliver a widely utilized new financing model, with comprehensive energy savings potential, in a huge market sector.

Third-party administered, privately-financed residential and non-residential PACE programs are now being offered by the private sector as viable under the current regulatory and legislative climate for PACE. These programs are being offered to, and contemplated by, local governments throughout the country. To garner scale, these programs require a jurisdiction to commit all of its property owners to the single administrative model and financing source. In addition, these programs raise a number of legal and procedural questions about the property owners' obligations to their current lenders. Notwithstanding, LGSEC is aware of some jurisdictions in California that will likely be announcing adoption of these new models shortly.

LGSEC believes that the nation will find an ultimate solution for widespread adoption of PACE, whether through Executive action, a federal legislative solution, or through advancement of these alternative PACE models. Some local governments are prepared, some are preparing, and some will need help. The regional energy network model we propose would allow local jurisdictions to pool technical resources and financial opportunities. (Most local governments do not have the suggested $10 million bonding authority or scale required to achieve competitive rates in the bond market, for example.)

- **ARRA Backed Financing Programs**

Using grants from the American Recovery and Reinvestment Act ("ARRA"), several counties have developed regional financing programs for EUC packages and other qualifying projects. Several communities are working to educate regional lenders about EUC, design a loan product, mitigate lender risk, and offer competitive financing. ARRA grants in these jurisdictions are used to provide loan loss reserves or to subsidize interest rates, in programs that are specifically designed by local governments to meet lender requirements for volume, streamlined processes for initiating and filing loans, and the resources necessary to effectively administer, market, and exercise quality control and assurance. Because of the way the loan loss reserve program works, these financing programs may exist beyond the ARRA grant periods and support EUC for many years.

To create widespread use of financing in the public and private sector many tools are needed, not just PACE or on-bill financing. These regional, private financing models may develop widespread application with continuing local government and State efforts. Again, the IOUs have exhibited no interest in supporting, leveraging, or coordinating with these programs in their existing energy efficiency programs – especially where these programs support EUC.

4. Using Ex Post Numbers for Program Planning

LGSEC does not take a position on this issue at this time.

5. Water-Energy Nexus Programs

LGSEC agrees that reducing energy use in the water sector is an important area of focus. Local governments are uniquely situated to implement programs that look at both water and energy use, as many jurisdictions operate water pumping systems and have unique relationships with water districts. Many local governments in fact have already managed demand management programs, and undertake outreach and awareness of the water-energy nexus in partnership with local water districts. Providing technical resources through regional collaboration of local governments will allow for implementation of water programs that also save energy. These alliances demonstrate further the usefulness, flexibility, and comprehensive nature of local government potential to deploy diverse stakeholders under regional partnerships.

6. Increased Use of Local Government and Third Party Programs

Below we provide an approach to developing energy efficiency goals that will transition local governments away from temporary, shallow programs to fewer programs, focused on deeper retrofits, financing, and more focused marketing, education, and outreach ("ME&O"). Our suggested program design is premised on the goal in the *Energy Efficiency Strategic* Plan that by 2020, 100 percent of local governments will have access to energy management capacity, either in-house or through collaboration with neighboring jurisdictions and sister agencies, and can implement energy efficiency programs. First, LGSEC suggests how to re-design and re-align local government programs to create greater collaboration and cost effectiveness. Second, LGSEC proposes how these re-designed/re-aligned programs can be administered.

The LGSEC endorses a regional structure for local government programs that takes advantage of existing infrastructure to coordinate and grow local government energy management capacity. It is critical that local government programs be provided by either local governments or non-profit organizations that serve local governments. These trusted messengers are best able to motivate, educate, and realize economies of scale that local governments can realize when working together.

a. Local Government Program Redesign

▪ <u>The Current Program</u>

Here is how the current system works operationally for local governments. The utilities design and administer partnership programs for individual cities, counties, councils of government ("COGs"), regional joint powers authorities ("JPAs"), individual cities within COGs, and local government-related non-profits that work with individual cities or counties. Each partnership has unique IOU-dictated priorities, goals, and administrative policies for both municipal building programs and private sector programs. The utilities provide incentives, on-bill financing, limited technical assistance, limited program guidance, highly controlled and managed best practices sharing, networking, awards and recognition, and certain limited climate action planning tools. Although the menu of utility offerings is diverse, the limitations inherent in each element result in a compartmentalized approach that does not lend itself to the holistic, results-oriented approach of programs designed and implemented by local governments. Further, among utility programs there is no leveraging of existing, available local resources that one jurisdiction possesses and that may benefit others.

Noticeably lacking from the status quo are technical assistance for procuring, implementing, and performing evaluation, measurement, and verification of municipal projects; flexibility and the apparatus for rapid adjustment to refine and embolden programs; financing support; sharing of technical resources; and data necessary to assess the productivity and cost-effectiveness of programs. Current utility partnership models may be ideal for newer local government partners launching introductory programs, however, local governments with broader and deeper objectives will benefit from a new model that secures present successes and facilitates meaningful goals moving forward.

▪ <u>Local Government Opportunity</u>

Local government programs must be comprehensive and more efficient. This is not a new challenge for local governments and has been the primary focus of most local governments engaged in this work for the last several years. Local governments should be expected to adequately address and implement programs that include: marketing/education/outreach, behavioral pilots related to the goals of the *Energy Efficiency Strategic Plan*, comprehensive building retrofits, renewable resources, distributed generation, demand response, financing, and workforce development. Local governments should be expected to accomplish this in both the private sector and in municipal buildings and public agency buildings (e.g., special districts).

Comprehensive local government energy efficiency programs can be achieved through regional collaboration, including but not limited to aggregating purchases, contract mutuality, and grouping support services for marketing, outreach, and education. Among other benefits, this integration between local government partnerships avoids duplication of efforts and costs, and time slippage that stalls program progress. Implementing all these elements into programs for local governments must be done at a regional level in order to be comprehensive, cost effective, and have access to capital markets. Particularly during this era of diminished government resources, it is key that local governments share expertise and other resources. Existing utility partnerships with cities, counties, or even groups of cities or JPAs are not meeting this need.

Certain circumstances are occurring which will facilitate the transition to effective regional collaboration. Using ARRA dollars, local governments have collaborated regionally and statewide to support EUC, and in particular the State's Whole Home Retrofit program under EUC. EUC is the statewide program driving widespread and comprehensive energy efficiency. This collaboration and these programs are occurring independent of existing IOU partnerships. This infrastructure is not supported by IOU local government partnership funding and in some instances IOUs have prohibited partnership spending or activities in support of EUC. In some cases the regional infrastructure crosses IOU boundaries. These actions demonstrate the commitment of local governments to the demands of creating a new statewide economy and culture to further energy efficiency, renewable, conservation, and awareness.

Below is a list of programs and measures that local governments are implementing and administering that directly support EUC.

Incentives	Contractor Support
• $2,000 Summer Special • IOU Match • Winter Heating Special • 3rd Party Incentives • Green Building Label, Multi-Family, HVAC	• Workshops and Networking Events • Co-op Marketing • Print on Demand Materials • Home Assessment Vouchers • Loyalty Program

Workforce Development	Financing
• Training and Certification Scholarships • Technical Training - Modeling • Field Training – Hands On • Outreach Events • Diverse Business Outreach	• EUC Loan • Loan Loss Reserve • Interest Rate Buy-down • Integration of CAEATFA Financing Program • HUD Power Saver • Private Capital PACE Residential Investigation
Marketing/Outreach	Leveraged Programs
• Extensive Market Research Study • Primary Marketing Areas Developed • Community Engagement – COGs, Cities • Publicly Owned Utility Coordination • Targeted Outreach • Affiliates Programs (Retailers, HVAC contractors)	• Multi-Family Pilot • Commercial PACE • Green Building Labeling • Realtor/MLS Outreach • Modified Basic Package • Behavioral Incentive Program

Existing utility partnerships have utilized innovations developed in individual JPA and COG programs and the Local Government Energy Efficiency Strategic Planning grants (administered by SCE) to initiate a regional pilot program. This pilot will centralize some of these innovations and the necessary technical resources needed to assess, develop, procure, implement, finance, and manage municipal building retrofit projects on a regional, aggregated basis. Specifically this pilot program will deliver the following objectives across several counties in Southern California. (1) Develop energy efficiency services management plan and program documents that can be used by participating local governments in developing and implementing energy efficiency projects. (2) Develop technical programs that directly enable the delivery of energy efficiency projects in municipal buildings, including energy efficiency program implementation guidebooks. (3) Develop funding mechanisms that fill the budget gap that most local governments face in implementing energy efficiency projects. (4) Propose an organization structure and funding mechanism that ensures the long-term sustainability of these services.

- **<u>A Choice of Entities to Implement Regional Local Government Energy Offices</u>**

There is great value in formalizing regional collaboration by local governments to leverage the EUC infrastructure local governments are currently utilizing throughout the State and the existing knowledge base, technical resources, and innovations occurring in select, individual partnerships. Currently, these efforts are occurring under a variety of regional and statewide relationships as described below.

- Counties and cities are working together on EUC programs, regional financing (including PACE), and municipal building pilot projects.

- Regional JPAs are implementing IOU partnership programs, and implementing EUC programs independent of the partnerships; regional JPAs are also requesting new programs and partnership participants in an effort to expand the reach and scope of their partnerships.

- Groups of cities are utilizing third parties to implement IOU partnership programs and EUC programs.

- Third party, non-profits are also implementing and administering ARRA funded EUC programs for a variety of cities and counties throughout the State, and providing statewide administrative function for EUC marketing, education and outreach.

LGSEC proposes that these regional energy management initiatives could be replicated throughout the state and would provide the following benefits:

- <u>Regional coordination</u> for comprehensiveness, replication, and cost effectiveness – the programs should use a cooperative structure, and facilitate sharing of resources and programs between county(ies) and cities, governmental agencies, and non-profits. Further, "contract mutuality" among local governments can provide an opt-in mechanism that allows governments to link with others beyond their proximate geography, for clear, streamlined cross-regional collaboration.

- <u>Broad range of coordination</u>: the programs can facilitate Whole House Retrofits, multi-family/commercial building retrofits, PACE or other regional financing, municipal building programs and resource sharing, greenhouse gas inventories and Climate Action Planning, focused ME&O, green building ordinance programs, energy strategy in General Plans, strategic pilot programs, enhanced contractor training (marketing, finance and conservation techniques), business plans including revenue streams, technical expertise, program administration experience.

- <u>Leverage ongoing activities towards regional efforts</u>: as local governments gain experience and become more competent with energy management, regional collaboration is occurring organically, spurred by mutual interest.

b. Administration of Energy Efficiency Programs

LGSEC has described some more effective program design models for local governments. The question that arises now is: how should local government energy efficiency programs be administered? There are many challenges for local governments with the current administration of energy efficiency programs. The LGSEC has elaborated on these challenges for many years, in a range of venues and formal filings. In summary, the energy efficiency programs administered by the utilities for local governments have been structured as one-size-fits-all programs that neither meet the range of local government needs nor allow for customization to meet local priorities. The utility-administered programs have been subject to lengthy contract delays. Because the utility energy efficiency groups are organizationally separate from other utility departments, local governments have been frustrated in trying to integrate energy management options, i.e., distributed renewable generation, demand response, energy efficiency.

For the bridge period, the primary objective for local government programs administered through regional energy networks should be to implement Energy Upgrade California as a broad, statewide, energy efficiency policy. This can include workforce development; consistent rating systems and tools; behavioral programs: simple measure programs, whole home retrofits, both basic and advanced; commercial/industrial programs; municipal building programs; and an array of financing programs: PACE, loan loss reserve products, on-bill financing; inclusion of water, renewables, demand response, and distributed generation; promoting the Energy Upgrade California brand; and integrating with regional climate action planning. Moreover, regional local government programs are resourced to deploy existing stakeholder infrastructure, and discern the unique demographic, cultural and socio-economic distinctions among regions. These capacities – unique to partnerships formed by local governments – promise greater, faster, and more durable momentum for future energy efficiency, conservation, and awareness goals.

A regional structure for local governments will lessen programs and complexity. It will consolidate what are currently dozens of local government partnerships to regional programs. Within regions, there may be existing successful programs that will continue through the proposed evergreen clause. The Commission has several options it could adopt to administer local government programs on a regional level. The programs could be administered through a single, statewide entity;[6] the regional programs could be self-administered (a regional partner

[6] If the Commission elects a single-administrator model, any centralized administrator moving forward should be a discrete agency or consultant team, selected through competitive means, that is dedicated exclusively to the program's management. This approach will ensure that oversight, administration and management of the program will be executed in a timely, responsive, and supportive fashion.

could be an administrator with the Commission as well as a program implementer, as the utilities are now). Third parties selected by the Commission could administer the regional programs. Another options would be for the IOUs to continue to administer the regional programs, however, local governments would insist on significant changes in the way programs are currently administered were this to occur. Our recommendation is to use existing local government entities to administer programs, taking advantage of existing expertise, capacity, and relationships to create significant value for local governments based on other local government's experience, which will drive much greater overall local government participation.

Selecting entities to administer regional networks, and indeed identifying those regions, may be challenging. In Attachment A we provide recommended characteristics and capabilities of a regional energy network administrator. In sum, this organization must display the characteristics of regional collaboration above, or exhibit a commitment to achieve them. The previously described, existing infrastructure of local government resources and organizations already in place can be leveraged to achieve this

We recognize that there may be a few areas where local governments are satisfied with the status quo. There may also be a few areas where no regional leadership is in place currently, although we think that is rare. In those instances, if the Commission wishes to continue the status quo, it should do so. This should be the exception, however, not the norm.

The LGSEC recognizes that local government programs must be cost-effective and accountable for results. Regional energy management networks should operate toward long-term goals and objectives, and integrate topics such as:

- *Strategic Plan* objectives, including local governments having in-house energy management expertise, provided by the regional office to other public agencies;
- Development of market transformation indicators;
- Expanded contractor skill sets that include marketing, financing, knowledge of energy efficiency co-benefits, and personal behaviors that increase energy conservation;
- Regional climate action planning milestones and preparation for implementing SB 375;
- Development of new programs;
- Financing objectives, metrics;
- Penetration and use by all members in a region;
- # of projects and energy savings.

7. Lessening Number and Complexity of EE Programs

The regional structure for local government programs proposed above will help decrease the number and complexity of local government programs, while allowing regional personalization. Fundamentally we ask: Does it make sense to leverage existing local government infrastructure and resources that existed before or were put in place using ARRA dollars? Shouldn't local governments share effective resources in a region rather than be expected to derive them individually? Is a single, comprehensive regional program infrastructure more effective in delivering results, and more cost effective, than multiple partnerships in a region? Why can't regional partnerships be comprehensive and cover all of the opportunities discussed in this filing?

Additionally, in considering how to lessen the number and complexity of energy efficiency programs, we submit that streamlining the complex processes that local governments have to go through now in order to participate in energy efficiency programs would go a long way to remove barriers to participation. This would in turn to lead to installation and completion of projects that support the partnerships and the *Energy Efficiency Strategic Plan*. Restructuring application paperwork, shortening the time it takes to schedule pre/post inspections (58 business days currently with at least one utility) and receive IOU savings calculations, the time local governments wait for access to their own customer data, etc. are important components to lessening the number and complexity of energy efficiency programs, and should be addressed during the bridge period.

III. Scope for Phase IV

A. Evergreen Option

The LGSEC has been recommending an evergreen option for local government programs since at least 2009.[7] We strongly support the suggestion in the Ruling to "evergreen" programs that demonstrate cost-effective energy savings, with an emphasis on comprehensive savings that will persist over time, and/or provide market transformation benefits. We have long advocated that local government programs should be automatically declared evergreen, with cyclical review to test benchmarks and performance.

[7] *Comments Of The Local Government Sustainable Energy Coalition On Amended Utility Applications For 2009-2011 Energy Efficiency Programs*, pp. 13-14, April 17, 2009, in A.08-07-021, et al.

B. Cost Effectiveness

The LGSEC has not been actively involved in the discussions about the structure of cost-effectiveness tests. We agree that the current metrics are leading us to short-term projects and programs. We are very supportive of simplifying the metrics and applying goals that will facilitate comprehensive programs. LGSEC finds the current structure fundamentally flawed when such an emphasis is being place on financing – presumably as a tool for getting more building projects implemented – even for projects that may have longer-term paybacks. And yet the Total Resource Cost Effectiveness test determines cost effectiveness based on the project costs and savings generated. Many projects may get implemented where they never would have before, if financing were to become available.

The Commission has commented on concerns about the cost-effectiveness of EM&V. We agree that the current system based on samples and interviews is labor intensive. One option would be for the Commission to leverage the ongoing installation of smart meters to implement an EM&V protocol based on direct evidence. The EM&V protocol could link public records such as building permit and tax assessor data with pre- and post- energy use information, thereby providing much more timely, robust, and useful information for the Commission, utilities, local governments, and customers. This process can automate much of the EM&V process, thereby freeing up resources to focus on additional energy efficiency implementation rather than lesser value added activities.

IV. PROGRAM GUIDANCE FOR BRIDGE PERIOD PORTFOLIO

As indicated earlier, the Commission should use the bridge period to pilot the administrative structures it intends to put in place when the next program cycle begins. For local government programs, the Commission should work with local government representatives, including LGSEC, to identify the existing government-focused entities that are prepared and qualified to take on the coordinating role described in these comments. This activity should occur over the next six months, in preparation for the bridge period. During the bridge period, the Commission can work with the regional energy management networks to refine the structure and ensure the programs are achieving their goals.

V. PROCESS REFORMS TO TAKE EFFECT AFTER BRIDGE PERIOD

LGSEC urges the Commission to begin now developing the process and administrative reforms that will be in effect after the bridge period. We have laid out a model for local government programs that will take time to implement. We suggest the Commission use the bridge period to test and refine this model for local governments. To the extent the Commission is undertaking similar modifications in other areas, the bridge period provides an ideal opportunity to pilot them.

VI. RECOMMENDED IMMEDIATE NEXT STEPS

The Commission should confirm in the next several months the duration of the bridge, and any short-term modifications. It might be useful for parties and the Commissioners to hold an all-party meeting, and/or workshops, in the near future to explore the many ideas that will be brought forward in response to the Ruling. The Commission also should lay out its vision for the structure and administration of energy efficiency programs in the longer term, when the next program cycle begins. During the bridge period, the Commission should convene working groups to develop implementation plans. The Commission also should authorize some programs to begin operating under newly envisioned administrative structures on a pilot basis, so we can learn from our experiences before the next cycle starts. There is no reason the Commission cannot authorize the commencement of evergreen programs during the bridge period.

VII. CONCLUSION

The bridge period provides the Commission with a prime opportunity to pilot new administrative structures. The Commission should identify its administrative goals for the next program cycle, and set in place the systems and processes during the bridge period to move to those priorities. In terms of local governments, the most effective way to increase local government participation in energy efficiency and related sustainability initiatives is to build on existing expertise and peer relationships, realizing economies of scale that come through collaboration. Encouraging local governments to continue the collaboration that has taken hold in California as a result of programs funded by ARRA is critical to maintaining momentum. Local governments are developing financing programs, collaborating with community organizations and private sector participants, and most importantly working with one another to implement projects. Most local governments do not have the resources or expertise to take on this work; encouraging local governments to share resources, without the filter and additional administrative costs and structures of the utilities, is the most effective way to achieve the *Strategic Plan* goal of 100% local government capability with energy management by 2020.

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For THE LOCAL GOVERNMENT
SUSTAINABLE ENERGY COALITION

ATTACHMENT A

Qualities and Capacities for a Regional Energy Administrator

History of success:

- in large-scale program management encompassing government, private, and institutional stakeholders.
- as a convener of multiple agencies and parties in large-scale, complex initiatives.
- in administration of multi-agency programs.
- in administration of regional/statewide programs with both uniform and customized programmatic elements.
- in program development relating to energy, sustainability and/or climate action goals.

Knowledge and expertise of:

- energy efficiency and renewable energy strategies, measures and technologies.
- state energy policy, regulation and compliance processes.
- energy efficiency and renewable energy financing options, from public, utility, private equity and alternative sources

Demonstrable capacity to:

- provide energy management services to public agencies including cities, counties, school/water/other special districts.
- develop and administer programs/projects targeting public sector facilities, as well as community-wide programs with a jurisdictional component (e.g., PACE, Energy Upgrade California).
- develop and administer regional financing programs for public and private sector buildings.
- prioritize effective project implementation including technical assistance, project scoping, financing, procurement support and oversight, and ex-post project monitoring & evaluation.
- be situated to maximize existing, IOU-funded local government partnerships (without replacing them) and individual city/county energy resources; there could be up to six regional centers that provide these services to achieve statewide coverage.
- seek to develop programs over time that can recover costs and minimize requirements for ratepayer funding where feasible.

History of successful private-public partnerships

Successful project and program partnerships with local governments, agencies, COGs, districts, JPA-based organizations and non-profit

Internal systems and capacity(ies) for contract, budget and scheduling administration of multi-party projects and programs

Internal systems or capacity for website development and maintenance, shared portal sites, and electronic management of documents

Capacity and resources for reliable, responsible and timely review (of program manager requests, program & budget adjustments, etc.)

Improved, streamlined processes, removing barriers to participation and implementation of programs (i.e. consistent turnaround/response times, access to data, paperwork, accurate technical support, etc.)

Compatibility with local government processes (i.e. City Council approval process, annual budget process, etc.)

Administrator(s) should be overseen by elected officials or a board of directors with representation from public agencies.