



## MEMORANDUM

**TO:** Members of the Local Government Sustainable Energy Coalition

**FROM:** Jody London, Regulatory Consultant

**SUBJECT:** Public Goods Charge Reauthorization, Utilities' Proposed Changes to Energy Efficiency Portfolio

**DATE:** September 16, 2011

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This memo outlines the status of reauthorization of the public goods charge and several upcoming regulatory deadlines at the California Public Utilities Commission (“CPUC”). The Local Government Sustainable Energy Coalition will be submitting several sets of comments on these various issues in upcoming weeks. Particularly the responses to utility advice letters to reallocate funds in their portfolios will benefit from input from you, the LGSEC members. See links to relevant documents below.

**We will have a call on Tuesday, September 20, 2011, 1:30-3:00 p.m.** to discuss our responses to these many issues.

Conference Dial-in Number: (308) 344-6400  
Participant Access Code: 1017106#

If that time does not work for you, feel free to call or e-mail me with your thoughts and ideas. Those of you on our energy efficiency sub-group will see the advance drafts of our various responses, as well. Let me know if you'd like to be part of that.

### **Public Goods Charge: What Next for Energy Efficiency Programs?**

As most of you are aware, the public goods charge (“PGC”), which among other things funds 25% of the investor-owned utility energy efficiency portfolio, expires at the end of the year. None of the proposals in the Legislature to continue the PGC in a modified form were successful. At the end of the session, legislation that had made it through the Assembly was defeated in the Senate. What we are hearing is that there were not sufficient Democratic votes, which were essential. With divided Democratic Senators, there was no need for Republicans to support the legislation, particularly in the face of heavy opposition from taxpayer groups, Southern California Edison, and the Utility Reform Network. Different perspectives on what happened can be found at [Ventura County Star on PGC](#) and [Sacramento Bee on PGC](#).

There are several questions that remain unanswered. The primary one is whether the CPUC has the authority to direct the utilities to collect in rates the amount currently provided by the PGC; some, including the Governor, argue that the CPUC can direct the utilities to allocate funds to meet that priority (after all, energy efficiency is first in the loading order). Others

disagree. Unless there is some specific action taken before the end of the year, it appears that funding could again be cut. There is a chance that this could be resolved in a special session. It might be useful to remember that the 33% Renewable Portfolio Standard failed at the last minute in 2010, but passed this year.

While the LGSEC did not take a position on the various legislative proposals (because we do not lobby), several of our members were engaged in advocating for regional energy management networks for local governments. This idea was embraced by many key players, including Assembly Utilities and Commerce Committee Chair Steven Bradford and the Brown Administration. LGSEC will continue to advocate for regional opportunities as debate continues at the CPUC. LGSEC also will be monitoring and engaging where appropriate on the fate of the programs if there is no legislation. We will discuss the PGC and longer term energy efficiency issues at the LGSEC planning meeting in Santa Rosa on October 14-15.

### Many Regulatory Filings and Events in Coming Weeks

There is a flurry of activity at the CPUC on energy efficiency matters. The chart below provides a quick overview and recommended LGSEC action on each. After that is a more detailed summary. We will discuss this further Tuesday, as noted above.

| <b>Date</b>        | <b>Filing/Event</b>  | <b>Issue</b>   | <b>Recommended Position</b>  |
|--------------------|--|--|--|
| September 22, 2011 | Comments on <a href="#">ALJ Proposed Decision</a> and <a href="#">Alternate Proposed Decision of Cmr Ferron</a> (R.09-11-014). | How to address the sweep of natural gas public purpose program funds. The Assigned Commissioner closes the gap more by using unspent electric funds, in addition to unspent gas funds.   | Support Ferron's Proposed Decision.  |
| September 23, 2011 | Comments on <a href="#">Cmr Ruling re Incentive Mechanism</a> (R.09-01-019)  | Commissioner Ferron solicits comments on retooling the shareholder incentive mechanism, seeks comments on 12 specific questions about the value of the incentive, how it can be recalculated. or whether it should be eliminated altogether. | Submit high-level comments that support retooling the shareholder incentive so it will lead to whole building, comprehensive energy efficiency activities and build institutional capacity to do this work, particularly among local governments. Need to decide whether we support eliminating the incentives altogether. May be able to file jointly with other parties. |
| September 26, 2011 | Workshop on pricing for feed-in tariff being developed pursuant to SB 32 (R.11-05-005).  | How to set prices for renewable projects under 3 MW.   | This is not an issue on which LGSEC has been active, but some members are interested. CPUC has   |

| Date            | Filing/Event  | Issue  | Recommended Position  |
|-----------------|---|--|---|
|                 | See <a href="#">SB 32 Workshop</a>  |  | set a goal of resolving all feed-in tariff issues by end of year.         |
| October 3, 2011 | Comments re SCE Advice Letter 2628, <a href="#">On-Bill Financing</a>   | SCE proposes to move funds from local government partnerships to on-bill financing. OBF is suspended because the funds ran out. SCE is forecasting \$15 million in partnership funds that will not be utilized. SCE proposes those funds be re-directed to OBF and the local governments be given first crack at using them. | Tempered support? Need to discuss with Southern California LGSEC members. |
| October 3, 2011 | Comments re utility advice letters shifting funds within their portfolios. <a href="#">SCE Fund Shifting</a><br><a href="#">SDG&amp;E Fund Shifting</a><br><a href="#">PG&amp;E Fund Shifting</a><br><br>SoCalGas submitted a short letter saying it has made changes due to the natural gas funds sweep authorized in SB 87. | The CPUC in July adopted a decision (D.11-07-30) that requires the utilities to use updated savings estimates for the entire portfolio. This means the portfolios are no longer cost-effective. The utilities propose closing some programs, shifting funds, etc. to rebalance their portfolios.                             | Need input from local governments in each utility service territory.      |

**Proposed and Alternate Decision on Natural Gas Funds Sweep:**

ALJ Farrar and Commission Ferron have put out decisions that address the gap created by the sweep of natural gas public purpose program funds. ALJ Farrar sticks with the plan put forward by the CPUC Energy Division. The ALJ’s Proposed Decision leaves a gap for PG&E of about \$40 million and for SDG&E of about \$8 million. Commissioner Ferron’s Alternate Decision would allow the utilities to use unspent *electric* funds from previous years, bringing the total funds available closer to the amount needed to close the gap. Under Ferron’s Alternate, PG&E would actually have a small surplus of \$3.25 million and SoCalGas would have a surplus of \$9.25 million. SDG&E would still have a shortfall of \$7.6 million, which is about the same as under the ALJ’s Proposed Decision. Comments on this issue are due Thursday, September 22.

**Energy Efficiency Shareholder Incentive Mechanism:**

On August 30, 2011, Commissioner Ferron issued a ruling asking parties to “refresh” the record on the shareholder incentive mechanism. The Ruling really damns the current process, and

particularly the most recent decision and awards to the utilities. It questions the necessity of the “RRIM,” which is one of the sacred cows of energy efficiency:

“...reexamine the premise that an annual RRIM shareholder payment is necessary to secure IOUs’ commitment to EE...Instead of inspiring greater innovation in program design or implementation to realize more aggressive goals and reap the rewards, the RRIM has instead channeled resources largely into procedural disputes over process and measurement protocols. These activities seem to have often overshadowed and distracted efforts to effectively adapt programs to changing markets and new information. The RRIM has fostered unproductive behavior such as intensive preoccupation with disputing Energy Measurement and Verification (EM&V) results and defending what some parties have characterized as high-end *ex ante* estimates.”

The Ruling lays twelve questions. They are fairly technical, but basically drive at whether California needs to continue with an incentive for the utilities to perform energy efficiency. If members want to respond to these specific questions, it would be very useful to have assistance from members in developing those responses.

### **SCE On-Bill Financing**

SCE is asking permission to expand its on-bill financing program. It wants to use funds from programs that it does not anticipate will spend their allocated amounts. Several of those programs are local government partnerships. SCE would give the local governments six months to access the money that otherwise would have been used for program implementation through the on-bill financing program, then the funds would be open to others. We need input from those of you who are SCE partners on this.

### **Restructuring the Energy Efficiency Portfolios**

In July, the CPUC finally ruled on the question of whether it will retroactively apply updated savings values for various energy efficiency measures to the utility portfolios. Not only did the CPUC adopt the updated savings values, it applied them retroactively to the current portfolio. The utilities now find themselves in a situation where their portfolios are not meeting the various cost-effectiveness tests. All but Southern California Gas have submitted advice letters that propose moving funds around and cancelling some programs in order to make their portfolios cost-effective. Buried in the advice letters are implications for local government partnerships. You also may have information from your utility contacts that is not reflected in the advice letters. I understand, for example, that PG&E may be proposing to move funds from one partnership to another, and that SCE may be also making cuts. (Southern California Gas submitted a letter saying that the Proposed and Alternate Decisions on the sweep of the natural gas funds has implications also so it will wait and deal with it all at once; the letter is attached.)

### **Energy Usage Data**

In addition to these issues, the LGSEC Board is considering whether to file a Petition for Clarification on the Smart Grid decision. As you recall, the CPUC in July issued a decision in its Smart Grid proceeding that directs the utilities to provide energy usage data to local governments, stating that “...adoption of this decision should not hamper local government

access to data.” (D.11-07-056, p. 129) It is my understanding that the utilities are still not cooperating. We are considering asking the CPUC to clarify its intent. If you have any information to share on this, please send it along.

Thanks all of you for your support and assistance. Please contact me with any questions or comments.