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).

REPLY 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 reply comments on the *Assigned Commissioner's Ruling and Scoping Memo Regarding 2013-2014 Bridge Portfolio and Post-Bridge Planning, Phase IV* ("Ruling"). The opening comments, submitted November 8, show a wide range of opinion about the issues identified in the Ruling. The areas of greatest agreement among the parties are support for the proposed bridge period and modifications to cost-effectiveness tests. Beyond that, the Commission finds a range of opinion. Not surprisingly, the investor-owned utilities ("utilities") are generally in favor of tweaks that leave the utilities firmly in the administrative role. Other parties suggest that there is value for California in different approaches to energy efficiency programs that will lead to more innovation in delivering energy savings. The Commission must remain open to looking at different ways to achieve its energy efficiency goals.

II. Support for Revising Non-Utility Programs, Particularly Local Government and Third Party Programs

The Ruling solicited parties' views on how local government and third-party programs should be treated in the bridge period. It also asked parties to consider reforms to the energy efficiency process beyond the bridge period. Not surprisingly, parties' opinions on these topics vary widely. LGSEC continues to advocate that during the bridge period, the Commission should pilot a different approach to local government programs. The goal should be for the next program cycle a regional structure for local government programs that takes advantage of existing infrastructure to coordinate and grow local government energy management capacity.

[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.

LGSEC's opening comments detailed how existing utility partnerships with local governments are not meeting the needs and allowing full use of the capability of all local governments.

LGSEC suggests that the Commission step back and consider what it means when it talks about the "energy efficiency portfolio." The critical question for the Commission to answer is who controls the portfolio: the Commission, or the utilities? We suggest that it is the Commission that controls the portfolio and determines the policy objectives. The Commission has provided great autonomy to the utilities in determining how to achieve those objectives. The diversity of opinion on the question of energy efficiency administration should signal to the Commission that there is room for improvement, and change, in this area. That is the basis of LGSEC's proposal for a regional, government-led approach for local government programs.

LGSEC is not advocating for a complete separation of the utilities from the administrative process. We concur with the California Center for Sustainable Energy ("CCSE") when it proposes a flexible approach, based upon collaboration among equals in each region of the State. LSGEC agrees with The Utility Reform Network's ("TURN") impression that local government partners and third parties have been constrained by the utilities in implementing more innovative and creative market strategies and program designs.

LGSEC commends PG&E's willingness to explore new options and opportunities for collaboration with local government and third parties. Unfortunately, not all the utilities are as willing as PG&E to consider different approaches. SCE interprets the Commission's call for consideration of greater local government and third party administered programs as a request for how local governments can deliver programs that are developed and administered by the utilities, where "administration" is defined as planning, management, and oversight. LGSEC maintains that utility design, management and administration of local government programs need an overhaul. We would hope SCE is willing to consider changes as PG&E has volunteered. We observe that the utility responses on this issue are evidence of their different approaches and institutional mindsets. This is another reason that a statewide approach to local government energy efficiency programs, delivered through regional local government networks, is much better suited to the local government sector.

The Joint Utilities propose expanding a pilot to develop a "formal Energy Virtual Center" focused on local government services. This sounds quite similar to the regional model LGSEC advanced in our opening comments. The Joint Utilities are using as their basis the pilot LGSEC described in our opening comments. The pilot was launched recently at the instigation of and insistence by the County of Los Angeles and City of Huntington Beach, the lead local governments, who are bringing to the effort additional funds beyond the control of the utilities, in this case Energy Efficiency Community Block Grants. Were this Virtual Energy Center proposal to be granted, which we do not recommend, we would hope he Joint Utilities would work with existing organizations. For examples, the Joint Utilities discuss expanding the pilot to San Diego, where the California Center for Sustainable Energy is an established resource already for local governments. As LGSEC described in our opening comments, local governments have instituted regional infrastructures as we have taken advantage of the funds provided through the American Recovery and Reinvestment Act. Sound policy would dictate building on this momentum, which is already in place in many area of the State under leadership from local governments, rather than funding utilities to try to re-create it.

The Efficiency Council supports greater opportunities for third parties and local governments to implement energy efficiency programs. The Efficiency Council suggests there is an important distinction between administration and implementation of energy efficiency programs that is not clear in the Ruling. We concur with the Efficiency Council.

DRA suggests another separate entity would "administer the local government programs," and this entity would decide which programs receive funding and for how much, based upon (1) savings potential, (2) duration of savings, and (3) the ability to support other local government programs in order to achieve economies of scale and exchange of information, resources, and expertise. The utilities would then be directed to contract with local governments for programs selected. This is an example of another model that could work.

The Commission must take the time to investigate these options in a collaborative forum that includes stakeholders. The LGSEC is fully committed to working with the Commission to create a responsible and responsive medium for local government/third party-administered programs, premised upon coordination with the utilities on programs and funding. Local government energy efficiency can rely on the continuity, consistency and certainty provided by roll-over cycles and/or ever-greening of productive, cost-efficient programs. The LGSEC is fully committed to working with the Commission to create a responsible and responsive medium for local government/third party-administered programs.

III. Cost-Effectiveness Must Be Revamped

The opening comments identify cost-effectiveness as an area that requires revamping. The LGSEC asserts that energy efficiency is an emerging economy, as well as a new "product" and subject for cultural and market transformation. In this manner, early investment must to some extent be recognized as the research and development commitment common to all such ventures. In addition, LGSEC supports recommendations in opening comments that the determination of cost-effectiveness should reflect credit for co-benefits such as job creation,[2] environmental impacts, productivity, consumer awareness,[3] marketing and other drivers that contribute to Commission goals,[4] behavioral pilots and incubator programs,[5] and cross-support of other State and local climate and sustainability objectives. Valuation of such credits should be a subject for stakeholder input and consensus, with periodic adjustment as programs reach higher levels of saturation.

IV. Financing Is Important, and Work is Ongoing

A number of recommendations provided to the Commission in opening comments as financial model solutions for deep retrofits are already being implemented by local governments and their third-party, non-profit partners. LGSEC's opening comments described these initiatives in detail. Further, local government collaborations have brought private equity and alternative financing options to bear, accompanied by underwriting standards, QA/QC controls, contractor verification, and other protections. These programs are active as a result of local agency and non-profit campaigns to design, pilot, improve and deliver financing-based solutions for greater market penetration of energy efficiency programs.

The LGSEC respectfully suggests that an interruption or discontinuation of these programs, simply to try and develop and replicate them under utility portfolios, is not consistent with the streamlining of programs, rapid acceleration, and cost-efficiencies that form the centerpiece of the Commission's objectives identified in the Ruling. In addition, the LGSEC recommends monitoring the performance of California Advanced Energy and Alternative Transportation Authority's impending loan loss reserve program under ABX1 14 as a test of a centralized statewide loan loss reserve program. Local governments have launched similar

[2] The City of Berkeley
[3] EnerNOC
[4] The Natural Resources Defense Fund
[5] The Joint Utilities (Southern California Gas and San Diego Gas & Electric)

initiatives – funded through lender-dedicated escrow accounts and supported by administration and marketing budgets – and found these programs required aggressive outreach to a lending community whose core business objective is high-volume loan products initiated under a simple, streamlined electronic process controlled by low-risk lending criteria.

V. Details of the Bridge Period Design

LGSEC's opening comments described the importance of any bridge period being an extension of the current contract for purposes of administration, reporting, and budget for programs that are continuing intact. We qualified this to acknowledge that the Commission also should pilot during the bridge period pilot alternative models, such as the regional energy network for local governments described here and in our opening comments.

In terms of the budget, LGSEC joined a number of other parties in June 2011 in recommending "For purposes of program budget, the extension year for 2013 should be treated as though it were the fourth year of a four-year energy efficiency program cycle from 2010-2013. The total budget for each IOU for the 2010-2013 cycle should be up to four-thirds of the budget approved in D.09-09-047."[6]

We also in those comments offered input on the criteria for the bridge period:

> In deciding what programs to extend, all programs on target to achieve goals/budgets should continue at up to 4/3 of 2010-2012 budgets, subject to adjustments to reflect forecasted program performance as well as to fine tune the programs to optimize performance. The Joint Parties do not support proposals that call for wholesale elimination of programs during the 2013 extension year. Generally, Utility, Local Government Partnerships and Third Party Implementers' programs that are meeting performance expectations according to the criteria governing the program's established objectives should be extended.[7]

[6] [6] *Joint Parties Reply Comments To Administrative Law Judge's Ruling Regarding 2013 Bridge Funding And Mechanics Of Portfolio Extension*, June 30, 2011, p. 2.
[7] *Ibid*., p. 3.

VI. Conclusion

The proposed bridge period offers the Commission an opportunity to continue progress on programs that are currently successful, while looking at other ways to achieve energy efficiency goals. The Ruling correctly identifies there are opportunities for local governments and third parties beyond the status quo. LGSEC is ready to help the Commission develop new models for better engaging the public sector, and using the reach of local governments to achieve more energy savings.

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Respectfully submitted,

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