

Women's Energy Matters

P.O. Box 637 • Rio Linda CA 95673 • 916-925-7058 or 510-915-6215 • bgwem@igc.org

MEDIA BRIEFING 9/9/02

Contact: Barbara George, Executive Director, Women's Energy Matters 916-925-7058

HISTORIC NON-UTILITY CONSERVATION PROGRAMS FINALLY BEGIN

The Public Utilities Commission's (PUC's) historic plan to open some of California's energy efficiency (EE) programs to non-utility providers finally got a green light — eight months into the program year — when the PUC denied PG&E's 6/17/02 Application for Rehearing of the PUC's decision to make utilities sign and administer contracts with non-utility energy efficiency providers selected by the PUC.

PG&E is now signing the long-delayed contracts. Edison, SDG&E and SoCal Gas signed a few weeks ago, but all four utilities sent the contracts with cover letters warning that they might be ruled illegal. PG&E's letter added that 3rd parties might have to return all the funds if the contracts were overturned in Court.

Forty-two non-utility EE providers — cities, non-profits, small businesses and others — now have fifteen months to show their stuff. They promise a cornucopia of new ideas and methods for boosting energy savings. (Call us for program descriptions and #s.)

Barbara George, Executive Director of Women's Energy Matters, a public interest group that is an active party in this "New EE" proceeding at the PUC (and is reviewing utility EE programs in another proceeding), praised the Commission and third parties for sticking with their plans. "This is a very positive change. We urge people to support it."

PUC Pres. Loretta Lynch responded to long-standing problems with utility EE programs when she freed up \$50m/yr for two years out of the EE budget of around \$280m/yr. Economist Dr. Eugene Coyle proved long ago that investor-owned utilities (IOUs) have an insoluble conflict of interest with EE, since their duty to shareholders is to increase share prices by selling *more*, not less electricity. "IOUs waste conservation funds, but they want the control. Conservation has great PR value: it's popular, and people see utilities giving away money. Few realize that ratepayers pay for all of it."

PG&E delayed the start of 3rd party programs for months. (The company filed most of the same points in a January brief that the PUC denied in April.)

Recently, four organizations representing minority businesses and disabled vets sent letters to the Governor, key legislators and the media echoing PG&E's complaint that the PUC should have followed State contracting procedures. The PUC's denial of PG&E's request for rehearing argues that no State money is involved; funds are collected from ratepayers and distributed by the utilities the way they pay all their other contractors; therefore State contracting laws do not apply.

Glynnis Jones, legislative director for the Appliance Recycling Centers of America (ARCA), a company that contracts with utilities to recycle old refrigerators, finds it laughable for PG&E to preach State contracting law when its own procedures are unfair. "PG&E won't reveal its selection criteria; in 1998 it decided to just draw contractors out of a hat for its Residential Standard Performance Contract program."

Dan Meek, an Oregon attorney who has represented 3rd party EE providers in PUC proceedings for many years and did the heavy lifting to improve the current contracts, believes the PUC is acting brilliantly. "The IOUs have obstructed these contracts for half a year already and may continue to do so, but once the independent contractors are allowed to get into the field and do their work, everyone will see that

energy conservation programs do not need to be designed or implemented by the IOUs, which have a financial conflict of interest when it comes to saving energy.”

Background

The PUC tried to start 3rd party energy efficiency programs in 1997, right after deregulation passed, but the effort ran aground when the PUC tried to set up a non-utility administrator before it had clear legal authority to do so. Gov. Wilson vetoed a bill granting that authority, and the PUC gave up its plans. (In the meantime, Oregon, Wisconsin, Vermont and Maine have all changed to independent administration for EE.)

The Commission moved cautiously this time and left nothing to the whims of the Governor or legislature. It set aside only 20% of the funds for third party programs, and kept to the existing framework, in which utilities oversee all outside contracts.

The Commission postponed the question of future administration to a later stage of the proceeding and started right in with a Request for Proposals last fall. It got a huge response, indicating that there is a vibrant community of EE providers just waiting for a chance to show what they can do outside the limitations of current utility programs.

After stalling for six months, the utilities drafted contracts with unacceptable provisions. One allowed utility administrators to shut down 3rd party programs and confiscate their funds without cause; another required 3rd parties to put up a Letter of Credit for the full amount of the contract, which the IOU could cash in whenever it deemed such action necessary. PUC Judge Sarah Thomas walked a fine line to maintain the existing legal framework, removing some of the clauses and leaving some in place while asserting the PUC's right to referee, to protect 3rd parties.

The delay has hurt 3rd parties, and experienced observers warn that utilities may pull more dirty tricks to undermine them further. George objects to the foxes having keys to the henhouse, but sees a chance for significant change if the PUC and 3rd parties persevere. “The key thing is to get some of this money out of utility clutches and into the hands of people who will make each penny count. Energy efficiency has tremendous potential to create new jobs at all skill levels, doing things that help people and the environment. It is a path to prosperity — and an essential remedy for global warming.”