LOCAL GOVERNMENT

# Local Government Sustainable Energy Coalition Newsletter

FEBRUARY 2010

Completed by the COUNTY OFFICE of SUSTAINABILITY

*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.*

## New Commissioners at Regulatory Agencies


Both the CPUC and the CEC welcomed new Commissioners in January. All were appointed by the Governor. The CPUC seat is for six years; the CEC seats are for five years.

**Nancy Ryan** joined the CPUC, taking the seat vacated by **Rachelle Chong** (this may mean Ryan's appointment will only be five years). The State Senate refused to grant Chong a re-confirmation hearing, which meant that she could not stay. Chong had jointed the CPUC to serve out the remainder of the term vacated by former Commissioner (and now Governor's Chief of Staff) Susan Kennedy. Ryan, 49, has worked at the CPUC for several years, initially coming in to the agency as Chief of Staff to President Mike Peevey, and most recently serving as Assistant Executive Director for Policy. Prior to joining the CPUC, Ryan was an economist with the Environmental Defense Fund. The position pays an annual salary of $128, 109.

At the CEC, **Bob Weisenmiller** and **Anthony**

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### Inside this issue:



## CPUC: Implementation Begins on Energy Efficiency Programs

The CPUC's energy efficiency efforts in recent months have been focused on implementation of the 2010-2012 program cycle, and completing evaluation, measurement, and verification (EM&V) reports for the 2006-2008 program cycle.

On implementation, the utilities were directed to launch their programs on January 1. Many of local governments are in the process of negotiating partnership contracts for 2010-2012. Remember that CPUC Decision 09-09-027 directed that existing local government and third party contracts can be extended until March 1, 2010, or 60 days after the CPUC approves the compliance advice letters, whichever is later. (We fought hard for this provision!)

The utilities have filed many advice letters that implement other pieces of their energy efficiency portfolios, the most recent round being submitted in late January. The LGSEC last week commented on several of these advice letters to the CPUC, pointing out where there are opportunities for the utilities to better coordinate with local governments.

The advice letters the utilities submitted in November, which show how the utilities modified budgets and program offerings to meet the lower budget and other changes approved by the CPUC, have been suspended while the CPUC considers protests. LGSEC did protest those advice letters, but only on issues relevant to local governments. Other groups filed more sweeping protests that focused on portfolio cost effectiveness and utility accuracy. Even though the CPUC is taking additional time to review these advice

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## CPUC: Implementation Begins on Energy Efficiency Programs (continued from page 1)


letters, it still expects the utilities to move ahead to implement the 2010-2012 portfolio.

One closely watched program is PG&E's Innovator Pilot. Originally designed to be a $17 million solicitation, PG&E trimmed the program to $4 million to accommodate a lower authorized budget overall for the 2010-2012 program. PG&E has tentatively selected 7 projects proposed by five local government entities, including several LGSEC members. SCE has been given an extension in filing its similar program. Proposals are due to SCE March 22, and the utility expects to complete its evaluation process and submit an advice letter to the CPUC in early May.

PG&E also timely submitted a report to the CPUC in late January on the effectiveness of direct installation programs coordinated through or implemented by local governments. PG&E reports the programs add significant value and "play a vital role in program success." The report recognizes the unique position of local governments in coordinating across various initiatives, such as energy efficiency, climate action planning, workforce development. The report recommends continuing these programs in 2010-2012, in both small business and residential programs. The CPUC has granted the other utilities' requests to submit their similar reports in late February.

The CPUC also has granted a request from all the utilities to submit in May, rather than last month, the proposed performance metrics for the entire energy efficiency portfolio.

*"... NANCY RYAN, BOB WEISENMILLER & ANTHONY EGGERT ARE APPOINTED AS NEW COMMISSIONERS."*

## New Commissioners at Regulatory Agencies

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**Eggert** have been appointed to the seats previously held by Julia Levin and Art Rosenfeld, respectively. Weisenmiller, 61, has a Ph.D. in chemistry and holds the "environmentalist" position on the CEC. (Unlike the CPUC, CEC Commissioners are designated for their expertise in specific areas.) Weisenmiller was a principal and founder of MRW & Associates, an Oakland-based consulting firm that specializes in energy economic, financial, regulatory, and policy analysis. In the early 1980s, Weisenmiller was director of policy and program evaluation at the CEC.

Eggert, 37, takes Rosenfel's scientist seat. He served most recently as science and technology policy advisor to Air Board Chair Mary Nichols. Prior to that, Eggert worked for the UC Office of the President in Federal Government Relations, and as associate director of the UC Davis Institute of Transportation Studies. The CEC Commissioners also receive $128,109/year.

## CPUC: Evaluation Studies Completed for 2006-2008

In terms of EM&V, the CPUC has posted in recent weeks final reports on nearly the entire 2006-2008 portfolio. The local government partnership programs are generally recognized as still developing. LGSEC commended the draft EM&V report for striking an appropriate balance of recommended rigor and understanding of the learning curve for partnership programs. We stated our readiness to work with the CPUC, utilities, and other market participants to develop tools and systems that can be used by all local governments as we develop energy efficiency programs that are tailored to our individual communities. In addition, we indicated that we are happy to take the lead in organizing meetings and other venues for sharing best practices information among partnerships within a utility service territory and also statewide.

"...WE ARE HAPPY TO TAKE THE LEAD... IN SHARING BEST PRACTICES INFORMATION AMONG PARTNERSHIPS..."

## CPUC: Utilities Get $61 million

In December, the CPUC granted the utilities $61 million in shareholder incentives for their 2006-2008 programs (D.09-12-045). This is the second installment of incentives awarded; the CPUC is holding back 35% of the authorized amount for each utility subject to true-up when the final EM&V for 2006-2008 is completed. The decision last month grants them:

**PG&E: $33,430,614**
**SCE: $25,652,348**
**SDG&E: $300,572**
**SoCalGas: $7,311.021**

The decision rejected a settlement from several of the utilities and the Natural Resources Defense Council, as well as a separate proposal from SCE. Both the settlement and SCE's proposal relied on energy savings results self-reported by the utilities. The decision adopted used a higher factor for savings than the Administrative Law Judge recommended, resulting in an award that is nearly $36 million more. SDG&E's award appears to be lower than the others because its natural gas therm savings goals were reduced.

The Utility Reform Network has asked for rehearing of the decision granting the incentives. The utilities, of course, oppose TURN's request.

## CPUC: New Initiatives for Renewable Energy Tariffs

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.

There are now several options for small-scale, renewable, distributed generation projects to sell electricity to the utilities. Attachment A outlines them.

In addition, the CPUC is expected in the first quarter of 2010 to issue a Proposed Decision that adopts a staff report on how to structure pricing for renewable projects between 1.5 and 10 MW. The Proposed Decision is expected to adopt a reverse auction mechanism. Under this system, customers would submit a price bid. The utility conducting the auction would take all bidders at the price they bid, starting with the lowest bidder, until an auction cap is reached. The cap will be

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## *CPUC: New Initiatives for Renewable Energy Tariffs*

**(continued from page 3)**


based on a revenue requirement cap pre-determined by the CPUC. There will be a specific revenue requirement for each technology type. Each utility would conduct a minimum of two auctions per year, and a bidder who was not successful in one auction could re-submit in a future auction

*"…PG&E PUTS UP ENORMOUS OPPOSITION TO CCA EFFORTS IN THE BAY AREA AND CENTRAL VALLEY…."*

When this Proposed Decision comes out, it is expected to encounter fierce opposition from parties that include solar developers, some local governments active on this issue, other renewable power developers, energy marketers, and environmental groups. These parties support a simpler tariff like that used in Germany and Spain, which offers 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 reverse auction.

The CPUC has not taken any steps yet to implement SB 32 (2009). 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 statewide cap on power enrolled under this tariff to 750 MW, from the current 500 MW.

SB 412 (2009) ordered the CPUC to allow technologies besides wind and fuel cells to be eligible for the Self-Generation Incentive Program. The CPUC is determining how to do this, and indicated last month it will form the Renewable Distributed Energy Collaborative ("ReDEC") working group to assist.

The CPUC in January issued a Proposed Decision that authorizes the use of tradable Renewable Energy Credits (RECs). Most agree that tradable RECs are a good thing, but there is controversy over the Proposed Decision's recommendation to allow utilities to use tradable RECs for up to 40% of their annual renewable portfolio standard requirements. Parties are debating whether the proposal would export renewable energy jobs to other states if load-serving entities in California can purchase RECs to meet their renewable goals.

The CPUC is implementing the new net metering legislation (AB 920), which allows customers with solar PV systems to be compensated for excess energy they export to the grid. The utilities were supposed to notify existing customers in January that this option will be available to them starting next year. On March 1, the utilities will file their proposed tariffs for net metering. A review and comment process will follow.

## *CPUC: PG&E Gets Tough*

Community choice aggregation ("CCA") continues to be a hot-button topic, as PG&E puts up enormous opposition to CCA efforts in the Bay Area and Central Valley. PG&E also is the sponsor of Proposition 16 on the June ballot. This initiative, if approved, would require two-thirds voter approval in order for a local government to provide electricity to new customers (i.e., CCA) or to expand service into new territories. Many believe that Prop 16 would kill any local power initiatives. Former CEC Commissioner John Geesman, on his blog, recently reported that

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## CPUC: PG&E Gets Tough (continued from page 4)

**PG&E has authorized spending up to $30 million to pass the initiative**.

PG&E also has been active in opposing the Marin County CCA, which is in the final stages of constituting itself and signing operating agreements so it can begin service in the near future. PG&E lobbied hard against the CCA in City Council chambers throughout Marin, and succeeded in convincing a few potential member towns to not participate. Last year PG&E killed the San Joaquin Valley Power Authority, using the same tactics.

**The City and County of San Francisco, in response to PG&E's aggressive opposition, in January filed a Petition to Modify a 1995 CPUC decision on CCA.** San Francisco requests the CPUC prohibit utilities from:

- engaging in marketing to retail customers regarding a CCA program;
- engaging in other conduct that is designed to thwart CCA;
- soliciting opt-out requests or dictating the opt-out mechanism, unless the CCA asks for that help;
- making deceptive, misleading, or untruthful statements about a CCA program; and
- setting up an expedited process for CCA programs to obtain temporary injunctive relief when a utility appears to be doing the above anyhow.

Comments and reply comments have come in on this matter. As predicted, the utilities oppose San Francisco's petition, and local governments support it. The LGSEC has not formally engaged in this matter, although several of those most active are LGSEC members.

Separately, the CPUC has before it a draft resolution that specifies how utilities can solicit customers to opt out of CCA. A big concern has been that PG&E is establishing opt-out lists even before a CCA has begun its formal offering to customers.


*"...The CEC has been awarding funds from the American Recovery and Reinvestment Act (ARRA) to local governments..."*

## CEC Awards Federal Stimulus Funds

**Federal Stimulus Implementation**

The CEC has been awarding funds from the American Recovery and Reinvestment Act (ARRA) funds to local governments and others in a range of programs. We will not here review all of those, but will discuss those of broadest import.

On February 10, the CEC announced the proposed winners of the competitive State Energy Program solicitation. This solicitation focused on three areas: municipal finance, residential retrofits, and specific technologies for commercial and municipal buildings. The CEC received close to 100 applications for total available funds of $110 million. Of those, over 70 were for the commercial and municipal program alone. Twelve programs are being recommended to the full CEC for adoption:

- Municipal Finance – **$30 million to five programs**
- Residential Retrofit – **$50 million to four programs**; of these three programs cover multiple counties
- Commercial and Municipal Buildings – **$30 million to three programs**

Of the programs recommended for approval, the CEC indicates that nine are located in economically disadvantaged areas. Other observers have noted that the majority of the awards are to government entities in Northern California.

The CEC had been offering a 1% rate on its longstanding municipal revolving loan program, with the lower rate being financed through ARRA funds. The entire program – both

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**Footnote 1:**
The LGSEC had been considering putting in a proposal in the commercial and municipal category, but determined to postpone this until a later time. Given the large number of applicants, we are comfortable with that decision.

## *CEC Awards Federal Stimulus Funds* (continued from page 5)

the 1% (ARRA) and 3% (State bond) rates – was suspended on January 14, due to oversubscription. The CEC had a wave of interest in the program in recent months that drew down the revolving loan funds. Eventually the revolving loan fund will be repaid and the CEC will reinstate the loans, but the earliest that could happen is six month after a given project is completed. The CEC staff is advising local governments that are not time constrained to send in their applications, but recognize that the CEC has no idea if or when there will be an additional influx of money to the revolving loan fund, short of loans beginning to be repaid to the fund as projects are completed.

The CEC is so busy with ARRA work that is early January it suspended its audit programs for local governments (Energy Partnership).

## *Air Resources Board Committee Endorses Set-asides for Local Governments in Cap and Trade*


LGSEC has actively participated in the California Air Resources Board's (CARB) process to develop a greenhouse gas cap and trade program for California. **Cap and trade is a feature of the State's overall AB 32 climate change initiative.** In January, CARB received important recommendations from the governor-appointed committee on allocating greenhouse gas permits associated with the cap and trade program (the Economic and Allocation Advisory Committee – EAAC).

LGSEC submitted comments to the EAAC, met with EAAC members and CARB representatives, and participated in public meetings on greenhouse gas allowance allocation. We successfully urged the EAAC to develop program design recommendations that support local government clean energy and energy savings projects. The final EAAC recommendations provide meaningful assistance, in the form of funding support provided through the auction of cap and trade allowances. The report discusses the benefits from local government energy efficiency, clean power, and sustainably-oriented planning efforts as a basis for assisting city, county and other publicly run programs. The EAAC recommendations to CARB highlight local governments as good candidates to receive allowance auction revenue. Though no details are provided on mechanisms to distribute funding, the EAAC recommends that CARB create a Board to approve and reward project applications.

The next step in the process is to work with CARB to incorporate the EAAC's recommendations into its cap and trade rule development. LGSEC will continue to promote local governments as essential partners to the State's program.

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http://www.lgc.org/lgsec/index.html

For more information about the LGSEC or any information in this newsletter, contact:

**Jody London**
LGSEC Regulatory Consultant
510.459.0667
Jody_london_consulting@earthlink.net

**Howard Choy**
LGSEC Board Chair and County of Los Angeles, Office of Sustainability
323.267.2006
323.204.6134 (cell)
HChoy@isd.lacounty.gov

**Kate Meis**
Project Manager
Local Government Commission
1303 J Street, Suite 250
Sacramento, CA 95814
916.448.1198 x 305
kmeis@lgc.org

*The Local Government Sustainable Energy Coalition (LGSEC) is an association of California public entities formed to share information and resources to strengthen and leverage their communities' commitment to a sustainable energy future. That commitment is to manage today's energy uses and resources in ways that do not compromise the environment's capacity, or the community's ability to meet the needs of future generations.*

*Core strategies are to moderate energy demand through energy efficiency, increase renewable energy production, and improve energy security and reliability, while instilling environmental values that lead to community well-being.*

## *LGSEC's Mission*

- *To provide a central resource to help California local governments stay informed of energy policy, regulatory and market developments affecting their interests.*
- *To expand local government competence to shape those developments.*
- *To share energy experience and expertise that can benefit other communities.*
- *To leverage resources to advocate in public forums for policies and programs that support local sustainability initiatives.*
- *To empower local public entities to speak with a credible and cohesive voice on energy matters affecting their communities and constituencies.*

# Options for Small Renewable Distributed Generation

| Program | System Size | Cap? | Eligible Technologies | Pricing | Authorizing Legislation |
|---|---|---|---|---|---|
| Net Metering | 10 kw – 1 MW | 2.5% of aggregate customer peak demand in a utility service territory. (Note PG&E is voluntarily raising its cap slightly.) | 1. Wind and Solar<br>2. Fuel cell and dairy biogas | Full retail value until producing excess. When producing excess valued at full retail price (solar/wind) or generation price (biogas/fuel cell). AB 920 allows customers to sell excess energy to the grid or receive a credit, on an annual basis.<br>CPUC determining how excess sales prices will be determined. | AB 920 (2009) |
| AB 2466 – Local Government Generation Offset | Up to 1 MW | No. | Renewable system owned, operated, or on property under control of a local government. JPAs <u>not</u> eligible. | Full retail value when offsetting usage. Generation price when returning excess to other metered accounts. | AB 2466 (2008) |

| **Program** | **System Size** | **Cap?** | **Eligible Technologies** | **Pricing** | **Authorizing Legislation** |
|---|---|---|---|---|---|
| AB 1969 – aka "Feed in Tariff" | Up to 3 MW | Yes. 750 MW statewide. | Must be an "eligible renewable energy resource" as defined in Public Utilities Code § 399.12. | Excess sales option: Electricity produced is valued at the full retail value of energy *in real time* until producing excess. Excess energy is valued at the market price.<br><br>Buy all-sell all option: Energy purchased *in real time* is at the full retail price. | AB 1969 (2006), SB 380 (2008) SB 32 (2009) |
| Additional Feed-in Tariff | 1 MW – 10 MW | Not clear. | "Eligible renewable energy resource" as defined in Public Utilities Code § 399.12. | Reverse auction mechanism. Customers would submit a price bid. The utility conducting the auction would take all bidders at the price they bid, starting with the lowest bidder, until an auction cap is reached. The cap will be based on a revenue | Proposal pending from CPUC staff – Proposed Decision expected Q1 2010 |

| **Program** | **System Size** | **Cap?** | **Eligible Technologies** | **Pricing** | **Authorizing Legislation** |
|---|---|---|---|---|---|
| | | | | requirement cap pre-determined by the CPUC. There will be a specific revenue requirement for each technology type. Each utility would conduct a minimum of two auctions per year, and a bidder who was not successful in one auction could re-submit in a future auction. | |
| Self-Generation Incentive Program | Up to 5 MW, and must meet criteria established by CPUC | No. But annual incentive pool is at least $83 million. | As of 2009, fuel cells and wind, advanced energy storage coupled with any eligible generation technology, and combined heat and power. SB 412 directs CPUC to considering adding additional technologies; this is ongoing. | To be determined in conjunction with consideration of new technologies. Program expires January 1, 2016. | SB 412 (2009) |
| Small Combined Heat and Power Projects | Under 5 MW | No. | Must meet standards set by CA Energy Commission. | Based on cost of a new combined cycle gas turbine. Adder for locating in certain load areas. CPUC has directed parties to | AB 1613 (2007) |

| **Program** | **System Size** | **Cap?** | **Eligible Technologies** | **Pricing** | **Authorizing Legislation** |
|---|---|---|---|---|---|
| | | | | develop an even simpler contract for projects under 500 kw. | |
| CA Solar Initiative | Different price paid for systems under, above 50 kw. | Fixed incentive pool through 2016. | Solar systems installed on existing residential homes, as well as existing and new commercial, industrial, government, non-profit, and agricultural properties within the service territories of the IOUs. | Incentives paid based on formulas; incentive declines as online capacity increases. | SB 1 (2006) |