Local Government Sustainable Energy Coalition Newsletter
November 2009

This newsletter provides an update on issues before State energy and environmental regulators – the California Public Utilities Commission (CPUC), the California Energy Commission (CEC), and the California Air Resources Board – that the Board of the Local Government Sustainable Energy Coalition (LGSEC) has determined are of key interest to the group.

California Public Utilities Commission

Energy Efficiency

In September 2009, the CPUC finally approved the applications from the investor-owned utilities for the next cycle of energy efficiency programs (Decision 09-09-047 in Application 08-07-021, et al). The Decision authorizes a $3 billion program that will operate from 2010 – 2012. The utilities had requested $4 billion for a program that was originally going to run 2009-2011.

The Decision imposed caps on various cost categories, something the utilities did not like. The caps include 10% for utility administration, 6% for marketing, outreach, and education (ME&O), and 4% for measurement, evaluation, and verification (EM&V). The Decision is explicit that the 10% is only utility costs and local government partners and third parties have their own, additional administrative costs, which also cannot exceed 10% of the budget for that partnership. The Decision alters the San Diego Gas & Electric and Southern California Gas incentive programs by requiring those utilities to impose a customer contribution; previously, their programs had covered 100% of customer costs.

The local government partnerships were approved pretty much as proposed by the utilities. The Decision requires the utilities to benchmark energy usage in all buildings where public goods charge money is spent, including government facilities. In a nod to the LGSEC, the decision is explicit that **utilities must provide energy usage data to local governments**. That process is still not as streamlined as we had requested, but we did achieve direction for Southern California Edison and Southern California Gas to continue to work with the City of Irvine to refine protocols for delivering energy usage data.

The utilities are ordered to solicit ideas from local governments for "innovative" energy efficiency programs. The utilities must submit these proposals to the CPUC as an Advice Letter in January. The utilities currently have calls for ideas on the street.

The CPUC ordered the utilities to make sure all programs start on January 1, 2010. And then it acknowledged that it may not be possible to negotiate and approve local government contracts in that time (a point we pushed hard this past summer). The **contracts can be extended until March 1, 2010, or 60 days after the CPUC approves the compliance advice letters, whichever is later**. Many local governments are now engaged in negotiations with their utility partners so the new programs can begin.

The CPUC remains focused on achieving the goals outlined in its *Strategic Plan for*

Energy Efficiency. The *Strategic Plan* lists several goals for local governments. The utilities are now tasked with developing milestones for tracking whether progress is being made by local governments, and also for determining when an entity has achieved success and is "done" with a particular goal. PG&E is trying to organize the other utilities around this effort. **LGSEC has begun developing our own recommendations for how to achieve and measure progress on the *Strategic Plan*.**

The Decision also directed the utilities to fund a statewide coordinator for local government activities. As described in the Decision, this position is to be a non-utility position that reports to ICLEI, the Local Government Commission, and the Institute for Local Government. The position is to be funded at $200,000/year for three years. The coordinator must track progress statewide on government facility energy use, retrofits, and progress in meeting *Strategic Plan* metrics. This person will conduct at least one annual statewide meeting for local governments. LGSEC hopes, as this process moves forward, to find ways for this position to provide more technical assistance and capacity building.

The CPUC directed its Energy Division staff to develop similar recommendations for many areas of the *Strategic Plan*. There is now a seemingly endless stream of workshops on various topics, for example Whole House retrofits, lighting efficiency goals. LGSEC is not participating actively at this level. A summary of all the activities ordered in the Decision that affect local governments is attached to this memo.

Renewable Energy

The CPUC has before it a number of issues that impact renewable energy (R.06-02-012, R.08-09-009). We focus here on the areas that have been of greatest interest to LGSEC members, primarily smaller scale renewable projects.

The CPUC over the summer issued a staff report on how to structure pricing for renewable projects between 1.5 and 20 MW. The staff report recommends a reverse auction mechanism. This is frustrating to many parties, including solar developers, the City of Santa Monica, other renewable power developers, energy marketers, and environmental groups, who have been arguing for a tariff like that used in Germany and Spain, that offer a set price for each renewable technology, with a predetermined schedule for how pricing will change as capacity is added. The utilities tend to like the staff proposal. Parties held workshops in September and October to see if they could come to agreement on the issues raised in the staff report; they could not. Comments and reply comments were filed earlier this month, and the issue now moves to the CPUC for a possible decision.

In the meantime, Senate Bill 32 was signed by the Governor earlier this month. SB 32 expands the current form of standard tariff for small renewable generators to projects up to 3 MW, from the current 1.5 MW. It also raises the cap on power enrolled under this tariff to 750 MW, from the current 500 MW. The CPUC will have to conduct a proceeding to implement this legislation; that will probably occur early next year.

Another piece of legislation that could have an interesting impact on renewable energy deployment rates is Senate Bill 695. This bill requires the CPUC to phase in time-variant pricing for residential customers over time, starting in 2013. It also lifts the rate freeze imposed during the energy crisis. The bill is considered a victory for The Utility Reform Network. Again, the CPUC will have to conduct implementation proceedings. It is not clear how the bill affects time-of-use meters, which are required when one installs on-site solar.

The CPUC **has not issued any guidance on AB 2466**, the bill that allows municipal customers to install renewable energy at one site and net the generation against other accounts. The City of San Jose has been following this closely and can provide more detailed information for those interested.

The CPUC has not ruled on the question of tradable Renewable Energy Credits (RECs), a topic that has been pending for several years. Permitting utilities to use tradable RECs to meet their renewable portfolio standard obligations is considered by many to be important to fully developing the renewable energy market, and allowing new entrants to participate, even community energy projects.

Finally, the CPUC continues to grapple with transmission siting for renewable energy projects. New lines are regularly opposed by nearby communities. The CPUC did earlier this year approve the Sunrise Powerlink in western San Diego County, after protracted deliberations. It is on the verge of approving the next increment of the Tehachapi project in northern Los Angeles County.

Alternative - Fueled Vehicles

Jody London, LGSEC's regulatory consultant, is participating on behalf of other clients in a new rulemaking that will address threshold policy issues related to developing the infrastructure for plug-in hybrid electric vehicles, as well as a possible update to policies on natural gas vehicles (R.09-08-009). This proceeding is an outgrowth of the CPUC's deliberations on how to deploy the Smart Grid. The key players in this proceeding are the utilities, some automakers, the various entities that want to operate commercial charging stations and/or install charging equipment for residential customers, ratepayer groups, and some environmental groups.

The **CPUC is trying to determine in this proceeding what role municipal government will play in the alternative fueled vehicle market**. The primary concern is local permitting requirements, and how to ensure that local governments are not requiring things that would hinder deployment of alternative fueled vehicles. The rulemaking is quite broad – the initial document asked parties to respond to over 40 questions. Jody can provide you with more information if you are interested.

Some local governments in the Bay Area with a focus on transportation and smart growth have begun thinking through some of the implications for local governments. They have not yet actively gotten involved at the CPUC.

California Energy Commission

Federal Stimulus Implementation

The CEC has been in overdrive rolling out guidelines and then conducting solicitations for a number of programs that will disperse energy-related funds from the American Reinvestment and Recovery Act (ARRA). Individual local governments are pursuing those opportunities on their own, or in collaboration with other entities, as the readers of this probably know all too well. We will not attempt in this newsletter to summarize all the Stimulus opportunities.

For one of the programs – the Municipal and Commercial Retrofit component of the State Energy Program – the **LGSEC is joining with the California Center for Sustainable Energy on a proposal to implement a statewide program for local governments**. Proposals are due November 30.

The CEC recently lowered the rate on its low interest for local governments to 1%, in an effort to encourage greater use of ARRA funds for energy efficiency retrofits.

Standards

The CEC is continually updating the many standards over which it exercises jurisdiction. In mid-October, the CEC made national news by announcing its intention to tighten efficiency standards for plasma televisions.

The CEC has initiated a proceeding to implement AB 1103, which requires the benchmarking of all commercial buildings in the state. It will be interesting to see how the CEC activity intersects with the directive from the CPUC for 2010-2012 that utilities benchmark energy use of any building, municipal or commercial, that receives significant improvements using public good charge funds. AB 1103 requires the utilities to **provide usage data in a format that is compatible with the U.S. Environmental Protection Agency Portfolio manager**, a provision the LGSEC also won in the CPUC Decision on 2010-2012 energy efficiency programs.

California Air Resources Board

The California Air Resources Board ("CARB") is determining how to implement a wide range of issues related to meeting the goals of AB 32, the Global Warming Solutions Act. The LGSEC is particularly interested in the cap and trade program CARB is developing. Specifically, **we are urging CARB to design a greenhouse gas cap and trade program that explicitly rewards locally initiated emission reductions achieved by energy saving and clean energy projects and programs and land use planning**. We have joined with the Nature Conservancy and Environmental Defense in this advocacy effort.

The CARB Board is required to approve a cap and trade rule/regulation by end of 2010. Staff is expected to produce a draft framework document by the end of November or early December, 2009. We do not anticipate the framework document will say much about this concept. At this point in the process, a good outcome would be that the draft CARB report identifies rewards for locally initiated emissions reductions as an option and creates a placeholder.

Related, CARB's Economic Advisory and Allocation Committee is expected to deliver their recommendations on how emissions reduction allowances should be allocated by the end of this year.

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ATTACHMENT
FOLLOW-ON ACTIVITIES REQUIRED BY ENERGY EFFICIENCY DECISION (D.09-09-047)
adopted September 24, 2009

Within 60 days (November 2009), utilities must file "compliance" advice letters. These must include (partial list of most relevant):

- Allocation of administrative costs among programs, as directed in the decision. Include detailed breakdown of all administrative costs required to support energy efficiency programs, including regulatory costs and other partial support functions.
- Complete cost-effectiveness showing, including anticipated incentive payments.
- Allocation of EM&V costs.
- Revised energy efficiency budgets, including unspent funds from prior years.
- E3 calculators.
- List of all programs receiving bridge funding. Must show adopted budget per program and any fund additions, shifts, and deletions.

Note that utilities must undertake all programs approved in the decision, and shall not eliminate any programs or sub-programs that implement the *Strategic Plan* unless they so request via an advice letter.

Within 120 days (Jan 2010) utilities must file "Program Performance Metrics" advice letters. These advice letters must request approval of proposed logic models and metrics for the 2010-2012 portfolios, with sections for each statewide program and associated sub-programs. Must include a completed Program Performance Indicator worksheet for each statewide program and associated sub-programs. Other things are ordered to be included as well. Among them:

- SCE, SDG&E, and SoCalGas must include program targets for Sustainable Communities program.
- Utilities must include a draft template that outlines how the utilities will develop, organize, and transfer information on best practices to the statewide local government program coordinator.
- For direct install commercial program, the utilities must describe how they will evaluate the program and ensure sub-programs are linked.

Within 120 days (January 2010) utilities must file advice letters for pilot programs.

Utilities will track energy efficiency performance metrics on an annual basis, using energy efficiency groupware application ("EEGA") or something similar. By Jan. 29, 2010, utilities will post a program performance metric reporting table to EEGA or a similar database.

By December 15, 2009, utilities must file a program implementation plan for the whole house retrofit.

By June 1, 2010, utilities to submit a market transformation plan for lighting. Plan to be updated annually.

SCE to hold workshop to update local governments and other stakeholders on zero net energy pilot projects and lessons learned. No date specified. SCE also ordered to produce by June 2010 a plan for disseminating lessons learned from its zero net energy test center.

Existing contracts are to be extended until March 1, 2010 or 60 days after approval of follow-on advice letters, whichever is later.

Energy Division to issue Strategic Action Plan Progress Report by June 2010. Also starting in June 2010, Energy Division will provide quarterly reports on California's progress in meeting *Strategic Plan's* near-term milestones for 2009-2011. Energy Division is directed to get input for these reports from a "broad-based and representative" group of stakeholders as it develops these reports on *Strategic Plan* progress.

Utilities to form a statewide Integrated Demand Side Management Task Force. Need to submit an advice letter in 120 days with a program implementation plan for the statewide IDSM program, as well as an explanation of what the task force will do. Utilities also need to submit within 120 days a revised program implementation plan for the "Universal Energy Audit Tool."

Utilities are supposed to perform a needs assessment for workforce education and training. The needs assessment must be posted to the CPUC list. Within a month of the needs assessment coming out, utilities must host a workshop to disseminate results. Within 6o days of the workshop, they must file an advice letter to modify the existing statewide program.

For local government partnerships, utilities must:

- Provide one statewide list from which partners can choose Strategic Plan implementation activities. Utilities also ordered to track and measure partners' progress.
- Submit criteria for evaluating reasonable scopes of work and end points for the three categories of local government work.
- PG&E to submit advice letter for Innovator Pilot and Green Communities programs.
- Utilities to study opportunities for statewide streetlight program and file any augmentation request in 2010.
- SCE and SoCalGas to file separate application for Palm Desert pilot.

Utilities to begin informing CPUC Energy Division in writing every 90 days, starting July 1, 2010, of any fund shifting away from the budget levels approved in the decision or follow-on advice letters.

Forthcoming decision on evaluation, measurement, and verification will look at range of issues, including improvements to the cost-effectiveness calculator.