



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

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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).
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**MOTION OF THE  
LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION  
TO ESTABLISH AND FUND  
LOCAL GOVERNMENT REGIONAL ENERGY NETWORKS**

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For THE LOCAL GOVERNMENT  
SUSTAINABLE ENERGY COALITION

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## TABLE OF CONTENTS

I.	INTRODUCTION.....	1
II.	BASIS FOR MOTION.....	3
	A. Time Is of the Essence.....	3
	B. Shortcomings of Existing Structure.....	4
III.	DESCRIPTION OF REGIONAL LOCAL GOVERNMENT ENERGY NETWORKS .....	5
	A. Purpose of the Regional Energy Networks .....	6
	B. Goals of the Regional Energy Networks .....	8
	C. Services Provided by Regional Energy Networks.....	8
	D. Administration of Regional Energy Networks.....	8
	E. Funding .....	9
	F. What the Commission Can Expect from Regional Energy Networks .....	10
	G. Direction Required from the Commission .....	11
IV.	CONCLUSION.....	12

Appendix A: Services Provided by Regional Energy Networks

## I. INTRODUCTION

In accordance with Rule 11.1 of the Rules of Practice and Procedure of the California Public Utilities Commission (“Commission”), the Local Government Sustainable Energy Coalition<sup>1</sup> (“LGSEC”) files this Motion to Establish and Fund “Local Government Regional Energy Networks (“Motion”). The Commission should direct the investor-owned utilities (“Utilities”) to fund a program developed by a collaboration of local governments establishing four Regional Energy Networks serving local governments in Northern California, Los Angeles/Orange County/Tri-County, San Diego, and the Central Valley (“Regional Energy Networks”). The purpose of the Regional Energy Networks will be to provide a one-stop shop for local governments to implement cross-sector energy management strategies that complement services provided by existing utility local government partnerships.<sup>2</sup> The goals of the Regional Energy Networks are to access untapped markets to drive greater reductions in energy use, meet or exceed final adopted cost-effectiveness goals and targets in this proceeding, create jobs, and invest ratepayer funds for energy management benefits in local communities.

Specific services to be provided by regional energy networks will be: (a) residential, commercial and municipal building retrofits (b) financing programs, (c) implementation of energy/climate action plan projects through collective procurement and contracting for services, (d) acceleration of reach codes and standards development and implementation, and (e) community engagement for energy behavior change. The Regional Energy Network lead

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<sup>1</sup> 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. A list of our members can be found at [www.lgsec.org](http://www.lgsec.org).

<sup>2</sup> This Motion is squarely within the scope of this proceeding as stated in the Order Instituting Rulemaking: “The following major categories of energy efficiency issues are within the scope of this Rulemaking: 4) Review of issues related to the effectiveness of utility administration, third-party programs and government partnership programs;” (p. 3).

governmental or non-profit entity will act as an administrative lead for the purposes of working with the Utilities, executing agreements, providing flow of funds, and similar tasks. The regional lead will not be presumed to be a governing authority. Each region will determine an appropriate governance structure that equitably represents its area and ensures fair distribution of resources. Regional Energy Networks will be accountable to meet or exceed final adopted cost-effectiveness criteria approved by the Commission and will achieve energy savings and other identified positive outcomes. The Commission should direct the Utilities to allow local governments to manage all energy-related activities within the scope of the Regional Energy Networks, and in conjunction with all of the existing local government partnerships and jurisdictions. The Utilities will only act as a fiscal agent and funding conduit. The Utilities will not be held accountable for performance by the Regional Energy Networks to achieve goals but will receive attribution for energy savings obtained.

As part of this Motion, the LGSEC recommends that the Commission direct \$100 million for the two-year transition period 2013-2014, allocated to Regional Energy Networks as follows:

- SCE and SCG - \$43.4 million to the Los Angeles County/Orange County/Tri-County Network
- PG&E - \$10 million to the Central Valley Network, \$30 million to the Northern California Network; \$1.6 million to the Los Angeles County/Orange County/Tri-County Network
- SDG&E - \$15 million to the San Diego County Network

The Commission should identify funding to support these Regional Energy Networks using unspent, reallocated or other funds, to be determined, that will be in addition to funding for other Utility local government partnership programs and initiatives. Since 2008, in numerous pleadings in this and related dockets, the LGSEC has discussed the advantages of regional collaboration among local governments for increasing participation in energy efficiency and related energy management activities, and moving California more effectively and more quickly

toward its energy and environmental goals than is occurring under the status quo.<sup>3</sup> This Motion provides further detail on how the regional energy networks will be structured and operated, and the benefits they will deliver.

## **II. BASIS FOR MOTION**

### ***A. Time Is of the Essence***

In 2009, the Federal government provided significant funding directly to local governments for locally directed energy projects through the American Recovery and Reinvestment Act (“ARRA”). In California, these funds in many cases were used to support implementation of “Energy Upgrade California”, a statewide program focused on whole building energy efficiency retrofits. Since last summer, when Energy Upgrade California was further refined and as systems and programs at the local level took hold, local governments have made significant progress in meeting Energy Upgrade California goals. Most of the ARRA funds expire at the end of March 2012. Unless there is immediate action to continue the successes of Energy Upgrade California programs managed by local governments, these efforts that are bringing real benefits to utility customers across the State will be forced to diminish or end altogether. For more than one year, local governments and utilities have met as part of the Energy Upgrade California Steering Committee to address the role of local governments in continuing the success of Energy Upgrade California as the ARRA funds expire. Despite meeting for more than a year, the Steering Committee has been unable to develop a solution that

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<sup>3</sup>*Response Of The Local Government Sustainable Energy Coalition To Utility Energy Efficiency Applications For 2009-2011*, August 28, 2008, in A.08-07-021 et al; *Comments Of The Local Government Sustainable Energy Coalition On Amended Utility Applications For 2009-2011 Energy Efficiency Programs*, April 17, 2009, in A.08-07-021 et al; *Amended Comments Of The Local Government Sustainable Energy Coalition On Energy Efficiency Workshop Issues*, July 1, 2009, in A.08-07-021 et al; *Comments Of The Local Government Sustainable Energy Coalition On Assigned Commissioner’s Ruling Regarding Bridge Period and Post-Bridge Planning*, November 8, 2011, in R.09-11-014; *Comments Of The Local Government Sustainable Energy Coalition on “Administrative Law Judge’s Ruling Regarding Guidance For The 2013-2014 Energy Efficiency Portfolio,”* December 23, 2011 in R.09-11-014; *Reply Comments Of The Local Government Sustainable Energy Coalition on “Administrative Law Judge’s Ruling Regarding Guidance For The 2013-2014 Energy Efficiency Portfolio,”* January 6, 2012 in R.09-11-014.

will allow the program to continue. This is a true loss. Most of the Energy Upgrade California can be managed and performed by the Regional Energy Networks.

The Commission has indicated that it will direct a transition period – 2013-2014 – to the current energy efficiency program and budget cycle. The transition period is an ideal time to establish the Regional Energy Networks proposed here, so they can be established, tested, and be fully operational when the next full energy efficiency program and budget cycle starts in 2015.

### ***B. Shortcomings of Existing Structure***

The existing utility local government programs, primarily “partnerships” between the utilities and local government entities, adhere to a program focus that is less integrated and less comprehensive than what is needed both currently and in the future, and are limited in scope to a small number of utility “core” programs. The existing partnerships lack widespread participation by cities, counties, and other local government agencies. They are not adequately leveraging new local government opportunities and emerging regional energy management infrastructures created through ARRA and other energy investment initiatives. Existing partnerships with utilities can result in more cumbersome, and sometimes duplicative, administrative processes that are more expensive for ratepayers than they need to be. They may also place an undue focus on maximizing short-term utility shareholder returns vs. supporting the holistic and long-term sustainable energy management needs of local communities.

Further challenges presented by the existing local government partnerships are their inconsistent management across the State, operational limitations, and a focus on sometimes-narrow utility business interests, which constrain and limit local government innovation. There is inadequate sharing of partnership successes and lessons learned, and a consequent lack of collaboration, joint planning and collective action for future program design and implementation approaches. The one-size-fits-all approach offered by the utilities frequently does not address

the unique energy opportunities and needs of regions, sub-regions, and individual communities. With the existing partnership programs, local governments have inadequate access to robust community energy data required for basic energy management needs and implementation of climate action and energy action plans, as the LGSEC has documented elsewhere.<sup>4</sup> Under-served customer segments (multi-family, small and medium sized businesses, and low-income) have a lower priority status under most existing utility-designed partnerships.

The Regional Energy Networks will provide the support and impetus for comprehensive local government energy management actions which can fill the gaps in utility programs, complement and leverage existing utility local government partnerships, and cause much greater reductions in energy use and greenhouse gas emissions. Regional Energy Networks will also access funding and resources from other non-ratepayer sources, work collectively with other State agencies, and develop coordinated, comprehensive regional and local sustainability programs. Greater detail on the advantages of this recommended approach is provided in Appendix A, attached to this Motion.

### **III. DESCRIPTION OF REGIONAL LOCAL GOVERNMENT ENERGY NETWORKS**

The Commission should direct the utilities to fund a program developed by a collaboration of local governments, establishing four Regional Energy Networks serving local governments in Northern California, Los Angeles County/Orange County/Tri-County, San Diego County, and the Central Valley.

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<sup>4</sup> *Comments Of The Local Government Sustainable Energy Coalition On Proposed Decision Approving 2010 To 2012 Energy Efficiency Portfolios And Budgets*, September 14, 2009, in A.08-07-021 et al; *Comments of the Local Government Sustainable Energy Coalition on Access to Customer Data*, October 14, 2010 in R.08-12-009; *Comments of the Local Government Sustainable Energy Coalition on Proposed Decision Adopting Privacy Rules*, June 2, 2011 in R.08-12-009; *Protest of the Local Government Sustainable Energy Coalition on Southern California Edison Advice Letter 2644-E: Establish Rule 25, Protecting the Privacy and Security of Customer Usage Information*, November 16, 2011 letter to Staff of the California Public Utilities Commission.

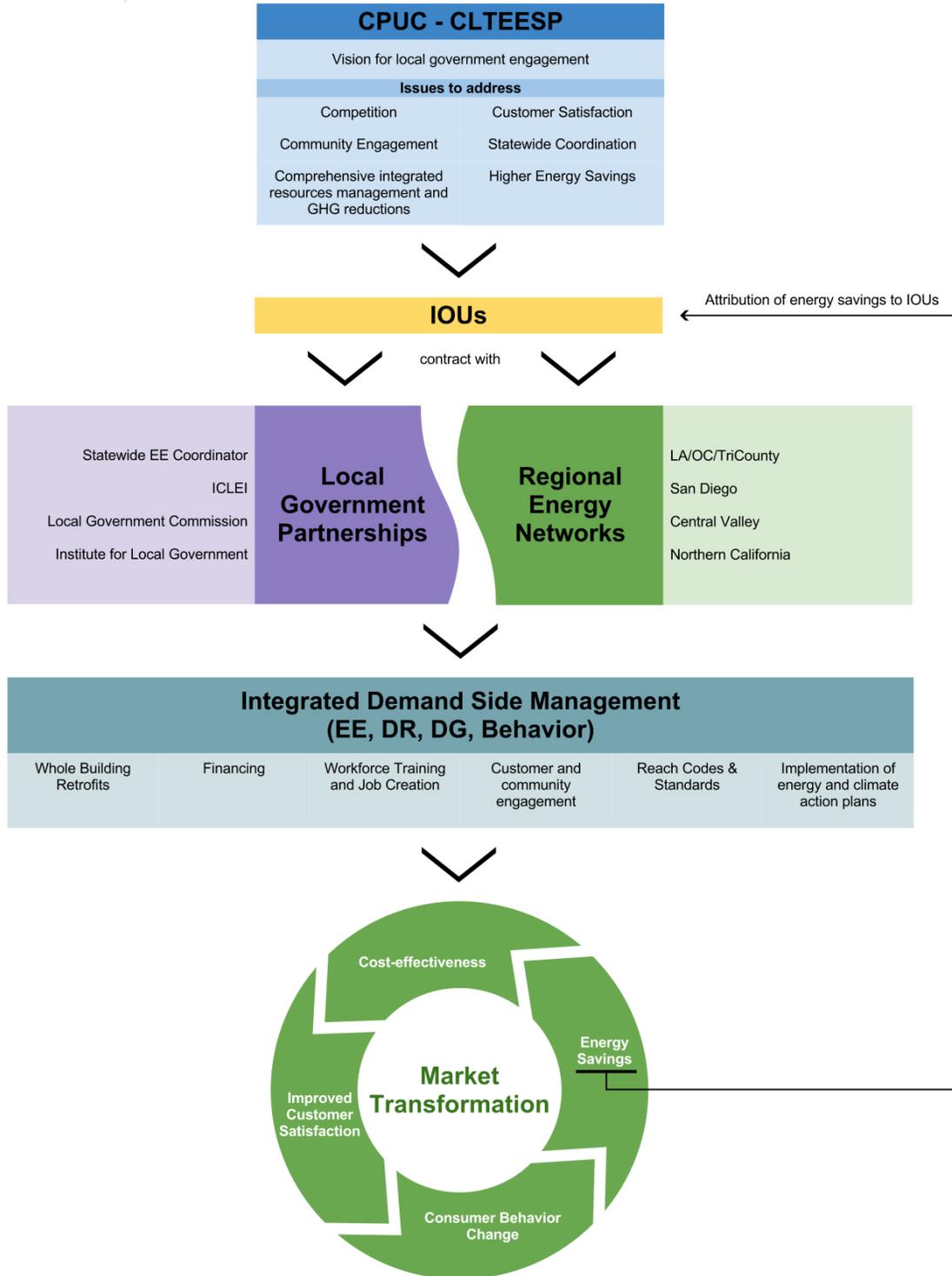
<b>Region</b>	<b>Serving Agency</b>	<b>Lead Entity</b>	<b>Serving Utility</b>
Northern California	Counties of Santa Clara, San Mateo, San Francisco, Napa, Sonoma, Solano Contra Costa, Alameda, Marin	Association of Bay Area Governments	PG&E
Central Valley	Counties of Fresno, Madera, Merced, Kings and Tulare	City of Fresno	PG&E
Los Angeles/Orange County/TriCounty	Counties of Los Angeles, Orange, Ventura, Santa Barbara, San Luis Obispo	Los Angeles County	SCE, SCG and PG&E
San Diego	San Diego County	California Center for Sustainable Energy	SDG&E

The proposed Regional Energy Networks are based on leveraging existing regional infrastructures developed under ARRA and other energy investment programs. The Regional Energy Networks will complement, not replace, existing local government partnerships with utilities.

***A. Purpose of the Regional Energy Networks***

The purpose of the Regional Energy Networks will be to provide a one-stop shop for local governments to implement cross-sector energy management strategies that complement services provided by existing utility local government partnerships. Regional Energy Networks will provide integrated energy management capabilities for local governments through:

- Technical assistance, resources, expertise, capacity building;
- Regional aggregation of projects and energy management actions;
- Shared procurement and contracting approaches;
- Shared use of innovative technical tools, software, and systems;
- Regional financing programs for municipal and private building retrofit projects;
- Cost savings through collaborative joint funding and contracting mechanisms;
- Implementation of multi-jurisdictional projects encompassing underserved and low income customer segments;
- Mobilization of local resources and local vendors, creating local jobs and stimulating green economic activity; and
- Education, information and empowerment at a grassroots level to change individual energy behaviors and create energy accountability within communities



### ***B. Goals of the Regional Energy Networks***

The goals of the Regional Energy Networks are to access untapped markets to drive greater reductions in energy use, meet or exceed final adopted cost-effectiveness measures, create jobs, and invest ratepayer funds for energy management benefits in local communities. Regional energy networks will be accountable to meet or exceed final adopted cost-effectiveness criteria and will achieve energy savings and other identified outcomes. Because they are local government managed programs, no shareholder incentives will be required.

### ***C. Services Provided by Regional Energy Networks***

The Regional Energy Networks will provide specific services: residential, commercial, and municipal building retrofits; financing programs; implementation of energy/climate action plan projects through collective procurement and contracting for services; acceleration of reach codes and standards development and implementation; and community engagement for energy behavior change. These services complement the work being done through existing local government partnerships with the Utilities. Detailed additional information on the type of programs and services Regional Energy Networks will offer is provided in Appendix 1 to this Motion. As described in Appendix 1, within each region, participating local governments will choose the specific programs deployed in their communities.

### ***D. Administration of Regional Energy Networks***

The Regional Energy Network lead entity will serve as an administrative lead for the purposes of working with the utilities, executing agreements, providing flow of funds and similar tasks. The regional lead is not presumed to be the governing authority. Each region will determine an appropriate governance structure that equitably represents its jurisdictions and ensures fair distribution of resources. The Regional Energy Networks will also create an administrative structure that ensures optimum effectiveness, continuity and accountability for

management of their financial, organizational and administrative responsibilities. The administrative structure to be developed for each of the Regional Energy Networks will also ensure that data collection and tracking, program and project monitoring, QA/QC protocols and detailed reporting on program results and accomplishments are provided in a clear, consistent and transparent manner among the regions by all the Networks.

**E. Funding**

As part of this motion, the LGSEC recommends the Commission direct \$100 million for the two-year transition period 2013-1014, allocated as follows:

- SCE and SCG - \$43.4 million to the Los Angeles County/Orange County/Tri-County Network
- PG&E - \$10 million to the Central Valley Network, \$30 million to the Northern California Network, \$1.6 million to the Los Angeles County/Orange County/Tri-County Network
- SDG&E - \$15 million to the San Diego County Network

The Commission should identify funding to support these Regional Energy Networks using unspent, reallocated or other funds, to be determined, that will be in addition to funding for other Utility local government partnership programs and initiatives. The LGSEC suggests that some or all of funds described in the following table could be used to fund the Regional Energy Networks.

**Potential Funding Sources (estimates)**

\$50 million	Unspent Energy Upgrade California funds (2010-2012)
\$20 million	Partial reallocation of ongoing codes and standards funding during Bridge Period and standards funding during bridge period
\$30 million	Unspent funds (2010-2012) from other non-local government portions of EE Portfolios
\$30 million	Portion of financing programs implementation proposal
\$30 million	Reallocation of Engage 360 unspent funds (2010-2012)
\$160 million TOTAL	

The Utilities will only act as a fiscal agent/funding conduit. The utilities will not be held accountable for performance by the Regional Energy Networks to achieve goals. The utilities will receive attribution for energy savings obtained.

***F. What the Commission Can Expect from Regional Energy Networks***

As indicated throughout this Motion, the requested Regional Energy Networks will increase the reach of ratepayer funds that are directed to energy efficiency, and complement ongoing work occurring in existing partnerships. Specific outcomes against which Regional Energy Networks expect to be held accountable include:

- Greater *energy and greenhouse gas savings*, particularly within market segments and customer groups that are currently underserved;
- *Reduced costs* through leveraged resources, economies of scale and streamlined project delivery services/assistance;
- Greater *long-term cost-effectiveness*;
- *Regional solutions* to energy management challenges that result in sustainable and market transformative structures for ongoing local government integrated demand-side management actions into the future;
- *Statewide collaboration* and information sharing, which will reduce redundancies, overlaps, and inefficiencies;
- Financial gains to communities through *job creation* and reinvestment of energy savings for community benefit;
- Greater cost-effectiveness in local government *achievement of energy/climate action plan goals*.

Regional Energy Networks will be accountable to meet or exceed the final Commission-adopted cost-effectiveness criteria and will achieve energy savings and other identified outcomes. The Commission should direct the utilities to allow local governments to manage all activities within the Regional Energy Networks and in conjunction with the existing local government partnerships and jurisdictions.

### ***G. Direction Required from the Commission***

Due to the urgency of the need to establish Regional Energy Networks and the limited time available for program planning prior to the start of the 2013-2014 bridge period, the Commission should take the following actions:

- Direct the Utilities (PG&E, SCE, SCG, and SDGE) to incorporate a Regional Energy Network program implementation plan (PIP), drafted by the LGSEC, into each of their respective proposed energy efficiency program portfolios for the bridge period for submittal to the Commission for final review and approval;
- Direct the Utilities to enter into contracts with each of the four entities designated as the lead in their respective region to implement the Regional Energy Network program during 2013 and 2014;
- Direct that the Regional Energy Networks will be solely responsible for implementing and managing their programs, and that the utilities will be conduits for distributing the approved funding and administering the approved contracts with the Networks;
- Direct the Utilities to provide any necessary and appropriate coordination, cooperation, information, data, or other assistance in their role as current partnership administrators and program managers, managers of other Utility energy programs, and as administrators/contract managers for the Regional Energy Networks;
- Direct the utilities to provide the Regional Energy Networks with disaggregated consumption data (as specified by the LGSEC in the Smart Grid proceeding and in other filings) to support the Regional Energy Networks; and

- Direct that the Utilities will receive attribution for any energy savings obtained through the activities of the Regional Energy Networks.

#### **IV. CONCLUSION**

Current local government partnership programs have neither the breadth of scope nor the depth of focus to meet the critically important energy management needs of local governments and the constituencies they serve. Through establishment of the proposed Regional Energy Networks, the Commission will be able to rely upon local governments, both now and into the future, to deliver cost-effective energy savings. The proposed Regional Energy Networks will build upon and complement existing local government partnership activities. They also will fill gaps and overcome limitations in current partnership programs to deliver substantial new value and greatly enhanced program execution in support of the aggressive statewide energy efficiency goals and targets that have been set by the CPUC.

Local governments have proven leadership and ability to deliver energy savings. Local governments are an untapped resource for comprehensive, innovative energy program implementation, and play a key implementation role via legislative mandates such as AB32, SB375, and land use planning mandates from the State Attorney General. Local governments can better leverage ratepayer money for local community benefit, have a more extensive interdisciplinary energy reach, and can integrate resources across sectors (water, transportation, waste, land use) for greater long-term benefit. Local governments have unique regulatory authority that utilities do not (e.g., regulatory authority for local building codes and land use regulations that support broader energy solutions), and are more closely in tune with the needs of their communities. Through climate action planning consortia, ARRA funded initiatives, and other actions that address comprehensive greenhouse gas reductions in all sectors, local governments are creating effective regional collaboration infrastructures. Local governments

can greatly leverage institutionalized, consistent access to non-ratepayer funds and resources to develop and sustain key energy management competency and capacity.

Particularly at this time, the utilities need to focus on their primary role to ensure safe and reliable utility services. The utilities do not cover broader energy resource management areas (water, transportation, waste, land use, etc.), whereas local governments must do so in order to satisfy their mandates and serve their constituents. Importantly, local governments do not have a profit motive, and can focus on the best and most cost-effective implementation approaches. Collective action among local governments will create economies of scale that can stimulate local economic development, create jobs, and drive innovative energy management strategies. As indicated above, projects funded through ARRA have proved that collective local government action and sharing of resources works. The Commission must do everything it can to support the activities that that will maintain this momentum.

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Respectfully submitted,



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SUSTAINABLE ENERGY COALITION

## **APPENDIX A: SERVICES PROVIDED BY REGIONAL ENERGY NETWORKS**

### *Building Retrofits*

- Implementation of comprehensive, integrated and fuel neutral retrofits in all building categories;
- Continued program management responsibilities related to Energy Upgrade California developed under ARRA programs;
- Development of comprehensive multifamily/commercial building retrofit programs;
- Utilization of benchmarking and building energy management systems;
- Technical tools, training, commissioning, retro-commissioning;
- Municipal buildings and facilities retrofits, retro-commissioning and benchmarking;
- Design and engineering services and project planning/management assistance to move more projects from concept to construction; and
- Industry workforce development and job training to support market transformation initiated under ARRA programs.

### *Financing*

- Expansion of PACE programs across jurisdictions, standardization of program criteria, terms and conditions;
- Expansion and broadening of ARRA-generated loan loss reserve and other residential financing programs across jurisdictions, standardization of program criteria, terms and conditions;
- Outreach to and greater participation by local lenders to maximize ARRA, CPUC and State (California Alternative Energy and Advanced Transportation Financing Authority, or CAEATFA) leveraged financing funds;
- Education for building owners (private and municipal) to demystify financing and identify all financing options; and
- Development of regional municipal building energy upgrade financing programs.

### Codes and Standards

- Regional collaboration to support creation and implementation of energy and greenhouse gas reach codes at the local level;
- Investigation and development of point-of-sale and other life-of-building milestone ordinances;
- Development and implementation of building energy efficiency ratings systems; and
- Training programs for government plan check and inspection resources to facilitate implementation and enforcement of Title 24 as well as local reach codes and standards.

### Energy and Climate Action Plans

- Regional coordination and development of greenhouse gas baseline data acquisition, quantification reporting, and source reporting to optimize cost effectiveness;
- Facilitation of regional approaches to greenhouse gas reduction targets, strategies and implementation plans to optimize cost effectiveness and leverage funding;
- Assistance with local energy and climate action plans that build customized approaches onto the regional approach; and
- Provision of technical resources to take completed, on-the-shelf plans, many of which have been developed through the use of IOU administered ratepayer funds, to implementation using a regional perspective that provides scale, consistency and greater cost effectiveness.

### Customer Behavior Change

- Marketing, education and outreach leveraging local channels and networks that create a shared energy conservation ethic;
- Broadening communication channels and creating greater reach and better coordination that build on the accomplishments by existing utility-local government partnerships; and
- Integration of consumer behavior change strategies and tools into Energy Upgrade California Program design and implementation activities.