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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Approval of its 2009-2011 Energy Efficiency Program Plans and Associated Public Goods Charge (PGC) and Procurement Funding Requests.	Application 08-07-021 (Filed July 21, 2008)
And Related Matters.	Application 08-07-022 Application 08-07-023 Application 08-07-031

REPLY COMMENTS OF THE LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION ON AMENDED UTILITY APPLICATIONS FOR 2009-2011 ENERGY EFFICIENCY PROGRAMS

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For THE LOCAL GOVERNMENT
SUSTAINABLE ENERGY COALITION

May 5, 2009

As directed by the March 17, 2009 Administrative Law Judge Ruling, and by the April 30, 2009 e-mail extending the due date for replies, the Local Government Sustainable Energy Coalition[1] ("LGSEC") submits these reply comments on the utilities' amended applications for 2009-2011 energy efficiency programs. Many parties agree with positions that LGSEC has put forward in this and related dockets. There also are new ideas presented that merit further consideration from the California Public Utilities Commission ("Commission").

Role of utilities in various activities. Many parties join the LGSEC in offering comments on the interplay of energy savings credit, and shareholder incentives, with ratepayer-funded programs.[2] The LGSEC in its opening comments argued this should be limited to public goods charge funds.[3] Several of these parties also discuss activities that are appropriate for utilities, and those that are better left to other market participants. Of particular note, the City and County of San Francisco suggests the California Energy Commission ("CEC") should oversee codes and standards work.[4]

*Recommendation***:** Because the utilities also contribute general revenues to their energy efficiency programs, the LGSEC clarifies its position on the question of savings attribution: utilities should only receive energy savings credit and shareholder incentive eligibility for

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[1] The Local Government Sustainable Energy Coalition includes: the Association of Bay Area Governments, the Association of Monterey Bay Area Governments, the City of Berkeley, the City of Huntington Beach, the City of Irvine, the City of Pleasanton, the City and County of San Francisco, the City of Santa Monica, the County of Los Angeles, the County of Marin, the County of Ventura, the Energy Coalition, the South Bay Cities Council of Governments. Each of these organizations may have different views on elements of these comments, which were approved by the LGSEC's Board.

[2] *Protest Of The City & County Of San Francisco On The Amended Applications Of The Investor Owned Utilities For Approval Of Electric And Natural Gas Energy Efficiency Programs And Budgets For Years 2009-2011*, April 17, 2009, p.6; *Amendment to Comments of the Utility Reform Network on the Joint Utilities' Revised Showings of March 2, 2009*, April 21, 2009, pp. 47-51; *Women's Energy Matters Opening Comments on IOUs' Amended Energy Efficiency Portfolios for 2009-2011*, April 17, 2009, pp. 9, 11.

[3] *Comments of the Local Government Sustainable Energy Coalition on Amended Utility Applications for 2009-2011 Energy Efficiency Programs*, April 17, 2008, pp. 5-8.

[4] *Protest Of The City & County Of San Francisco*, pp. 9-11.

projects funded with ratepayer funds. The LGSEC supports the call for the CEC to oversee codes and standards work. Of particular concern is the proposal that the IOUs or their contractors would obtain access to local Planning and Inspection records. Because IOUs must obtain permits for much of their work in local jurisdictions, this would be highly improper.

Program cycle. The LGSEC, in our opening comments, advocates that the Commission either reduce the goals for the 2009-2011 program cycle to match the realistic 24 month time frame for this program, or recast the program cycle to run from 2010-2012.[5] Many other parties offer similar comments.[6] Several advocate that the next program cycle be a transition to a different system for developing state energy efficiency programs. In addition, the Natural Resources Defense Council ("NRDC") suggests that the entire program cycle be lengthened to five years, from three, with annual reviews and evaluations.

Recommendation: LGSEC supports the idea of a two-year transition cycle for 2010-2012, with the entire program cycle moving to a longer period starting in 2012, depending on the flexibility to incorporate new and innovative programs during the designated cycle. This would facilitate to some extent the LGSEC recommendation in our opening comments that local government partnerships be given "evergreen" status.[7]

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[5] *LGSEC Comments,* April 17, 2009, pp. 9-10.
[6] *Amendment to Comments of the Division of Ratepayer Advocates on Refiled Energy Efficiency Portfolios,* April 21, 2009, p. 73; *Comments of EnerNoc, Inc. on Re-Filed Applications*, April 17, 2009, pp. 3-4; *Community Environmental Council Comments on Amended Portfolio Applications*, April 17, 2009, p. 3; *Response of the Natural Resources Defense Council to Pacific Gas and Electric Company, Southern California Gas Company, Southern California Edison Company, and San Diego Gas & Electric Company's Supplemental Applications for Approval of their 2009-2011 Energy Efficiency Programs and Budgets*, April 17, 2009, pp. 20-23.
[7] *LGSEC Comments,* April 17, 2009, pp. 13-14.

Compact Fluorescent Lights ("CFLs"). The Division of Ratepayer Advocates ("DRA") and the Utility Reform Network ("TURN") each address most of their comments to concerns about the emphasis in the amended utility applications to the ongoing CFL programs the utilities have been operating for years. Both groups believe that the market for standard CFLs has been transformed, and there is no need for further ratepayer funding for these programs. They do think there is a role for utility involvement in promoting specialty CFLs and other advanced lighting technologies. TURN also raises concerns about toxic waste issues associated with CFL disposal.[8] NRDC questions the differences between utilities in the amount of budget allocated to various lighting technologies.

Recommendation: The LGSEC agrees there should be fewer resources focused on CFLs. The specialty CFLs in particular can and should be part of a more comprehensive retrofit program if they are the best application, but there should be greater emphasis on other lighting as well as non-lighting technologies. As the entities ultimately responsible for recycling and waste disposal, including toxics, the local governments that comprise the LGSEC are concerned about the disposal issues associated with CFLs. The Commission might consider funding disposal costs through a deduction from shareholder earnings, based on the amount of savings garnered by CFLs.

Reallocation of public goods charge funds to Strategic Plan. San Francisco suggests a mechanism for funding activities related to implementing the *Energy Efficiency Strategic Plan*.[9] Noticing the utilities' insistence that the CPUC adopt its suggested policy changes and "preferred" portfolio, San Francisco observes the CPUC could direct the $354 million that

[8] *TURN Comments*, pp. 41- 43.
[9] *San Francisco Comments*, p. 5.

PG&E would have contributed from the public goods charge and put it toward Strategic Plan activities that PG&E would forego with the "rebalanced" approach, unless the policy changes are approved. San Francisco urges the CPUC to initiate a parallel path funded by PGC funds of long-term resource acquisition programs.

Recommendation: LGSEC supports this suggestion from San Francisco.

Proceeding schedule. There were many comments on issues related to the schedule for this proceeding. Of particular interest to the LGSEC, DRA suggests the Commission consider automatic bridge funding when there is a lag in program approval of more than 6 months.[10] EnerNoc, a party that has been selected by PG&E and SCE to provide monitoring-based commissioning for the 2009-2011 program cycle, asks the CPUC to approve the portfolios soon, as it is unable to offer its program under the current bridge funding.[11] This is in contrast with the South Bay Community Environmental Council, which suggests that the CPUC suspend processing the portfolio applications until it has resolved the shareholder incentive mechanism.[12]

Recommendation: The procedural issues are challenging. LGSEC supports the idea of automatic bridge funding, but we emphasize that this is a band-aid approach to a problem related to how the portfolio development and approval process is currently structured. As has been said by the LGSEC and others, delays in program approval create real problems for continuity and program integrity. Moreover, the bridge funding as currently constructed with a month-to-month cap is counterproductive because it has forced many local governments and third parties to cut

[10] *DRA Amended Comments*, p. 54.
[11] *EnerNoc Comments*, pp. 3-4.
[12] *SBCEC Comments*, pp. 3-4.

back their efforts and actually turn away customers with retrofit projects that would yield considerable energy savings.

Whole building approach. NRDC suggests that instead of incentives for installing various technologies, the CPUC consider a performance-based approach where an identified level of rebate would be available to homeowners who reach a percentage of energy savings compared against building performance before the retrofits were implemented. The payment can be tied to an evaluation by a third-party rater.[13]

<u>*Recommendation*</u>**:** This is an innovative proposal, and LGSEC recommends it be explored further.

Portfolio comprehensiveness. Several parties argue there could be more emphasis on whole building/zero net energy, air conditioner replacement, innovation, peak demand reduction. TURN expresses concern about the increase in requested budgets (nearly double from 2006-2008) when compared against the expected additional savings (10.83% above 2006-2008).[14] Rocky Bacchus, whose comments are directed to HVAC issues, suggests there is a big game of "chicken" going on between the utilities and the CPUC, and the CPUC should call the bluff by mandating an aggressive air conditioner replacement program. He argues it could lead to triple energy savings, and also leverage other funding sources, such as Federal Stimulus funds.[15]

<u>*Recommendation:*</u> The LGSEC support calls for more innovation. In our comments last year on the initial utility applications, the LGSEC included in "Appendix A" a long list of

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[13] *NRDC Comments*, p. 12.
[14] *TURN Amended Comments*, p. 12.
[15] *Comments of Rocky Bacchus on the Amended Portfolio Applications of the IOUs Re-filed in March 2009*, April 17, 2009.

innovative program ideas from local governments.[16] LGSEC concurs with a move toward whole building approaches and more innovation. We also remind the Commission of the suggestion in our opening comments to strengthen local government partnerships, particularly by requiring utility funding of Resource Conservation Managers for local government entities. To date it appears that the IOUs have been building capacity internally rather than in the local jurisdictions where these resources would have direct impact. Other issues central to the goal of sustained energy savings are establishing an evergreen provision for local government partnerships, requiring the other utilities to quickly adopt PG&E's successful web-based program for supporting the EPA program Portfolio Manager for all customers and to generally provide energy usage and cost data electronically, and a thorough effort to make on-bill financing viable.

Dated: May 5, 2009

Respectfully submitted,

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For THE LOCAL GOVERNMENT
SUSTAINABLE ENERGY COALITION

[16] *Response of the Local Government Sustainable Energy Coalition to Utility Energy Efficiency Applications for 2009-2011*, August 28, 2008.

CERTIFICATE OF SERVICE

I, Jody London, certify that I have, on this date, served a copy of "Reply Comments Of The Local Government Sustainable Energy Coalition On Amended Utility Applications for 2009-2011 Energy Efficiency Programs" on all known parties to A.08-07-021, A.08-07-022, A.08-07-07-023, and A.08-07-031 by transmitting an e-mail message with the document attached to each party named in the official service list, and by serving a hard copy on the Administrative Law Judge.

I declare under penalty of perjury, pursuant to the laws of the State of California, that the foregoing is true and correct.

Dated May 5, 2009 in Oakland, California.

Jody London

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Jody London

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Filer: Southern California Edison Company
List Name: LIST
Last changed: May 1, 2009

Proceeding: A0807022 - SOCAL GAS CO - FOR A
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