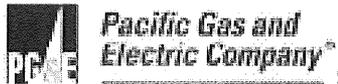




**FILED**



**Joshua Townsend**  
Government Relations Manager  
Public Affairs

09-14-09  
04:59 PM  
1220 Andersen Drive  
San Rafael, CA 94901  
415 257-3467 phone  
415 257-3302 fax  
JDTO@pge.com

June 30, 2009

Mr. Michael Frank  
City Manager  
City of Novato  
75 Rowland Blvd.  
Novato, CA 94945

Dear Mr Frank:

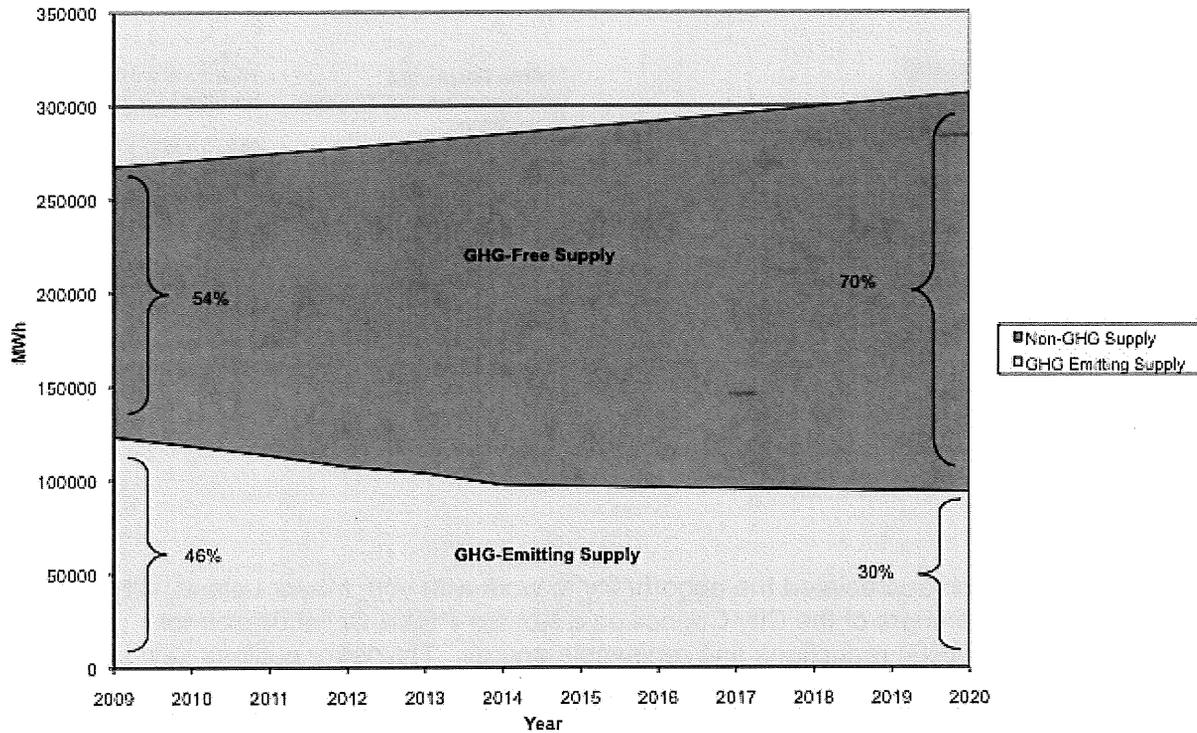
We have very much appreciated the opportunity to work with you, Mayor Leland, City staff, and other members of the City Council on a Novato-PG&E Collaboration for greenhouse gas (GHG) reductions and renewable energy. This letter outlines key elements of the proposed Collaboration based on those discussions, along with a schedule for delivering greenhouse gas reduction benefits and programs to the City of Novato and its citizens under this alliance.

This Collaboration is based on our understanding of Novato's target for reducing greenhouse gas emissions 15% below 2005 levels by 2020. We also understand that you and the City recognize the economic potential of renewable energy and energy efficiency and would like to develop jobs-creating local renewable energy sources and energy efficiency projects whenever possible. Finally, you and other City Councilmembers have expressed a desire to include innovative program elements that can be rolled out quickly in Novato for immediate benefit to the City, residents and businesses.

As you know, PG&E has over 30 years experience delivering nationally-recognized energy efficiency programs and is a national leader in procuring renewable energy for our customers. Our experienced staff and proven track record are backed up by our extensive financial and operating resources.

As noted in our February 3, 2009 letter to Pat Thompson, the proposed Collaboration described below will reduce the rate of greenhouse gas emissions from electricity in Novato by at least 40 percent by 2020 compared with today. In the aggregate, this Collaboration will reduce GHG emissions by nearly 20,000 metric tons by 2020. In fact, this Collaboration will reduce the GHG emitting supply for Novato customers from its already-low share of 46% to 30% in the year 2020 (Figure 1.)

**Novato-PG&E Partnership Projected GHG-Emitting and GHG-Free Supply, 2009-2020**



**Figure 1—Novato-PG&E Collaboration Projected GHG-Emitting and GHG-Free Supply, 2009-2020**

PG&E is committed to delivering the concrete “bricks and mortar” benefits of this proposed Collaboration to you and Novato as soon as possible, and we expect to be able to implement many of the elements of the Collaboration immediately, with only a few requiring California Public Utilities Commissions (CPUC) approval expected by early 2010. We reiterate our commitment to Novato to provide, free of charge, a one-half time equivalent staff to support the City in the implementation of this Collaboration, AB 32, SB 375, AB 811 and other related programs and efforts. You have expressed your preference that PG&E fund directly a one-half time city staff position. While we will consider whether this is possible, we strongly believe that a more effective approach is to provide PG&E staff who have relevant expertise in renewable energy development, energy efficiency, grant writing and other areas.

**Implementation Plan, Milestones and Reporting Requirements**

As part of the proposed Collaboration, PG&E and Novato will develop a mutually-acceptable implementation plan. That plan will include specific milestones and reporting requirements, in order that Novato and the public can monitor and measure the specific progress of the Collaboration in achieving Novato’s and the State’s greenhouse gas reduction, energy efficiency and renewable energy goals. The implementation plan will be issued within 30 days of PG&E and Novato agreeing to the Collaboration, and PG&E will provide Novato with quarterly reports on its progress in implementing its responsibilities under the Collaboration, including meeting specific energy savings and greenhouse gas reduction targets.

**Initial Schedule for Implementation**

If the PG&E-Novato Collaboration is approved by the City Council by August 1, 2009, PG&E recommends the following initial implementation schedule, subject to mutual agreement on a more definitive implementation plan:

- September 1, 2009 – Draft Implementation Plan submitted by City staff and PG&E, including initial implementation dates for all programs under the Collaboration
- October 1, 2009 – PG&E and Novato request CPUC approval for any elements of the Collaboration requiring CPUC approval
- January 1, 2010 – All programs begin that require no additional CPUC approval
- February 1, 2010 – First PG&E and Novato city staff monthly reports on implementation
- March 31, 2010 – All programs begin public implementation that require additional CPUC approval
- July 1, 2010 – Semi-annual public presentation by PG&E and City staff to City Council on progress under the Collaboration
- February 1, 2011 – Semi-annual public presentation by PG&E and City staff to City Council on progress under the Collaboration.

Additional deadlines and milestones would be established in the written implementation plan submitted within 30 days following agreement to the Collaboration.

The proposed Novato-PG&E Collaboration elements are summarized in Table 1 on pages three and four and discussed in more detail in the pages that follow.

**Table 1  
Proposed PG&E/Novato Collaboration Elements**

Proposed Program Element	Description	Projected GHG reduction <sup>a</sup>	Unique to Novato	Program Start Date	Additional PUC Approval
1. Energy Efficiency (EE) retrofits and services for City facilities, residents and businesses	PG&E will expand its existing EE programs and strategically target retrofits and energy management programs for City facilities, residents, and businesses. PG&E will coordinate and lead follow up.	1,800 <sup>a</sup>	Yes	Immediate	No
1a. Local Government Partnerships	PG&E will provide and integrate demand-side management programs and projects on a City-wide basis, including low-income weatherization and other carbon-reducing programs.	NA <sup>b</sup>	Yes	2010	Yes
1b. LED Street Lighting	Replace existing Novato streetlights with energy efficient Light-Emitting Diode (LED) lighting, resulting in energy savings up to 50%.	NA <sup>c</sup>	No	Immediate	No
1c. Third Party Contractors	PG&E will expand its Third Party contractor's effort to provide specialized energy efficiency services to various customer sectors and industries, including but not limited to waste water treatment, retail, hospitality, grocery, agriculture, large commercial, residential, food.	N/A	No	Immediate	No
2. Community Outreach	Strategic outreach programs, including workshops, training, events, website, direct mailers, and media.	NA	No	Immediate	No
3. Solar Photovoltaic (PV) Facilities for City, Residential, and Commercial Buildings	Partner with the City to market, identify sites, and provide technical and financial assistance for various solar PV programs, including City, PG&E, and solar vendor efforts. PG&E will coordinate and lead follow up.	1,700	Yes	Immediate	No
4. Community-based Renewable Energy Facilities (Solar, Wind, Fuel Cell)	Partner to identify and develop community-based renewable energy projects at sites recommended by Novato.	TBD	No	Immediate	Yes
5. Green Electricity	Provide Novato customers with a program, subject to CPUC approval, which offers them a choice to purchase 100% renewable energy from PG&E.	1,125	TBD	Q1-22010	Yes
6. Sustainable Community Policies and Standards "Green" Building Codes and Standards	Provide technical assistance to Novato in implementing "sustainable community" plans and "green" building codes and standards, including BERS <sup>T</sup> that meet and exceed greenhouse gas reduction goals set for the region by the Air Resources Board and Metropolitan Transportation Commission under SB 375.	2,220	No	Immediate	No

**Table 1 (continued)**

Proposed Program Element	Description	Projected GHG reduction <sup>a</sup>	Unique to Novato	Program Start Date	Additional PUC Approval
7. New Energy Efficient Combined Heat and Power Facilities (CHP)	PG&E will assist Novato in identifying opportunities for Novato businesses and commercial building owners to install new, efficient CHP facilities. CHP facilities can meet the thermal and electric needs of a customer while requiring less fuel input than if those needs were met separately. PG&E will coordinate and lead follow up.	1,180	No	Immediate	No
8. ClimateSmart	PG&E will continue to provide a voluntary "greenhouse gas offset" program that allows customers to use their PG&E bills to reduce greenhouse gas emissions through greenhouse gas "offset" projects and programs.	900 (offset)	No	Immediate/Ongoing	No
9. Residential, Public and Commercial Solar Hot Water	PG&E, Novato, and solar vendors will jointly market and promote the installation of solar-powered hot water heaters in homes, city owned, and commercial buildings. PG&E will coordinate and lead follow up.	NA/TBD	Yes	Q1-22010	No
10. Plug-in Hybrid Electric Vehicle (PHEV) Charging Stations and Services	PG&E will identify potential plug-in electric vehicle charging sites and will work with Novato and electric vehicle sellers to install and upgrade the sites and facilities for mass market deployment of PHEVs among Novato residents and fleet owners.	NA/TBD	Yes	01/01/2010	Yes
11. Smart Meters	PG&E's already-approved Smart Meter program (the largest in the nation) will provide Novato customers with detailed information on exactly how much energy they are using, when they are using it, and how they can reduce their energy usage and related greenhouse gas emissions.	NA	No	07/01/2011	No
12. PG&E System Wide Expanded Renewable Energy Supplies	PG&E will continue to contract for and deliver increased renewable energy to all its customers in Novato and system-wide, under the State's Renewable Procurement Standard that requires PG&E to procure 20% of its electricity needs by 2010 and 33% by 2020.	9,700	No	Immediate/Ongoing	No
13. AB 811 or Comparable Low-Interest Residential and Small Commercial Loan Program	PG&E will work with the City Council and local Marin banks to implement a pilot AB 811 or comparable energy efficiency and renewable energy loan program for residents and small businesses in Novato. The program will be coordinated with PG&E's existing energy efficiency and renewable energy rebate and retrofit programs, and will seek a stable source of funding for zero- or low-interest loans and "one-stop shopping" for loan processing in order to incent energy efficiency and renewable energy improvements that deliver net benefits to Novato residents and businesses.	N/A	No	January 1, 2010	No
<b>Total</b>		<b>17,705</b>			

<sup>a</sup>In metric tons.

<sup>b</sup>Includes 137 tons from LED Street Lights.

<sup>c</sup>Included in Energy Efficiency total above.

## **Collaboration Elements in Detail**

### *1. Energy Efficiency (EE)*

PG&E will partner with the City and Novato residents and businesses to expand PG&E's existing Energy Efficiency programs with energy savings achieved through Mass Market, Target Market, and Third-Party channels. Through a PG&E point person, approved by the city, a task force will be created to help navigate through the utilization of existing opportunities and the creation of new programs. A number of avenues will be explored to achieve maximum energy efficiency, such as:

#### **Customer usage**

The energy audit team would identify top tier energy users by analyzing customer usage data to identify high potential customers. In a first of its kind program, PG&E will strategically target individual City facilities, large business, and small businesses for EE improvements (Figure 2). Joint marketing opportunities will be possible between the city, PG&E and local renewable vendors.

#### **Business renewal energy audit requirement**

The discussion of creating an incentive for businesses to perform energy audits at the time of license renewal will also be explored. This program will be design to help business understand the savings potential that energy efficiency could bring. Other cities have imposed license fee relief for performing energy saving upgrades on their business. While the city may not be in a position to perform these monetary reliefs, other means can be explored.

#### **Training local government staff with code compliance**

PG&E will work with city staff to train and review code compliance that may be either outdated or undermanned. PG&E will provide additional internal resources to help meet these needs as well as provide the time needed to analyze current codes.

#### **Developing and implementing certification programs for local inspectors and contractors.**

If a specific certification process is not in place for the city, PG&E will provide internal experts to help create a program that makes sense for the city to implement. It will consider usage, weather and terrain as some of the factors.

#### **Stimulus**

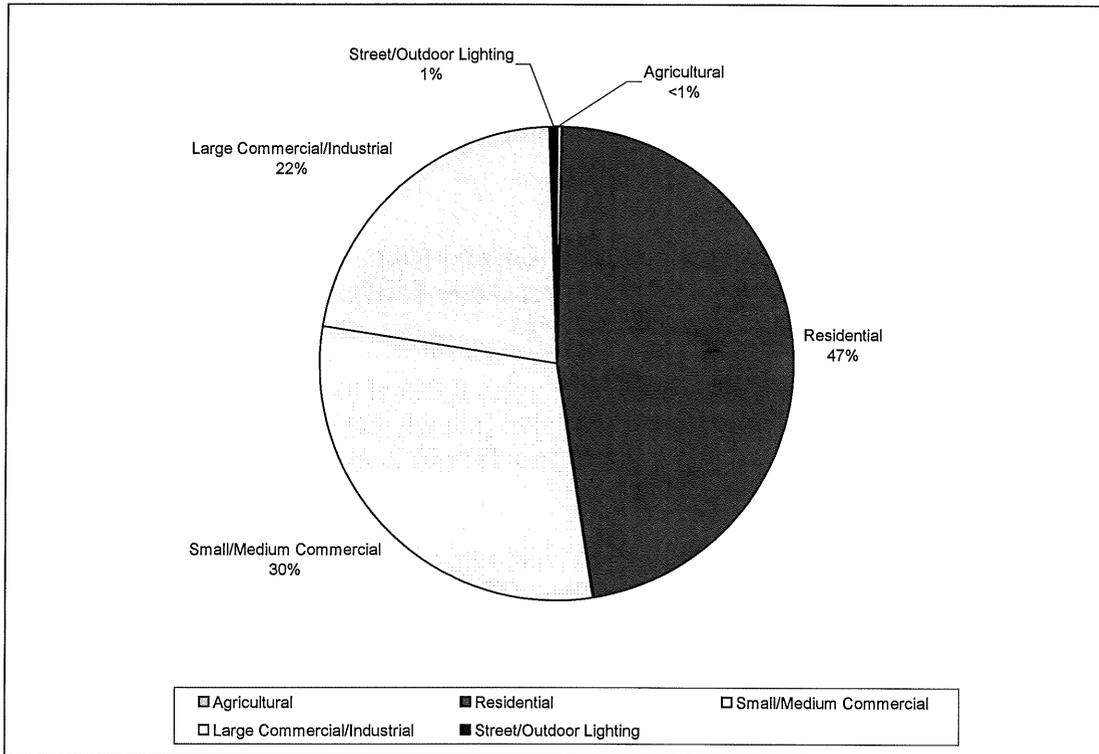
PG&E also proposes to aggressively seek federal stimulus funding for some of the "turnkey" Customer Energy Efficiency (CEE) retrofit programs we are proposing in our 2009-2011 CEE program. Potential funding opportunities exist for these CEE programs:

- LED streetlight replacement and rebates
- Small business direct install
- Local government buildings retrofits
- Residential and multifamily residential rebates
- Wastewater energy efficiency rebates

- AB 811 financing
- School retrofits and technical assistance, plus school solar PV.

PG&E estimates average energy savings of 5,500 Megawatt-hour (MWh) per year through a suite of energy efficiency programs, leading to average GHG reductions of nearly 1,375 metric tons per year for the period from 2010-2020 and reductions of 1,800 metric tones in 2020.

**Figure 2—2008 Energy Usage by Customer Class**



1a. Local Government Partnerships (LGP)

City staff has expressed an interest in a Local Government Partnerships, and PG&E will continue to explore that possibility. If created, this LGP would provide Novato with additional resources to drive significant energy savings through energy efficiency. As a first step, PG&E proposes to moderate a meeting between Marin County and Novato with the aim of understanding and resolving EE issues. In the event Novato is not satisfied with the outcome, PG&E will explore an LGP with Novato.

A Local Government Partnerships with the City of Novato can not only coordinate and integrate demand-side management opportunities in each sector or market they influence, but also effectively leverage low-income offerings and promote carbon-neutral programs, such as PG&E's ClimateSmart program.

The projected reduction in greenhouse gases from this Collaboration element is being evaluated.

1b. LED Street Lighting

As part of the energy efficiency component of the Collaboration, the City will be able to move to replace its traditional streetlights with Light Emitting Diode (LED) fixtures. These LED fixtures provide significant energy and maintenance savings.

Currently, Novato-owned streetlights represent roughly 0.6% of total electric sales in Novato. With the new LED technology, these traditional lights (usually powered by high pressure sodium bulbs) are replaced with LED lights that can provide 35%-50% electrical savings while providing a better quality of light and a longer lasting bulb.

PG&E's is revising its streetlight rebate program and rate schedule this month. These revisions will reduce the payback period for this technology. PG&E will also provide technical assistance. Based on Novato's eligible street light usage, PG&E has estimated the potential annual energy and dollar savings attributed to the LED street light program in Table 2 below.

1c. Third Party Contractors

PG&E has a Third Party contracting program that has been very successful. The Third Party contractors provide specialized energy efficiency services to various customer sectors and industries, including but not limited to waste water treatment, retail, hospitality, grocery, agriculture, large commercial, residential, food processing, and others.

PG&E can review the opportunities within Novato and determine which Third Party contractors would be able to provide further assistance to the area. The programs usually require a co-payment provided by the customer receiving the energy efficiency measures.

**Table 2**  
**Potential LED Street Lighting Energy Savings**

Annual kWh	Annual kWh Savings (35%)	Annual kWh Savings (50%)	Avg. Rate	Annual Savings (35%)	Annual Savings (50%)
1,576,601	551,810	788,300	\$0.12206	\$67,353.97	\$96,219.96

## *2. Community Outreach*

As part of this Collaboration, PG&E will conduct a number of strategic outreach programs, including energy efficiency and other workshops, specialty energy trainings, public events, direct mailers, website coalition building, and media outreach. PG&E will also commit staff time and resources to local City events and programs when requested and feasible. This community outreach plan will be designed to connect with the entire population of Novato, both residential and commercial.

### a. Workshops/Training/Events

PG&E will work with the City of Novato and its businesses to conduct a workshop, training, or a related event once a quarter. These events will be to help residents reduce their carbon footprint through energy efficiency as well as behavior change, all of which will result in monetary savings. These outreach items will include a “Green Your City Day,” a Solar Workshop, an energy efficiency training for residential users, a seminar for small businesses. Each event will be the responsibility of PG&E to coordinate with City and other entities. PG&E will be responsible for materials and costs that will be related to these events.

We propose the following for the remainder of 2009:

- July—Energy Efficiency Workshop for Residential Customers
- September—Solar Workshop
- November—Small Business Energy Efficiency Workshop/Saving Money in a Down Economy.

### b. Coalition Building/Website

PG&E will create and maintain a Green Marin website where Novato residents can sign up for a newsletter, as well as learn about upcoming workshops and events. PG&E staff will maintain the website. Monthly updates can be given to residents from both PG&E as well as the City on different green events that may be taking place in Novato.

### c. Direct Mailers

PG&E will send out three yearly direct mailers to residents of the City. These mailers will outline different programs that both Novato and PG&E are promoting within the City. The mailers will focus on different demographics including among others: residential, commercial, senior, Latino, small business and low income.

We propose the following for the remainder of 2009 thru January 2010:

- August—Novato/PG&E Collaboration—all residential
- October—How to lower your monthly energy bill—senior/low income
- January—Energy improvement to your business-small business customers.

### d. Media Outreach

PG&E will place advertisements in the local media that will promote the events described above as well as promote joining the Green Marin Partnership. PG&E will engage their internal communications team to work with the *Novato Advance* and the *Marin Independent Journal* to place press releases and opinion editorials to promote a green lifestyle.

## *3. Solar PV Facilities*

PG&E will partner with Novato on four specific solar programs that intend to expand greatly the amount of renewable energy in Novato. These include:

- Customer-owned solar
- Local government investment in renewables
- PG&E Solar Schools Program
- PG&E's proposed 500MW Solar PV Program (under review by the CPUC).

These programs will utilize a variety of approaches, such as the California Solar Initiative (CSI) and newly-filed Local Government Remote Solar (AB 2466) tariff. Using existing customer data, PG&E will develop a marketing program with the City and solar vendors that includes solar mapping information with customer energy use.

*a. Customer-Owned Solar*

Since 2003, leveraging programs such as the Self-Generation Incentive Program (SGIP) and the California Solar Initiative (CSI),<sup>1</sup> Novato customers have installed nearly 200 solar projects, totaling over 1 MW of capacity (Table 3).

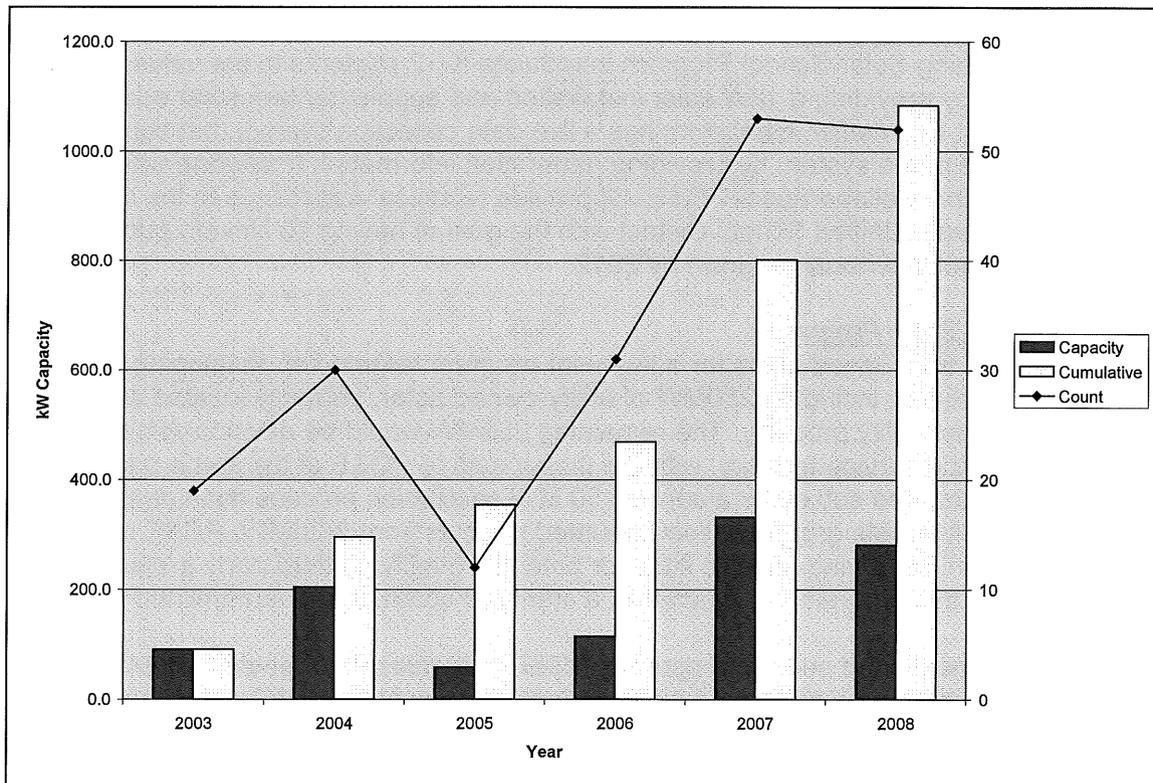
**Table 3  
Novato Installed Solar<sup>a</sup>**

Novato Installed Solar		
Year	Count	Capacity (kW)
2003	19	91.0
2004	30	204.8
2005	12	58.6
2006	31	115.1
2007	53	332.6
2008	52	281.7
<b>Total</b>	<b>197</b>	<b>1083.8</b>

<sup>a</sup>Through 12/31/08.

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<sup>1</sup> The California Solar Initiative is a statewide effort with the stated goal of creating 3,000 MW of new solar capacity by 2017. PG&E is the administrator of the CSI within its service area and expects to provide close to \$1 billion in financial incentives for solar projects. <http://www.gosolarcalifornia.org/csi/index.html>



<sup>a</sup>Through 12/31/2008.

**Figure 3—Novato Installed Solar Capacity<sup>a</sup>**

In this program, PG&E will partner with the City of Novato in developing an innovative targeted approach to driving solar penetration by identifying high usage customers with available roof space and linking them with local installers. In addition, PG&E will ensure that this solar mapping and matching effort is integrated with any AB811 program in which the City of Novato chooses to participate.

***b. AB2466: Local Government Investment in Renewables***

In addition to continuing to support solar through the CSI and developing Novato-specific programs, PG&E will also work with the City of Novato to develop solar projects that take advantage of AB2466, recently passed legislation that allows PG&E to provide a bill credit on one or more City of Novato accounts based on the electricity that Novato generated from nearby renewable generating facilities.

AB2466 allows the City of Novato to generate at facilities with good solar exposure and little or no energy consumption and transfer generation credits to locations where there is poor solar exposure and significant energy consumption.

We have identified a preliminary list of potential sites for this program:

- Novato Public Schools
- Novato Library, 1720 Novato Blvd.
- College of Marin, Indian Valley Campus, 1800 Ignacio Blvd.

c. PG&E Solar Schools Program<sup>2</sup>

PG&E's award winning Solar School Program introduces K-12 students to the value of alternative energy by providing a 1kW solar installation and supplementary solar education and training to teachers. Each solar installation has a live data collection system that contributes to the education value of the system by providing generation information to anyone with web access. As part of this Collaboration, PG&E will provide technical assistance to the City of Novato and the Novato Unified School District with the goal of having 10 Novato public school sites apply for the solar schools program by 2012.

d. PG&E's 500MW Solar Program<sup>3</sup>

In February, PG&E announced plans for a five-year program targeted at developing 500MW of solar photovoltaic power, including 250MW of utility-owned solar, primarily located at substations and other utility property. The remaining 250MW would be developed by third parties throughout the service territory, with the power sold to PG&E at the same price as the utility-owned projects, and subject to a capped 50 MW solicitation process each year. This latter program component targets ground or roof-mounted projects from 2-20MW. PG&E will assist the City of Novato in identifying specific sites for potential qualifying third party projects. Projects developed through this program will be offered a standard contract and streamlined review.

Through the aforementioned suite of programs, PG&E estimates that between 3,300 MWh and 6,700 MWh of energy can be generated by solar, leading to average GHG reductions of 1,250 metrics tons per year from 2010-2020 and a reduction of 1,700 metric tons in 2020.

*4. Community-based Renewable Energy Facilities*

PG&E will partner with Novato to identify and develop community-based renewable energy projects tailored specifically for Novato's existing electricity customers, including solar photovoltaic (PV) and other distributed generation, such as solar, biomass, and methane capture from dairy and landfills. (See Collaboration element three above for a discussion of solar energy projects.)

PG&E will assist Novato with the Small Renewable Generator (SRG) Program. In particular, PG&E has simplified the procurement process for small entities wishing to sell renewable energy to PG&E. PG&E has developed a standard, short form contract for entities generating up to 1.5MW of renewable energy. Under this contract, the customer can choose to sell all, or a portion of their output to PG&E for a contract term of 10, 15 or 20 years. Each contract has an individual price schedule as determined by the CPUC.

The projected reduction in greenhouse gases from this Collaboration element is being evaluated.

*5. Green Electricity*

Under the Green Electricity Program, PG&E customers could voluntarily choose to have PG&E procure up to 100% renewable energy to serve their needs. PG&E is currently in the process of defining the parameters of this option, but anticipates that it initially will be comprised of Renewable Energy Certificates (RECs). Depending on the enrollment levels in specific areas such as the City of Novato, PG&E could use the proceeds to develop local renewable projects

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<sup>2</sup> PG&E Solar Schools Main Page: <http://www.pge.com/about/environment/pge/solarschools/>

<sup>3</sup> PG&E, Feb. 24 2009: [http://www.pge.com/about/news/mediarelations/newsreleases/q1\\_2009/090224.shtml](http://www.pge.com/about/news/mediarelations/newsreleases/q1_2009/090224.shtml)

to serve Novato customers. The program would require approval by the CPUC, which PG&E believes could be obtained within 6- 9 months after PG&E and the City adopt the program.

Table 4 below estimates annual enrollment for a Green Electricity element as a percentage of total electric sales. These numbers are used to develop an estimate of the amount of “green” energy procured on behalf of Novato customer due to their enrollment in the proposed Green Electricity Plan. A higher long-term goal could be developed after consultation with the City.

**Table 4  
Estimated Green Electricity Enrollment by Customer Class**

Green Electricity Future Enrollment	2011-2015	2016-2020
Residential Enrollment	2.00%	3.00%
Commercial Enrollment	1.00%	1.50%
Industrial/Agricultural Enrollment	0.50%	0.75%

Based on these enrollment levels, PG&E estimates that between 3,800 MWh and 7,100 MWh of green energy will be procured on behalf of Novato customers, reducing average annual GHG reductions of over 900 metric tons from 2010-2020 and a reduction of over 1,125 metric tons in 2020.

*6. Sustainable Community Policies and “Green” Building Codes and Standards*

An aggressive codes and standards program element would include training local government staff with code compliance, and developing and implementing certification programs for local inspectors and contractors.

PG&E will support the City of Novato in developing and advocating for improvements to building codes and standards, including BERST, through its statewide codes and standards program. In addition, PG&E will work with Novato staff directly to identify and potentially develop Novato-wide codes and standards that reflect Novato’s specific demographic, usage, and economic characteristics.

Unlike other facets of PG&E’s traditional energy efficiency portfolio, compliance with codes and standards can be made mandatory, driving penetration, maximizing energy savings, and hastening market transformation to support efficient technologies.

PG&E will work with City staff to:

- Assess the potential benefits and costs of proposed costs and standards
- Set cost-effective standards, using PG&E and City data
- Train local government staff for code compliance
- Develop and implement certification programs for local inspectors and contractors.

PG&E also will provide technical assistance for the California Air Resources Board Local Government Toolkit, which provides a number of action areas for climate change. These broad action areas extend beyond sustainable communities and include developing customized plans for reducing climate and local air pollution, climate calculators, and financial incentives.

PG&E estimates an average of 3,750 MWh of energy savings to be achieved through reductions due to codes and standards, leading to average GHG reductions of 900 metric tons per year for the period from 2010-2020 and reductions of 2,200 metric tones in 2020.

### 7. Combined Heat and Power

Combined Heat and Power can provide enhanced reliability for essential services such as hospitals while reducing GHG emissions. CHP has the potential to reduce GHG emissions by meeting the thermal and electric needs of a facility while requiring less fuel input than if those needs were met separately. PG&E will provide technical assistance to Novato in support of cost-effective CHP by utilizing gas usage data to identify suitable development opportunities. PG&E foresees development opportunities in a number of locations and industries throughout Novato including the Novato Sanitary District, Novato Unified School District, local hospitals, as well as other municipal facilities.

CHP studies and a preliminary examination of Novato facilities has identified more than 1.5MW of efficient CHP, leading to a GHG reduction of approximately 1180 metric tons in 2020.

### 8. ClimateSmart

ClimateSmart is a voluntary program that helps customers balance out their home or business greenhouse gas (GHG) emissions through environmental conservation, and restoration and protection projects. The ClimateSmart premiums support projects such as forest restoration and methane gas sequestration that reduce or absorb GHG emissions. This tax-deductible addition to a monthly PG&E bill is estimated to cost around \$5 a month for the typical home.<sup>4</sup>

As illustrated in Table 5 below, customers throughout the City of Novato have been active participants in the ClimateSmart program, with a significant increase in participation from 2007 to 2008.

**Table 5**  
**2007 and 2008 ClimateSmart Enrollment for the City of Novato**

Year	Customer Class	Gas Usage (Thm)	Electric Usage (kWh)
2007	PG&E Facilities <sup>5</sup>	n/a	9,281
2007	Residential	11,885	147,358
<b>2007</b>	<b>Total</b>	<b>11,885</b>	<b>156,639</b>
2008	Sm/Med Comm.	489	177,855
2008	PG&E Facilities	n/a	18,718
2008	Residential	79,611	1,060,568
<b>2008</b>	<b>Total</b>	<b>80,111</b>	<b>1,257,141</b>

A conservative estimate of annual growth in ClimateSmart enrollment through 2020 results in the enrollment figures in Table 6.

<sup>4</sup> Through 2009, the ClimateSmart rates are as follows:

- Electricity: \$0.00254 per kilowatt-hour
- Natural Gas: \$0.06528 per therm.

<sup>5</sup> All PG&E-owned office and maintenance buildings are enrolled in the program, committing more than \$1.5 million in shareholder funding to ClimateSmart projects.

**Table 6**  
**Future ClimateSmart Enrollment by Customer Class for City of Novato**

	2009/2010	2011-2015	2016-2020
Residential ClimateSmart Enrollment	1.00%	1.75%	1.25%
Small/Medium Commercial ClimateSmart Enrollment	0.75%	1.25%	1.00%

Given the enrollment rates specified above, ClimateSmart could result in electric offsets totaling between 1,200 and 1,500 MWh and natural gas offsets of 80,000-90,000 therms per year through 2020. ClimateSmart enrollments at this rate would result in 900 metric tons of GHG offset per year through 2020.

*9. Solar Hot Water*

An expansion of solar hot water projects in Novato provides a sound opportunity for reducing natural gas consumption and greenhouse gases. PG&E will work with the City of Novato and solar installers to identify the best candidate customers for solar water heating systems. These include virtually any entity that requires hot water, such as restaurants, health facilities, farm operations, and others.

The projected reduction in greenhouse gases from this program element is being evaluated, but we believe that it is significant.

*10. Plug-in Hybrid Charging Stations*

PG&E will work with Novato planning staff to identify potential plug-in sites and will review those sites in relation to PG&E's distribution system in preparation for PHEV development and deployment. PG&E will also partner with the City to secure funding for electric vehicle charging stations via AB 118 and any federal stimulus package.

The long-term projected reduction in greenhouse gases from this program element is still being evaluated, but we believe that it is significant, particularly since the majority of greenhouse gases in Novato results from transportation.

*11. Smart Meters*

Will provide customers with detailed information on exactly how much energy they are using and when they are using it.

The projected reduction in greenhouse gases from this program element is being evaluated.

*12. PG&E RPS-Eligible Renewable Supply*

On average, more than 50 percent of the electricity PG&E now delivers to its customers comes from generating sources that emit no GHG. In 2009, PG&E expects about 14% of its delivered energy mix to be from RPS eligible resources. PG&E has already executed contracts for renewable energy deliveries in excess of 20% of its retail load. While it will not be easy to achieve the 20% RPS requirement, given the challenges associated with permitting, transmission capacity and financing, PG&E is fully committed to working to achieve this goal. PG&E will continue to pursue every means to increase eligible renewable resource

procurement, including general solicitations, bilateral negotiations, and further exploration of potential utility ownership. The table below shows a sample of the recent renewable energy projects for which PG&E has contracted.

**Table 7  
Recent PG&E Renewable Energy Contracts**

Project	MW	Technology	On-line
Liberty Biofuels McCarthy Family Farms	5-10	Biofuels	Dec-09
Newberry	60-120	Geothermal	Jan-10
Wadham	26	Biomass	Jan-10
IAE Truckhaven	49	Geothermal	Jul-10
SunPower	250	PV	Dec-10
Ausra	177	Solar Thermal	Jan-11
Solel	553	Solar Thermal	Jan-11
Eviva (San Joaquin Solar)	106	Solar / Biofuels	Jun-11
First Solar	550	PV	Dec-11
Bright Source	1310	Solar Thermal	Jan-12
Bio_Energy LLC	TBD	Biogas	TBD
Microgy	TBD	Biogas	TBD
<b>Total</b>	<b>3350 MW</b>		

Based on projections made in the 2007 Long Term Procurement Plan, PG&E projects a reduction in its certified emissions rate to approximately 300 lbs CO<sub>2</sub> per MWh by 2020, resulting in an overall emissions reduction in Novato for electricity of 9,700 metric tons per year in 2020 and an average of 4,800 metric tons for the period from 2010-2020. With a higher Renewable Portfolio Standard, these reductions would be higher.

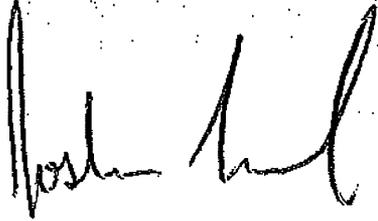
*13. AB 811 or Comparable Low Interest Energy Efficiency and Renewable Energy Loans for Novato Residents and Small Businesses*

PG&E will work with the City Council and local Marin banks to implement a pilot AB 811 or comparable energy efficiency and renewable low-interest energy loan program for residents and small businesses in Novato. The program will be coordinated with PG&E’s existing energy efficiency and renewable energy rebate and retrofit programs discussed above, and will seek a stable source of funding for zero- or low-interest loans and “one-stop shopping” for loan processing in order to incent energy efficiency and renewable energy improvements that deliver net benefits to Novato residents and businesses. Where appropriate and efficient, Novato and PG&E will coordinate the AB 811 program with other similar programs in the County and Bay area that provide comparable or greater benefits and efficiencies.

We believe that our Collaboration Proposal provides a pathway for Novato to meet its climate change objectives faster, cheaper and with better results without exposing itself, the City, our customers and taxpayers to the uncertainty and risk of a Community Choice Aggregation scheme.

Once again, thank you for the opportunity to develop this alliance with the City of Novato. We look forward to its implementation at the earliest possible date. As always, please don't hesitate to contact me with any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Joshua Townsend". The signature is written in a cursive style with a large, prominent initial "J".

JOSHUA TOWNSEND  
Manager, Public Affairs

Cc: Mayor Jim Leland, Hon. Madeline Kellner, Hon. Carole D. Knutson, Hon. Jeanne MacLeamy

