



February 11, 2013

Tariff Unit
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

SUBJECT: Response Of The San Francisco Bay Area Regional Energy Network To PG&E's Comments On BayREN Advice Letter #1: BayREN Program Implementation Plan (CPUC Identification Number 941)

The Association of Bay Area Governments (“ABAG”), on behalf of the San Francisco Bay Area Regional Energy Network (“BayREN”), hereby submits this response to the Comments of Pacific Gas and Electric Company (“PG&E”) to BayREN Advice Letter #1 (“Advice Letter”). The Advice Letter was submitted in compliance with California Public Utilities Commission (“Commission”) Decisions 12-05-015 and 12-11-015, and requests approval of the updated and finalized Program Implementation Plan (“PIPs”), placemat, and cost-effectiveness calculators.

Overarching Response

The comment letter filed by PG&E on February 4, 2013 (“PG&E Comment Letter”) is the only comment on or protest to the advice letter. We note there were no protests to the similar advice letter filed by the Southern California Regional Energy Network. PG&E’s comments are unnecessary and inconsistent with ongoing, good faith discussions among the BayREN Steering Committee and a number of PG&E departments.

The areas of the BayREN PIP on which PG&E focuses have not changed since the PIP was first submitted for Commission consideration in July 2012. PG&E has had ample opportunity during the regulatory review process last year to raise these concerns. In fact, the BayREN has been working with PG&E as we negotiate a contract by which PG&E will be the fiscal manager for the BayREN. This includes the coordination that is required by D.12-11-015 related to the Flex Package/Enhanced Basic program design, as well as other program implementation details.

D.12-11-015 is clear that PG&E does not have a role in the BayREN program design:

However, the utility function will not extend to program design or modification, in the case of the RENs. The RENs will have the independent ability, within the confines of the approvals of their proposals granted by the Commission, to manage, deliver, and oversee their own programs independently, without utility interference or direction as it relates to the design and delivery of their programs. The RENs will also be required to make periodic reporting both to the utilities and to the Commission. The RENs will also be independently accountable for delivering results outlined in their respective program implementation plans (PIPs), as further directed in this decision.

Utilities and RENs may, however, agree collaboratively on program designs or modifications, but the utility may not unilaterally make any such changes a condition of contract extension or release of funds if the Commission has already authorized the REN programs and budgets. (D.12-11-015, p. 11)

This provision of D.12-11-015 is directly relevant to points made below.

Response to Specific Issues Raised by PG&E

Below the BayREN responds to the individual concerns PG&E expresses.

Data Security. PG&E is correct that the ABAG and PG&E have been discussing customer confidentiality. The discussions have been in the context of how customer confidentiality procedures would be implemented *if* PG&E passed confidential information to ABAG. The parties have discussed the two options PG&E provides in its Comments, however they would only apply if PG&E is providing confidential information to ABAG. Information that ABAG or the BayREN members obtains from other sources – including sources to which they have access by virtue of being government entities – will not be subject to the rules applicable to information deemed confidential and obtained solely from PG&E.

Geographic Scope. The BayREN has been clear all along that the geographic scope of the program is the nine-county area that comprises the Association of Bay Area Governments. Attachment A to the Advice Letter states this clearly, at footnote 2, where it lists the ABAG member counties. D.12-11-015 also confirms the service territory for the BayREN at p. 35. PG&E issues a warning that the BayREN should not use ratepayer funds for customers served by municipal utilities. This is self-evident, and has precedent – ABAG and the BayREN members responsibly and successfully deployed these restrictions during the Energy Upgrade California cycle funded by the American Recovery and Reinvestment Act.

Energy Upgrade California, Single Family. PG&E's concerns about the BayREN's program for Energy Upgrade California, Single Family, are misplaced. PG&E is a participant in the process by which the investor-owned utilities and the RENs are coordinating on modifications and refinements to the Energy Upgrade California program. A process is already in place to resolve any concerns. The BayREN will submit an Advice Letter on this program by April 1, as directed by D.12-11-015, Conclusion of Law 20.

PG&E further complains that the logic model for its Residential Energy Advisor program is based on serving customers in the BayREN service territory. PG&E was well aware as it designed its portfolio that the Commission had invited the RENs to submit programs for Commission consideration. PG&E was in conversation with BayREN representatives in the months leading up to the July 2012 applications. PG&E was aware of the success of the energy advisor component of the Energy Upgrade California program sponsored by ABAG, and it was reasonable to assume that this component would be included in the BayREN application. ABAG and the BayREN appreciate PG&E's interest in rolling out its own version of the BayREN service model. However, PG&E should restrict its version to the areas outside the BayREN

territory, and should remove from its logic model and goals customers in the BayREN territory. If the ongoing discussions relating to Energy Upgrade California reach a different conclusion, then PG&E should react accordingly.

PG&E references a statement in the BayREN PIP related to contractor eligibility and staffing requirements. While the reference is accurate, the comment misses the point. Our concern is that PG&E had articulated a potential requirement for the enhanced basic path that a Building Performance Institute Building Analyst be on permanent staff. BayREN has argued against this requirement. Again, this is a subject of the ongoing coordination process specifically directed and defined under D.12-11-015, which we believe will be resolved in the current discussions.

Energy Upgrade California, Multifamily. PG&E suggests that the BayREN modify its PIP to reflect an operational agreement between PG&E and the BayREN. This is a detail in a large program. The BayREN will of course abide by the agreement and will update the PIP when there is an opportunity, however there is not a continuing obligation to update the PIP every time an operational detail is modified.

Financing. PG&E requests that every project be eligible for fast-track review and permitting if projects financed by BayREN are eligible. This again ignores the Commission's direction that the RENs retain control over their program design and delivery. It also overlooks a fundamental fact of the BayREN program: it is offered by local governments. Local governments are uniquely empowered to offer fast-track review and permitting by their own local government departments. The utilities, by their very nature, must work with local governments to obtain this ability. Also, the RENs are pilots. If the BayREN program reveals that fast-track permitting provides superior results, it will provide the data required for comparative analysis in the next program cycle, and would be happy to help develop potentially higher-performing programs throughout the State.

PG&E also complains about the market characterization and assessment section of the BayREN Financing program. ABAG and the BayREN developed an Amended PIP pursuant to direction from the Energy Division that, in those areas subject to ongoing proceedings (e.g., modified basic path and statewide financing), applicants should maintain consistency and incorporate the subprograms sought under the original PIP (unless specifically *denied* by D. 12-11-015) and continuously promoted under the separate proceedings. PG&E is aware that a ruling is pending from the Commission on the financing programs. There is no need to make modifications when a ruling is pending.

Codes and Standards. PG&E expresses a number of concerns about the BayREN Codes and Standards program. The BayREN is working with PG&E to address these concerns. We find PG&E's use of the Advice Letter protest process to be disrespectful of our ongoing collaboration in this area, in which the BayREN is engaged in good faith. The BayREN will of course take advantage of all available studies and data on Codes and Standards, and follow best practices. PG&E's attempt to dictate Codes and Standards activities for both PG&E and the BayREN in its Comments again contradict the explicit direction of D.12-11-015 that the RENs retain control over their program design and delivery.

Cost-Effectiveness Analysis. Below, the BayREN responds to PG&E's comments on the BayREN's cost effectiveness analysis.

PG&E Comment: The BayREN provided two sets of rollup E3 calculators, one of which appears to contain the calculations for EUC. However, in both cases the budget does not tie to the approved budget of \$26,567,750 but instead shows \$23,975,750. In addition, the sum of the sub-program E3 calculators (e.g. energy savings, cost effectiveness, levelized costs) does not match the E3s that summarize the portfolio results.

BayREN Response: Per guidance from CPUC staff, the BayREN E3 calculators utilize budgets which account for amortization of the Single Family Loan Loss Reserve allocation over the life of the loan. As a result, the budget for the BayREN Financing subprogram that is incorporated in the BayREN E3 roll up budget is valued at \$4,333,000, rather than the fully approved budget (pending CPUC authorization of the Single Family Loan Loss Reserve and the Multifamily Capital Advance Program) of \$6,925,000. As a result, the total BayREN budget in the roll up E3 is valued at \$23,975,750, \$2,592,000 less than the fully approved \$26,567,750.

Upon receipt of this comment from PG&E, ABAG reviewed all E3 Calculators posted to <http://www.abag.ca.gov/bayren/> on January 14, 2013. Without further direction as to the discrepancies noted by PG&E, ABAG believes that the sum of all sub-program E3 calculators match the roll up E3s.

PG&E Comment: The BayREN E3 calculators, with the exception of the C&S E3 calculator, use net to gross (NTG) values of 0.85 which is generally used for direct install measures. This value, however, is included in rebates in column M, which represent downstream measures. Column M should instead include the NTG value for the downstream measures.

BayREN Response: BayREN chose the "EUC-Default" program type in the E3 Calculators for its Single Family and Multifamily programs, in keeping with the approach used for the Energy Upgrade California Advanced Path projects. The BayREN programs follow a similar approach to those in Energy Upgrade California, in that the needs of a program participant are assessed, and a custom scope of work is developed as part of the retrofit. Thus, BayREN believes that "EUC-Default" is still a proper selection for this program, which automatically populates the E3 calculator with an NTG of 0.85. The estimated average rebate paid for a given retrofit project is provided in the BayREN E3 calculator in column M.

PG&E Comment: Several measures have program type = RET (representing Early Replacement) in Column K of the E3 calculators. If these are early retirement measures, then the second baseline columns should be populated so the cost effectiveness can be calculated correctly.

BayREN Response: The BayREN will discuss with the Commission's Energy Division the most appropriate treatment for developing a second baseline.

PG&E Comment: Spillover rate of 5 percent is not included in the E3 calculators, which is inconsistent with the EE Decision (OP 37).

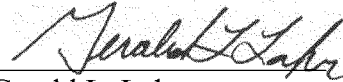
BayREN Response: The BayREN omitted offering E3 calculators with a spillover rate of 5 percent as a conservative estimate of program energy savings. At the next opportunity to submit revisions to E3 calculators, this can be included if so directed.

Conclusion

The BayREN appreciates the due process that the Commission's procedures provide. The BayREN also appreciates this opportunity to clarify certain elements of its program. At the same time, ABAG and the BayREN respectfully contend that the majority of the concerns expressed by PG&E regard elements of the BayREN program that, pursuant to D. 12-11-015, are solely within BayREN control, are subject to ongoing discussions with PG&E, or represent essential components of matters that are the subject of distinct and separate CPUC proceedings. It is unfortunate that PG&E has chosen to divert the attention of many people – at PG&E, at the BayREN, and at the Commission – when there is so much work to do to actually make the program operational.

As noted above, ABAG and the BayREN Steering Committee have been engaged for several months in goals-oriented, rigorous, responsible, and productive discussions with PG&E staff to coordinate and orchestrate our respective programs – as well as their interactive impact – in order to best serve the State's energy efficiency goals and objectives. The BayREN looks forward to continuing to work with the Commission, PG&E, and all energy efficiency stakeholders to enhance implementation issues in all programs, as well as bring new opportunities for energy efficiency to constituents in the nine-county ABAG territory.

Respectfully Submitted,



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