Item 39
(8539)

STATE OF CALIFORNIA | Public Utilities Commission
San Francisco

M e m o r a n d u m

Date: May 13, 2009

To: The Commission
(Meeting of May 21, 2009)

From: Pamela Loomis, Director
Office of Governmental Affairs (OGA) — Sacramento

Subject: **AB 758 (Skinner and Bass) – Energy: energy audit.**
Amended April 14, 2009

LEGISLATIVE SUBCOMMITTEE RECO: OPPOSE UNLESS AMENDED

SUMMARY OF BILL:

This bill would require the California Energy Commission (CEC), by March 1, 2010, to develop a comprehensive energy efficiency program for existing residential and commercial building stock that falls significantly below current Title 24 building standards. This bill would also require the California Public Utilities Commission (CPUC), by January 1, 2011, to authorize each electrical corporation to provide a targeted number of low or no-cost energy efficiency audits on existing and commercial buildings each calendar year, and to report the audit results annually to the Legislature and the CEC, including the energy savings resulting from the energy efficiency improvements.

SUMMARY OF SUPPORTING ARGUMENTS FOR RECOMMENDATION:

The CPUC fully supports the goal of achieving all cost-effective energy efficiency, the reduction of greenhouse gas emissions, and the development of a more comprehensive approach to achieving efficiency savings in existing buildings. The CPUC has overseen the development and implementation of energy efficiency programs in California for over 30 years. Existing building stock is included in the energy efficiency programs overseen by the CPUC and administered by the investor owned utilities (IOUs). These programs provide a variety of energy efficiency opportunities to building owners, including audits; rebates and incentives; education and training programs; assistance with design and retrofit projects; and in some cases, financing options.

The CPUC also oversees comprehensive energy efficiency programs developed and implemented by the utilities pursuant to statutory mandate. The development of an energy efficiency program by the CEC that would apply to the IOUs' service territories and commit ratepayer funds would be duplicative and unnecessary.

SUMMARY OF SUGGESTED AMENDMENTS:

This bill, as currently written, would create confusion over the roles of the CEC and the CPUC and needs to be clarified. In addition, the bill needs to clarify the scope and authority extended to the CEC. Finally, the bill only applies to electric utilities and not gas utilities. Because there are substantial potential natural gas savings from gas space heating and water heaters, the bill should be amended to also require gas utilities to provide a targeted number of audits.

The CPUC recommends the following amendments:

- Specify that the CEC is directed to develop a standard approach delineating the elements of a comprehensive energy efficiency savings program including setting content and quality standards for other energy efficiency services providers (e.g. Home Energy Rating System (HERS) raters, private commercial retro-commissioning services, standard forms of information disclosure and financing mechanisms). This standard approach in turn should be used by the CPUC and publicly-owned utilities (POUs) to inform the contents of utilities' energy efficiency audits. Therefore, the bill should clarify that the CEC is not being given the authority to develop a "comprehensive energy efficiency program" separate from the CPUC's program, nor that the CEC would oversee it.

1. Amend Public Resources Code Section 25943(d)(1) to provide that the program "*Minimize the overall costs of establishing* <u>*and implementing*</u> *the comprehensive energy efficiency program requirements, while ensuring the resulting savings are cost-effective.*" This would emphasize the importance of finding a cost-effective administrative and delivery approach to operating such a program.

2. Amend Public Utilities Code section 381.2(b) to provide: *(b) By January 1, 2012, after consultation with the State Energy Resources Conservation and Development Commission, the commission shall authorize each electrical corporation and each* <u>*gas corporation*</u> *to provide a targeted number of low- or no-cost energy efficiency audits to be completed in an expedited and cost-effective manner each calendar year. Upon the completion of the energy audit, the electrical corporation or* <u>*gas corporation*</u> *shall recommend to the building owner cost-effective energy efficiency improvements based on the criteria established by the State Energy Resources Conservation and Development Commission pursuant to Section 25943 of the Public Resources Code. [January 1, 2010 will be the start of the next three-year IOU energy efficiency program budget cycle.]*

3. Direct the CEC in its program development efforts to consider all of the most promising implementation strategies, including voluntary, mandatory, and other implementation models; and including the potential for non-utility providers and funders.

DIVISION ANALYSIS (Energy Division):

- It is unclear whether the goal is for the CEC to specify the advised elements of a comprehensive energy retrofit program, or to develop a "comprehensive energy efficiency program," secure funding sources for it, and oversee the implementation on a statewide basis. If the latter, the bill is unclear as to what funding resources and what criteria the CEC should use in developing the scope and implied expenditures for this program (e.g. with ratepayer, taxpayer, or private party funding).

- This bill would make one substantive change from last year's AB 2678 (Nunez) by focusing on residential and commercial buildings, and dropping industrial buildings from the scope. Further, the bill would seek to implement the findings of the "AB 549 Report" completed by the Energy Commission in 2005 regarding the actions necessary to increase energy efficiency in existing buildings. The scope of the program, to be developed by the CEC, is expected to include a broad range of activities such as energy audits, building benchmarking or energy ratings, cost-effective energy efficiency improvements, public and private sector energy efficiency financing options, public outreach and education efforts, expanded utility energy efficiency programs, and green workforce training.

- **CPUC is already addressing issues related to utilities providing financing in an existing proceeding.**

  In Decision 07-10-032, the CPUC directed the IOUs to create or continue on-bill financing pilot programs for small commercial customers; to propose on-bill financing programs for institutional customers for the 2009-2011energy efficiency program cycle and to continue to investigate programs for other sectors such as residential customers. The CPUC is currently reviewing a proposed portfolio of energy efficiency programs to be implemented by IOUs in the 2009-2011 program cycle, which includes use of new on-bill financing programs and a consistent statewide energy audit with integrated demand side recommendations.

- **The CPUC's Utility Energy Efficiency Portfolio Planning Process could be negatively impacted.**

  The CPUC supports the development of a comprehensive energy audit program that includes such components as site-specific recommendations for energy efficiency, identification of financing options, and a detailed report to the customer, when the components are: 1) accompanied by information or services that will facilitate customer adoption of energy efficiency measures, thus producing actual savings; 2) carried out within an overall portfolio of cost-effective efficiency activities; and 3) uniform across the state.

However, unless the roles between the CEC and the CPUC are clarified, this bill could have a disruptive impact on the CPUC's utility energy efficiency programs. The CPUC is concerned the bill could be interpreted of requiring the CEC to develop an energy efficiency program for older residential and commercial buildings that it would either direct the CPUC to implement, or result in the CEC implementing parallel energy efficiency programs for those utilities the CPUC now oversees. (**Note**: the bill does not indicate to what extent the CPUC would be required to implement the CEC energy efficiency program, other than to authorize the IOUs to provide a targeted number of audits).

- **CPUC staff and resources will be needed to participate in CEC proceeding.**

  CPUC staff would be expected to commit time to participate in the CEC's standards-setting and program development proceeding in order to explain current CPUC policies and/or cost constraints guiding program designs. Currently, the CPUC provides broad direction to utilities that in turn commit the staff resources to program development and implementation management. Both the utilities and CPUC staff likely would now need to become engaged in a new CEC proceeding.

- **The CPUC would be required to open a new proceeding on energy efficiency financing.**

  Public Utilities Code Section 381.2 (SEC. 3 of the bill) would require the CPUC to open a new proceeding to "investigate the ability of electrical corporations to provide various energy efficiency financing options to its customers" for purposes of implementing the program developed by the CEC. As noted above, the CPUC has addressed, and will continue to address, utility-provided financing in the context of its current energy efficiency proceeding. Accordingly, a new proceeding would be entirely duplicative of ongoing CPUC efforts.

- **May require the CPUC to redirect ratepayer funds for efficiency to support expanded utility activities or payments supporting building retrofit programs.**

  Public Utilities Code Section 381.2 would direct the CPUC to authorize "each electrical corporation to provide a targeted number of low- or no-cost energy efficiency audits to be completed in an expedited and cost-effective manner each calendar year" [proposed Public Utilities Code section 382.1(b)]. The bill does not specify sources of funding for these "low- or no-cost energy efficiency audits." If the costs are to be paid from ratepayer funds, depending on the number and type of audits completed, the amount of funds available for other energy efficiency programs could be significantly reduced. This could mean either increasing the amount of the public goods charge (PGC), which would require new legislation and would have a financial impact on utility customers, or a reduction of funding of other programs, resulting in reduced energy efficiency savings from those programs.

- **The CPUC would be required to provide an annual legislative reporting.**

  Public Utilities Code Section 381.2(d) would require the CPUC to report annually on building audits, including the number of buildings audited and the amount of actual energy savings resulting from the energy efficiency improvements. Depending on the number and type of audits performed, the requirement that actual energy savings be reported annually would result in additional utility and CPUC staff costs for reporting, and potentially non-trivial costs for possibly expanded evaluation, measurement and verification work.

PROGRAM BACKGROUND:

- **Strategic Approach to Energy Efficiency.** On October 18, 2007, the CPUC adopted a comprehensive, long-term strategic approach to energy efficiency and demand side management commencing with the 2009-2011 energy efficiency program period cycle.[1] In D. 07-10-032, the CPUC directed that the strategies program, emphasis for the 2009-2011 energy efficiency program and beyond, must promote maximum energy savings through the coordinated actions of utility programs, market transformation, and codes and standards, alongside strategies for the reduction of greenhouse gases. To carry out this approach, the IOUs prepared a draft strategic plan under the joint authority of the CPUC and CEC, with input from a variety of stakeholders.[2]

  The plan targets the development of expanded commercial and residential retrofit programs as well as integrated building audits that combine energy efficiency, demand response, and distributed generation and offer coordinated recommendations and incentives. The CPUC is currently in the process of reviewing the submitted portfolio of energy efficiency programs for the 2009-2011 program period, which will continue traditional energy efficiency programs, including a statewide uniform commercial and residential audit program and retrofit programs, as well as begin implementation of the strategic approach set forth in the plan.

- **Commercial Building Benchmarking, Audits, and Retro-commissioning.** Many of the energy efficiency programs geared toward existing commercial buildings offer onsite assessments. For example, the utilities' commercial retro-commissioning

[1] Decision 07-10-032, available at http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/74107.pdf.
[2] The Draft Strategic Plan is available at www.californiaenergyefficiency.com/docs/California_Energy_Efficiency_Strategic_Plan_June.pdf.

(RCx) programs "apply a systematic process for improving and optimizing larger sized building operations and for supporting those improvements with enhanced documentation and training. The process focuses on the operation of mechanical heating, ventilating, and air-conditioning (HVAC), refrigeration, lighting, domestic hot water (DHW) and related controls. The RCx process is intended to optimize how equipment operates as a system. RCx projects produce typical savings of 12-15% of total building energy costs, with a simple payback from energy savings alone averaging less than 2 years."[3]

The utilities also provide onsite audits as part of their commercial facilities programs. For the 2006-2008 program period cycle, SCE provides on-site audits, design assistance, and incentives for qualifying measures to all nonresidential customers, through its Business Incentives and Services Program.[4] PG&E also includes onsite audits in its large commercial facilities program[5] and its small business program.[6] SDG&E's nonresidential standard performance contract program includes audits, design assistance and incentive payments for selected nonresidential customers.[7]

In 2007, AB 1103 (Saldana, Chapter 533) created a benchmarking system for nonresidential buildings. It requires electric and gas utilities to maintain records of the energy consumption data of all nonresidential buildings to which they provide service, for at least the past 12 months and, when authorized by the customer, to upload that information to the US EPA's Energy Star Portfolio Manager in a manner that preserves the confidentiality of the customer.[8] Commencing January 1, 2010, owners or operators of nonresidential building will be required to disclose the benchmarking data and ratings for the most recent 12-month period to prospective buyers, lessees of entire buildings, or lenders that would finance entire buildings.

- **Home Audit Programs.** For the 2006-2008 program period, and proposed for the 2009-2011 program period, all four investor owned utilities implemented a Home Energy Efficiency Survey (HEES) program.[9] The HEES programs offer mail-in, telephone and web-based surveys to all residential customers and in-home energy surveys to targeted customers. The programs are provided in different languages, including Spanish, Chinese, Vietnamese and Korean. For this program cycle, SoCalGas combined efforts with SCE to develop one product to service shared-territory customers. On completion of an audit, the utility recommends energy

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[3] SCE Commercial Retro-commissioning Project Proposal, 2006-2008 portfolio, available at http://www.californiaenergyefficiency.com/calenergy_old/sce/2508.pdf. RCx participation is not free. The building owner/occupant must pay to participate, and may qualify for a utility incentive toward that cost.

[4] SCE 2517; *see* http://www.californiaenergyefficiency.com/calenergy_old/sce/2517.pdf.
[5] PGE 2007; http://www.californiaenergyefficiency.com/calenergy_old/pge/2007.pdf.
[6] PGE 2074; http://www.californiaenergyefficiency.com/calenergy_old/pge/2074.pdf.
[7] SDGE 3025; http://www.californiaenergyefficiency.com/calenergy_old/sdge/3025.doc.
[8] Stats. 2007, Ch. 533, enacting Public Resources Code § 25402.10.
[9] PGE 2010; SDG&E 3014; SCE 2503; and SoCalGas 3509. Descriptions of the programs are available at http://www.californiaenergyefficiency.com/calenergy_old/2006_08_programs.html.

efficiency options, including rebates and incentive programs. Utilities report on program achievements, including HEES programs, on a monthly, quarterly and annual basis. [10] For the fourth quarter of 2007, PG&E reported the completion of 13,774 home energy audits; SCE reported completion of 5,303 online surveys, 141 telephone surveys, and 614 in-home surveys; and SDG&E completed 42 mail-in audits and 353 online audits.

- **Low Income Energy Efficiency Program.** No-cost home audits and energy efficiency improvements are also provided by the utilities under the Low Income Energy Efficiency (LIEE) program. More than 5.5 million households, 30 percent of the households in California, qualify for utility low-income programs.[11] In conjunction with the strategic approach to energy efficiency adopted in D. 07-10-032, the CPUC also adopted a programmatic LIEE initiative to provide all eligible LIEE customers the opportunity to participate in LIEE programs and to offer those who wish to participate in all cost-effective energy efficiency measures in their residences by 2020.[12] Thus, for example, for its 2009-2011 LIEE programs, PG&E has proposed to offer comprehensive energy education and measure assessment conducted by its LIEE Energy Specialists when the home is enrolled in the LIEE program to ensure that the home receives all measures for which it qualifies to make it as energy efficient as practical given the building age, type and the customer's energy consumption patterns.[13]

- **Utility Financing Options.** D. 07-10-032 directed PG&E, SDG&E, SoCalGas and SCE to propose on-bill financing programs for institutional customers for the 2009-2011 program cycle, currently under review by CPUC staff. In addition, D. 07-10-032 directed the utilities to create or continue on-bill financing pilot programs for small commercial customers and to continue to investigate programs for other sectors such as residential customers. SCE, SoCalGas and SDG&E have offered on-bill financing to selected commercial (non-residential) customers as part of their 2006-2008 programs. "On-bill financing" programs allow customers to finance energy efficiency measures through their energy bills at low interest or no interest. On-bill financing allows entities who have limited access to financing to purchase energy efficiency measures provided by utility programs. SDG&E and SoCalGas currently offer on-bill financing for non-owner occupied multi-family units, small businesses and local governments. However, the utilities have raised concerns that on-bill financing programs may violate consumer credit lending laws.

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[10] Utility reports are available at http://eega2006.cpuc.ca.gov/Default.aspx.
[11] LIEE Annual Reports, 2006, for Pacific Gas and Electric Company (PG&E), SCE, San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SoCalGas).
[12] Decision 07-12-051 (December 20, 2007), available at http://docs.cpuc.ca.gov/word_pdf/FINAL_DECISION/77082.pdf.
[13] Pacific Gas And Electric Company, Testimony In Support Of Application for the 2009, 2010, And 2011 Low-Income Energy Efficiency Program And The California Alternate Rates For Energy Program, May 15, 2008.

LEGISLATIVE HISTORY:

AB 2678 (Nunez, 2008) would have required the CEC, by March 1, 2009, to establish a regulatory proceeding to develop a comprehensive program to achieve greater energy savings in the state's residential and nonresidential building stock. The bill would have also required the CPUC to open a proceeding to investigate the ability of investor owned utilities to provide energy efficiency financing options to its customers. This bill died in the Senate Appropriations Committee.

STATUS:

AB 758 is pending on the Assembly Appropriations Suspense File.

SUPPORT/OPPOSITION:

Support: Global Green USA (sponsor)
The Utility Reform Network (TURN)
Breathe California

Opposition: None on file.

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Date: May 13, 2009

BILL NUMBER: AB 758 AMENDED
BILL TEXT

AMENDED IN ASSEMBLY APRIL 14, 2009

INTRODUCED BY Assembly Members Skinner and Bass
(Coauthor: Assembly Member Torrico)

FEBRUARY 26, 2009

An act to add Section 25943 to the Public Resources Code, and to add Sections 381.2 and 385.2 to the Public Utilities Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

AB 758, as amended, Skinner. Energy: energy audit.

(1) Existing law requires the State Energy Resources Conservation and Development Commission (Energy Commission), in its biennial energy conservation report, to report on the progress made to implement a statewide home energy rating program.

This bill would require the Energy Commission, by March 1, 2010, to establish a regulatory proceeding to develop a comprehensive program to achieve greater energy savings in the state's existing residential and commercial building stock. In developing the requirements, the Energy Commission would be required to coordinate with specified entities and to consider certain ~~specified~~ factors. Before adopting the requirements, the Energy Commission would be required to consult with specified entities and to hold at least 3 public hearings. The Energy Commission would be required to periodically update the comprehensive program to improve or refine the program requirements. The Energy Commission would be required to report on the status of the program in the integrated energy policy report.

(2) Existing law requires the Public Utilities Commission (PUC) to order certain electrical corporations to collect and spend certain funds for public benefit programs, including cost-effective energy efficiency and conservation programs.

The bill would require the PUC, by March 1, 2010, to open a proceeding to investigate the ability of electrical corporations to provide energy efficiency financing options to their customers to implement the comprehensive program *that would be* developed by the Energy Commission pursuant to this act. The PUC, by January 1, 2011, after consultation with the Energy Commission, would be required to authorize an electrical corporation to provide a targeted number of low- or no-cost energy efficiency audits each calendar year. The electrical corporation would be required to recommend to a building owner cost-effective energy efficiency improvements after the completion of the energy audit. The PUC would be required to report annually to the Legislature and the Energy Commission on specified information.

This bill would require a local publicly owned utility, by a specified date, to be responsible for implementing an energy efficiency program that recognizes the Legislature's intent to encourage energy savings and greenhouse gas emission reductions in existing residential and commercial buildings. A local publicly owned utility would be required annually to report to its customers and the Energy Commission on the implementation of the program. Because a local publicly owned utility would be responsible for the implementation of an energy efficiency program and ~~to provide~~ *the provision of* an annual report to its customers and the Energy Commission on the implementation of the program, this bill would increase the level of service provided by a local agency, thereby imposing a state-mandated local program.

(3) The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: yes.

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. (a) The Legislature recognizes both of the following:

(1) The significant energy savings and greenhouse gas emission reductions inherent in the state's existing residential and commercial building stock.

(2) The need to establish a comprehensive energy efficiency program to capture these reductions.

(b) The Legislature further recognizes that a comprehensive energy efficiency program should include components necessary to ensure meaningful and reliable energy audits, cost-effective energy efficiency improvements, public and private sector energy efficiency financing options, public outreach and education, and green workforce training.

SEC. 2. Section 25943 is added to the Public Resources Code, to read:

25943. (a) (1) By March 1, 2010, the commission shall establish a regulatory proceeding to develop and implement a comprehensive program to achieve greater energy savings in California's existing residential and commercial building stock. This program shall comprise a complementary portfolio of techniques, applications, and practices that will achieve greater energy efficiency in existing residential and commercial structures that fall significantly below the current standards in Title 24 of the California Code of Regulations, as determined by the commission.

(2) The comprehensive program may include, but need not be limited to, a broad range of energy audits, building benchmarking, energy rating, cost-effective energy efficiency improvements, public and private sector energy efficiency financing options, public outreach and education efforts, expanded utility energy efficiency programs, and green workforce training.

(b) To develop and implement the program specified in subdivision (a), the commission shall do both of the following:

(1) Coordinate with the Public Utilities Commission and consult with representatives from the Department of Real Estate, the Department of Housing and Community Development, investor-owned and publicly owned utilities, local governments, real estate licensees, commercial and home builders, commercial property owners, small businesses, mortgage lenders, financial institutions, home appraisers, inspectors, energy rating organizations, consumer groups, environmental and environmental justice groups, and other entities the commission deems appropriate.

(2) Hold at least three public hearings in geographically diverse locations throughout the state.

(c) In developing the requirements for the program specified in subdivision (a), the commission shall consider all of the following:

(1) The amount of annual and peak energy savings, greenhouse gas emission reductions, and projected customer utility bill savings that will accrue from the program.

(2) The most cost-effective means and reasonable timeframes to increase the number of annual energy audits conducted on existing residential and commercial buildings, pursuant to subdivision (a), to meet the statewide reduction targets and goals in subdivision (b) of Section 381.2 of the Public Utilities Code.

(3) The various climatic zones within the state.

(4) An appropriate method to inform and educate the public about the need for, benefits of, and environmental impacts of ,
the comprehensive energy efficiency program.

(5) The most effective way to report the audit results and the corresponding energy efficiency improvements to the owner of the residential or commercial building, including, among other things, the following:

(A) Prioritizing the identified energy efficiency improvements.

(B) The payback period of each improvement identified.

(C) The various incentives, loans, grants, and rebates offered to finance the improvements.

(D) Available financing options including all of the following:

(i) Mortgages or sales agreement components.

(ii) On-bill financing.

(iii) Contractual property tax assessments.

(iv) Home warranties.

(6) Existing statutory and regulatory requirements to achieve energy efficiency savings and greenhouse gas emission reductions.

(7) Any other considerations deemed appropriate by the commission.

(d) The program developed pursuant to this section shall do all of the following:

(1) Minimize the overall costs of establishing the comprehensive energy efficiency program requirements.

(2) Ensure, for residential buildings, that the energy efficiency audits or improvements ~~are not required as a condition of sale and~~ do not unreasonably or unnecessarily affect the home purchasing process or the ability of individuals to rent housing. *A transfer of property subject to the program implemented pursuant to this section shall not be invalidated solely because of the failure of a person to comply with a provision of the program.*

(3) Ensure, for nonresidential buildings, that the energy improvements do not have an undue economic impact on California

businesses.

(4) Determine, for residential buildings, the appropriateness of the Home Energy Rating System (HERS) program to accomplish the goals of this section and whether there are a sufficient number of HERS-certified raters available to meet the program requirements.

(5) Determine, for nonresidential structures, the availability of an appropriate cost-effective energy efficiency auditing system and whether there are a sufficient number of certified raters or auditors available to meet the program requirements.

(6) Coordinate with the California Workforce Investment Board, the Employment Training Panel, the California Community Colleges, and other entities to ensure a qualified, well-trained workforce is available to implement the program requirements.

(e) A home energy rating or audit service does not meet the requirements of this section unless the service has been certified by the commission to be in compliance with the program criteria developed pursuant to this section and is in conformity with other applicable elements of the program.

(f) The commission shall periodically update the criteria and adopt any revision that, in its judgment, is necessary to improve or refine program requirements after receiving public input.

(g) Before implementing an element of the program developed pursuant to subdivision (a) that requires the expansion of statutory authority of the commission or the Public Utilities Commission, the commission and the Public Utilities Commission shall obtain legislative approval for the expansion of their authorities.

(h) The commission shall report on the status of the program in the integrated energy policy report pursuant to Section 25302.

SEC. 3. Section 381.2 is added to the Public Utilities Code, to read:

381.2. (a) By March 1, 2010, the commission shall open a proceeding to investigate the ability of electrical corporations to provide various energy efficiency financing options to their customers for the purposes of implementing the program developed pursuant to Section 25943 of the Public Resources Code.

(b) By January 1, 2011, after consultation with the Energy Commission, the commission shall authorize each electrical corporation to provide a targeted number of low- or no-cost energy efficiency audits to be completed in an expedited and cost-effective manner each calendar year. Upon the completion of the energy audit, the electrical corporation shall recommend to the building owner cost-effective energy efficiency improvements based on the criteria established by the Energy Commission pursuant to Section 25943 of the Public Resources Code.

(c) The commission shall identify and attribute the energy efficiency savings within each electrical corporation service territory to the electrical corporation serving that territory.

(d) The commission shall provide an annual report to the Legislature and the Energy Commission that details the number of buildings audited, the amount of actual energy savings resulting from the energy efficiency improvements, the types of financing options used to implement the improvements, and the backlog of unfulfilled energy efficiency audit requests.

SEC. 4. Section 385.2 is added to the Public Utilities Code, to read:

385.2. (a) Upon implementation of subdivision (b) of Section

381.2, and the completion and promulgation of regulations pursuant to subdivision (a) of Section 25943 of the Public Resources Code, each governing body of a local publicly owned electric utility, as defined in Section 9604, shall be responsible for implementing an energy efficiency program that recognizes the intent of the Legislature to encourage energy savings and greenhouse gas emission reductions in existing residential and commercial buildings, while taking into consideration the effect of the program on rates, reliability, and financial resources.

(b) A local publicly owned electric utility shall report annually to its customers and the Energy Commission, all of the following:

(1) The utility's status in implementing an energy efficiency program pursuant to subdivision (a) and the utility's progress toward attaining the goal of the program.

(2) The amount of money that was designated for energy efficiency audits on an annual basis and the amount remaining in the fund.

(3) The number of buildings that were audited.

(4) The backlog, if any, of requests for an energy efficiency audit.

(5) The types of energy efficiency financing options offered by the utility and the number of customers who have taken advantage of these financing options.

(6) The net energy savings from energy efficiency improvements installed after an audit pursuant to this section.

SEC. 5. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act, within the meaning of Section 17556 of the Government Code.