

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION

RESOLUTION E-4155
March 13, 2008

R E S O L U T I O N

Resolution E-4155. Pacific Gas and Electric Company's (PG&E) proposal to create a Community Energy Partnership Development Program (CEP II) is denied.

By Advice Letter AL 3171-E Filed on December 5, 2007.

SUMMARY

This Resolution denies without prejudice PG&E's proposal to create a new program, the Community Energy Partnership Development Program (CEP II), funded from the Demand Response Expenditures Balancing Account (DREBA).

PG&E's proposal to create a pilot program to increase city and local government participation in energy efficiency and demand response programs should be addressed in the Commission's proceeding on long-term energy efficiency strategic planning.

The long-term energy efficiency strategic planning proceeding is the appropriate venue for consideration of such a program. In D. 07-10-032, the Commission directed the utilities to develop a "single statewide strategic plan that would serve as a roadmap for long term and nearer term activities to promote maximum energy savings in California."

Moreover, D. 07-10-032 specifically addresses the type of partnerships with local governments envisioned in PG&E's proposal. The decision states¹: "Utility partnerships with local governments may promote cost-effective and innovative energy efficiency programs. The strategic planning process adopted herein will promote these partnerships."

¹ D.07-10-032, p. 136.

As a result of this decision, significant work is underway to coordinate programs and policies designed to help local governments increase their participation in demand-side management programs. For this reason, PG&E's pilot program, which is being proposed outside of the strategic planning process, could be redundant or inconsistent with coordinated goals and objectives that result from the planning activity underway at this time.

BACKGROUND

PG&E proposes developing a new program, the Community Energy Partnership Development Program (CEP II), a pilot project intended to work with select city governments, school districts and local businesses. The work proposed in this Advice Letter is not the implementation of the program, but rather the development work required to devise a pilot program for inclusion in the 2009-2011 Energy Efficiency program application.

Under PG&E's proposal, the Energy Coalition would work with the local governments to build support for inclusion of the pilot program in the 2009-2011 application. The Energy Coalition would then work with PG&E and the communities to develop a method for determining the community and energy capacity footprint, set energy conservation targets and create a plan to meet those targets. Finally, the Energy Coalition would develop a pilot program to be proposed by PG&E as part of its 2009-2011 energy efficiency application.

The development work for this new program would occur in five phases, the details of which are outlined as follows:

Phase I: Work with the Energy Coalition to develop the scope of the work and develop criteria for selecting one or two partner cities.

Phase II: Create a CEP II Program Implementation Proposal for funding consideration for the 2009-2011 Energy Efficiency Program cycle.

Phase III: Organize an outreach campaign to gauge the interest and support of cities from among the identified pool of potential partners, create a presentation for city recruitment and evaluate potential partners.

Phase IV: The Energy Coalition would establish working agreements with one or two cities interested in participating in the pilot program.

Phase V: City partners would work with PG&E and the Energy Coalition to refine a strategic implementation plan in preparation for the launch of the pilot program in 2009.

PG&E proposes to fund CEP II development work by shifting \$600,000 from its existing 2006-2008 Demand Response program budget.

NOTICE

Notice of AL 3171-E was made by publication in the Commission's Daily Calendar. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

PROTESTS

Advice Letter 3171-E was protested by The Association of Bay Area Governments (ABAG) on December 20, 2007, by the Division of Ratepayer Advocates (DRA) on January 9, 2008 and by the City of San Jose on January 10, 2008.

PG&E responded to the protests of ABAG and DRA , but not the City of San Jose, on January 17, 2008.

DISCUSSION

DRA, ABAG and the City of San Jose (the intervenors) argue that because the CEP II program is not being proposed within a coordinated, holistic framework, the program might duplicate, supplant or conflict with other efforts.

ABAG notes that it is currently implementing an Energy Watch program that was approved as part of the 2006-2008 energy efficiency funding cycle. Under this program, the association works with local governments to develop an "Energy Assessment Report" that analyzes current energy use in order to prioritize future energy management and set efficiency goals.

ABAG states:

"Although very little information is given regarding the proposed CEP II program, it appears that it would duplicate much of our efforts ...

ABAG generally applauds the idea of working cooperatively with local governments to assist them with their energy management needs. However, because the Advice Letter gives very few program details, it is unclear how much impact this program will have in actually assisting local governments. What is clear is that the energy efficiency portion of CEP II will overlap with ABAG's Energy Watch program, undermining our efforts to meet out program obligations ..."

ABAG recommends that consideration of the program be deferred "until such time as it can be vetted and coordinated with the existing local government partnership planning processes - both the strategic planning process and the 2009-2011 portfolio planning process - taking place in proceeding R06-04-010."

Likewise, DRA also recommends that PG&E's proposal be addressed in Commission's forum on energy efficiency long-term strategic planning taking place via R06-04-010. In its protest letter, DRA states that "approval of this advice letter now would not allow integrated [demand-side management] efforts to benefit from a cohesive strategic plan that aims to optimize energy savings efforts."

In addition to protesting PG&E's proposal on the grounds that the program should be vetted through the R06-04-010, DRA also recommends denial on the grounds that 1) the Advice Letter does not provide sufficient detail or rationale to justify funding the program and 2) the Advice Letter assigns administration of the program to the Energy Coalition without explaining why the Energy Coalition is in the best position to administer the program.

Finally, the City of San Jose also recommends rejection of the Advice Letter on the grounds that it could duplicate or conflict with existing efforts and that it provided no justification for choosing the Energy Coalition as administrator of the program

In its response, PG&E states that DRA and ABAG misinterpret the Advice Letter as proposing implementation of the CEP II program in 2008 when in fact the Advice Letter is merely proposing to develop a pilot CEP II in 2008, with pilot program implementation expenses included in PG&E's 2009-2011 Energy Efficiency or Low-Income Energy Efficiency (LIEE) application. Moreover, PG&E states that it intends to "examine the CEP II in the context of current

programs, coordinate with strategic planning efforts and discuss the program with stakeholders including DRA and ABAG.”

PG&E also contends that because the CEP II will be designed to reach cities with significant low-income populations and low participation in existing Energy Efficiency programs, existing efforts will not be duplicated. Finally, PG&E states that it has provided details of the program to Energy Division and that the Energy Coalition is an experienced administrator fully qualified to run the program.

In its comments on the draft resolution, PG&E reiterates its position that proposing CEP II outside of the strategic planning process would not “duplicate, supplant or conflict with other local government partnership efforts.” While PG&E believes there is no duplication or conflict with local government programs, the whole point of having the program be vetted through the strategic planning process is to ensure that such duplication or conflict does not occur.

PG&E’s contention that DRA and ABAG misinterpreted the aim of the Advice Letter is without merit.

In its reply, PG&E claims that DRA and ABAG misinterpret the Advice Letter to be requesting funds to implement the pilot program in 2008, rather than merely developing a pilot program for inclusion in the 2009-2011 Energy Efficiency portfolios. We do not believe this to be the case. For instance, DRA states that it “believes that this request to develop a pilot program should be addressed within the energy efficiency proceeding as part of the Commission’s long-term strategic planning process on integrated demand-side programs, which will set the foundation for the development of 2009-2011 energy efficiency portfolios.”

From this statement, it is clear DRA is addressing the work to develop a pilot program for 2009-2011, and not the implementation of the program itself. We agree with the intervenors that development of pilot programs, and not just implementation of programs, should be included in the integrated energy efficiency planning process.

CEP II should be vetted through the long-term energy efficiency strategic planning process laid out in R.06-04-010.

PG&E responds to the protests by stating that it “intends to, in collaboration with the Energy Coalition, examine the CEP II in the context of current programs, coordinate with strategic planning efforts and discuss the program with stakeholders including DRA and ABAG.”

This approach misses the point of the strategic planning process, however, which is that energy efficiency planning should be a collaborative effort among utilities and stakeholders to develop a single, comprehensive plan that avoids redundancy and conflict. It is not enough for PG&E to state that it will take existing programs into account – it must actively work with the other stakeholders so that these programs are developed in concert rather than piecemeal.

In D.07-10-032, the Commission repeatedly emphasized collaborative planning for the development of demand-side programs. In its decision the Commission directs the utilities to “collaborate with others who engage in planning and delivery of energy efficiency related goods and services, or who receive such services.²”

The decision further states: “Integrating our numerous customer demand-side programs will avoid duplication of efforts, reduce transaction costs and diminish customer confusion. We must understand how the programs intersect and take advantage of the interactions.³”

Clearly, the Commission intended for the utilities to develop demand-side management programs in collaboration with other providers of such programs, rather than to develop the programs independently but keeping the existence of other programs in mind, as PG&E proposes to do.

In comments provided on the draft resolution, PG&E states that the resolution misinterprets the intent of D.07-10-032 to mean that the utilities are prohibited from developing or implementing demand-side management programs outside of the R.06-04-010 process. While this resolution does not make a finding on

² D.07-10-032, p. 5.

³ D.07-10-032, p. 6.

whether it should ever be permissible to propose a demand-side management program outside of the integrated strategic planning effort, it is clear that the Commission's preference is for such programs to be developed within the R.06-04-010 process.

The issues of whether program details are sufficient to approve the proposal and whether it is appropriate to select Energy Coalition as the administrator of the program are outside the scope of this resolution.

PG&E's Advice Letter includes very few details about the proposed program and little indication of how it would spend the \$600,000 it is requesting to shift from approved Demand Response programs. In response to a data request by Energy Division, PG&E submitted a broad outline and schedule for the program along with a budget for each phase of work. Ordinarily, we would want as much detail as possible about a proposed program before considering approval. Because we feel that the program should be proposed under a different venue, however, this resolution is not the proper forum to discuss program details.

Likewise, the issue of whether or not Energy Coalition should be chosen as administrator of the program at the outset is one that is best addressed when the program is considered on its merits.

In its comments on the draft resolution, PG&E states that CEP II development program details and budget are sufficient and that the Energy Coalition is an appropriate administrator for CEP II program development. Again, we make no determination on the program details and the selection of the Energy Coalition as the program administrator as these issues are outside the scope of this resolution.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

PG&E provided comments on the draft resolution on February 29, 2008.

FINDINGS

1. In D.07-10-032, the Commission directed the utilities to work collaboratively with other stakeholders when developing demand-side management programs and to integrate those programs into a long-term strategic plan.
2. PG&E should raise the issue of new demand-side management programs, such as the one proposed in AL 3171-E, in the comprehensive energy efficiency strategic planning process already underway.
3. Issues related to the selection of a program administrator, program details and program budget are not addressed in this resolution.

THEREFORE IT IS ORDERED THAT:

1. The request of PG&E to develop a new pilot program (CEP II) using funds from the Demand Response Expenditures Balancing Account (DREBA) as requested in Advice Letter AL 3171-E is denied without prejudice.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on March 13, 2008; the following Commissioners voting favorably thereon:

/s/ Paul Clanon
Paul Clanon
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners