SDGE | Southern California Gas Company | Sempra Energy utilities

Tamara Rasberry
Manager, State Regulatory Affairs

925 L Street, Suite 650
Sacramento, CA 95814

(916) 492-4252
trasberry@sempra.com

DOCKET	
09-OII-1	
DATE	AUG 052009
RECD	AUG 05 2009

August 5, 2009

California Energy Commission
1516 Ninth Street
Sacramento, CA 95814-5512

RE: ARRA SEP GUIDELINES Docket No. 09-0II-01

Dear Commissioners:

San Diego Gas & Electric and Southern California Gas (together "Sempra Energy Utilities" or "SEu") appreciate this opportunity to comment on the Draft Guidelines ("Guidelines") for the State Energy Program (SEP). Before commenting, we wish to reiterate our verbal comments given at the Friday, July 31, 2009 Public Workshop that we are impressed with the first version of the Guidelines and commend the California Energy Commission (Commission or "CEC") Staff for the hard work that obviously went into this effort.

SEu also notes that it is looking forward to coordinating these programs with the Commission, as there appears to be much opportunity and overlap with our existing and planned energy efficiency portfolios. Specifically, the local government and institutional partnership programs appear to be logical connections for much of what is proposed for SEP, but there are other components of our portfolio where we should be working together the ensure we do not duplicate or conflict with our efforts. We look forward to working with the Commission accordingly.

General Comments:

1. On page 9 of the Guidelines, Section E, the Commission describes a process using the "ARRA Committee." SEu suggests that more information is needed about who will be making recommendations on the awards under SEP—who will participate on this Committee? A related question is will the Commission conduct a public process prior to approving any awards under any element of the SEP? We strongly recommend that it be a public process so that we can have opportunities for input, similar to the existing process for reviewing proposed PIER projects.

2. SEu is very pleased to see that the Commission has allocated up to $25 million to the Department of General Services (DGS) for a revolving loan account to help kick-start State projects. We are very hopeful this will increase participation in our partnership with the State. Similar needs exist for the California Community College system (CCC), so we strongly encourage the Commission to modify the allocation to include CCC. All four investor owned utilities (IOUs) have had a partnership with CCC for several years, and SEu believes including CCC in the revolving loan account would substantively allow for increased participation of CCC campuses in the partnership; given the recent state funding reductions to higher education, CCC would likely greatly appreciate this opportunity.

3. How the Commission defines "administration" for purposes of calculating and staying within the maximum allowable percentage is also an important issue. During the workshop, it was mentioned that DOE is perhaps developing such a definition, but SEu is very concerned that the low allowable cap will hinder creative proposals. Additionally, the reporting under this (and for that matter, all the ARRA programs) is fairly detailed and rigorous. While the reasons for that requirement are good ones, the reporting requirements are nonetheless not simple and complicate the ability to stay within the cap. Perhaps clarification to the definition of allowable expenses will result in this not being an issue, but under our current experience with the California Public Utilities Commission (CPUC) reporting requirements, the definition of administrative expense is fairly broad. If such a definition is used here, it would likely make the low administrative cost cap untenable. Lastly, there may be ways to take advantage of those same CPUC reporting requirements where program overlaps exist and the activity is coordinated with an IOU program.

4. We support the concept of maximizing the leveraging of other funds, particularly the many utility program funds, but want to reiterate a workshop comment that to include Energy Efficiency and Conservation Block Grant funds at this stage may be problematic for many cities and counties that have already submitted their applications to DOE. We encourage the Commission to clarify how that potential conflict can be reconciled.

Municipal Financing District Program:

1. Overall, SEu is very supportive of this program. We have been actively working with our local governments to promote the concept of using AB 811 as a vehicle to finance energy efficiency and renewable technologies. We support the proposal contained in the Guidelines to allow SEP funds to be used to help develop and administer these programs. We have also been a very staunch supporter of ensuring that AB 811 programs that promote energy efficiency should be done before considering solar (the "rightsizing" concept). However, as proposed in the Guidelines, SEu believes that the Commission has proposed too onerous of an energy efficiency first concept, with the potential result that few, if any, proposals will be submitted. Again, we strongly support the intent, but point out that this is a difficult balance to achieve (i.e. how much energy efficiency should be required to "qualify" for a solar PV loan). In our many discussions with local governments, it has been quite clear that such requirements are not well-received. It's not that the energy efficiency first concept isn't supported, because it is. It's that mandatory EE requirements are perceived as hindering the ability to also get solar PV installed. Consequently, we have modified our own approach with cities to support a balance of needs here. First, it has to be simple. Second, it has to be real simple! Our approach is to include an up-front audit requirement, hopefully HERS2, but at least some level of audit, to ensure that the customer knows what EE opportunities they have. If, during that audit, certain measures are found that are obviously energy hogs (e.g., old pool pumps, SEER 6 a/c units, no insulation), then we strongly encourage those be required upgrades—they are all financeable and impact the sizing of a PV system. From there, measures become optional to then get to solar. In summary, we recommend that parties be allowed to propose their own approach to having a minimum energy efficiency requirement. (note: The Commission's proposal to require a whole house approach has other concerns noted next.)

2. It was a little confusing if the whole house approach presented in the Guidelines is the basis of a program design or if it's an optional approach. If it remains in the Guidelines, we suggest

making clearer whether it is mandatory or optional. But regardless, we believe the whole-house approach will be a difficult approach to an AB 811-type program for residential financing. This is even more challenging because the IOU program design for whole house is still being developed and is not yet approved by the CPUC. Consequently, we again recommend that it be an optional approach and that parties be allowed to propose their own approach to having a minimum energy efficiency requirement. Please also see related comment #1 under the Residential Program.

3. Also, based on what we've seen with the Palm Desert AB 811 program, we recommend that additional funds be allocated to this program area. Palm Desert, which is considered a smaller city when it comes to the potential for this type of program, has already spent or committed about $9 million. For this program to reasonably cover the State (600 plus local governments), we would expect the up $96 million maximum amount available for the 3 program areas (which all need to share the funds) to easily be taken by only a few proposals. We acknowledge the challenge this presents with such limited funds, but we believe that this program area should be the focus of the SEP program.

4. Under Eligibility (Section D), SEu asks whether Joint Powers Authorities would also be allowed to submit applications (?). We are aware of at least a couple of these entities that are already working on AB 811-type programs, so we encourage the eligibility to be expanded accordingly.

California Comprehensive Residential Building Retrofit Program:

1. SEu has been involved in the process to develop a whole house approach to the residential market, along with many other parties. As already noted, that process is sill being developed and it appears that effort and the details proposed in the Guidelines are not in alignment. Certainly, such a disconnect can be addressed, but it highlights the key issue here—having two efforts on something that is so complicated, will be a huge challenge. An example of possible confusion: the four IOUs will be implementing their whole-house programs in partnership with Energy Star (ES), because ES will provide good brand recognition for these programs. While the Tiered approach the CEC is proposing is similar to the model the IOUs first discussed (but pulled away from), the CPUC has also requested that the IOUs consider utilizing a prescriptive and performance-based program model. This could create additional conflict between the CPUC's and CEC's idea of what a whole-house program should look like. The bottom line is that we feel it would be more prudent to utilize the funds allocated to this program area for the Municipal Financing District program. Again, taking a whole-house approach can certainly be an option for parties in that program, but the fundamental need is to make financing available to support the residential segment.

This concludes our comments.

Yours sincerely,

Samara Raskerry