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 TO ALJ RULING REGARDING PORTFOLIO EXTENSION

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For THE LOCAL GOVERNMENT
SUSTAINABLE ENERGY COALITION

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I. INTRODUCTION

As directed by the May 25, 2011, *Administrative Law Judge's Ruling*, the Local Government Sustainable Energy Coalition ("LGSEC") submits these reply comments on an extension to the current portfolio cycle and related matters.[1] The LGSEC is also participating in certain aspects of a joint filing by a number of parties to this proceeding. LGSEC's participation in both the joint filing and these reply comments is informed by the overarching principles that we articulated in our opening comments:

- Extension, not bridge. The additional year should be an extension of the current program cycle. It should not be considered a separate program cycle for program administration, reporting, evaluation and assessment, budget, and other purposes. For local governments, it is much simpler to approve amendments to existing agreements than enter into new agreements. From a larger policy perspective, there is much work to accomplish in advance of the next program cycle, and parties should be able to focus their attention on those issues, rather than on negotiating new one year agreements for 2013.
- Genuine Partnership. Utilities must work in a timely and coordinated manner with local governments to revise scope/budget and develop amendments to existing agreements. This will require adequate time for program staff review, legal review, and local government approval processes.

The opening comments brought forward additional proposals that have merit; which LGSEC recommends the California Public Utilities Commission ("CPUC") consider as it moves forward with potential modifications to the current program cycle. In particular, the CPUC

[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.

should consider the Division of Ratepayer Advocates' ("DRA") proposal for a Consolidated Financing Program, and The Utility Reform Network's ("TURN") suggestion about design and operation of local government programs. The LGSEC also has had an opportunity to review in concept the proposal for a new model developed jointly by the City and County of San Francisco and the Natural Resources Defense Council We find this proposal meets many of the objectives we have long advocated, and recommend it.

II. CONSOLIDATED FINANCING PROGRAM

DRA proposes the CPUC establish a Consolidated Financing Program, funded by eliminating incentives and subsidies for CFLs, reducing the EM&V budget for 2013, and a sweep of unspent funds from prior years, except those unspent funds allocated to local government programs (see DRA comments, pp. 9, 10). This low interest loan program would be funded through private capital markets. This is an area in which local governments already are taking a leadership role.

Since the abeyance of Property Assessed Clean Energy ("PACE") programs for residential customers, local governments have begun exploring other avenues for helping constituents invest in energy efficiency and renewable energy technology. The City of San Jose, for example, recently partnered with a local credit union to offer a bulk purchase of rooftop solar technology and low interest loan to interested City employees. Because of the bulk purchase, the per unit cost was 40% below average market installed cost. And the program was so popular that other credit unions in the area are rolling it out to their members and other employers. Local government, following direction from its elected policy makers, tailored a program to meet local goals and serve constituents. These partnerships can be tailored to include investments in energy efficiency and other energy technologies, as well.

The Counties of Los Angeles and Santa Barbara have developed Loan Loss Reserve Financing programs for residential property energy efficiency improvements using American Recovery and Reinvestment Act ("ARRA") grants. Leveraging ARRA grants and targeting energy improvements (under Energy Upgrade California in Los Angeles County) in these loan products have resulted in financing rates, well below traditional secured and unsecured borrowing.

Many local governments are also developing non-residential PACE financing programs; Los Angeles County's program will be available in mid-July and was jointly developed with the City of Los Angeles to target large commercial buildings. Los Angeles County and Huntington Beach, through SCE's Flight 5.6 Grants, have proposed to develop a pilot regional, municipal financing program for government buildings in Southern California. This pilot would aggregate municipal building projects across multiple jurisdictions, centralize the solicitation, procurement and project management processes, and seek larger-scale financing in order to achieve better rates. SCE has submitted an Advice Letter Filing to the CPUC requesting approval of that pilot. All of these efforts could be expanded or developed within other jurisdictions. These are strong examples from a number of innovative, meaningful programs developed by local governments for deployment, monitoring and evaluation.

Creating a statewide financing resource, as DRA recommends, would be a welcome additional option, particularly for local governments and special districts that wish to expand upon existing opportunities but do not have the resources at this time to establish a program. LGSEC would recommend that this statewide financing resource be managed and administered at the regional or local level in order to maintain local administration while leveraging a pool of centralized resources where feasible.

III. DESIGN AND ADMINISTRATION OF LOCAL GOVERNMENT PROGRAMS

TURN, on p. 12 of its comments, advocates for local government partnerships to be allowed to "design and operate programs outside of IOU administration." On p. 14 of its comments, TURN elaborates: "The LGPs especially should be removed from IOUs' administration of EE programs such that their contracts with the IOUs will not depend on the IOU administration or IOU core programs for the bridge year." The CPUC should examine the benefits of local government control of programs that serve local government facilities and constituents. As described above, local governments are able to innovate and join areas that utilities have not historically integrated, for example efficiency and small distributed renewable energy technologies.

IV. NEW PROGRAM MODEL

Parties have for many years discussed opportunities to refine and expedite delivery of energy efficiency services. LGSEC, for example, has advocated for a rolling program cycle that assumes programs will continue, with ongoing modification, rather than assume programs will stop at the end of a program cycle. LGSEC is aware that the City and County of San Francisco, in its individual Reply Comments, will discuss in greater detail how to devise an alternative model that is more manageable and more effective and can be structured to allow for a continuous flow with modifications and innovation that can respond to the marketplace. LGSEC supports such initiatives, and encourages the CPUC to immediately commence work on this critical topic.

V. CONCLUSION

The CPUC should authorize a one-year extension of the current program cycle. The CPUC must ensure that there is genuine collaboration between utilities, local governments, and third party implementers. The CPUC also should examine other innovative proposals brought forward throughout this docket, not just in this round of comments, which would enhance the timeliness and effectiveness of energy efficiency programs, particularly those that leverage the ongoing work and expertise of local governments.

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Respectfully submitted,

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