

Women's Energy Matters

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WOMEN'S ENERGY MATTERS' INVESTIGATION OF ENERGY EFFICIENCY PROGRAMS RINGS TRUE WITH CPUC JUDGE

Women's Energy Matters' efforts to maximize public benefit from energy efficiency/conservation funds are having an impact at the Calif. Public Utilities Commission. In her 3/4/03 Draft Interim Opinion, Administrative Law Judge Kim Malcolm took several positions WEM has advocated (see Excerpts). The Commission will vote on it 4/3/03.

The Judge ordered PG&E to come up with a better plan for its proposed energy efficiency "pilot" in San Francisco. She set aside only \$8 million of \$16 m. requested, noting the high cost of PG&E's conservation measures. The utility must reveal exactly how it will spend the money, how much San Francisco's Dept. of the Environment will control, and how specific energy savings will be achieved. The public will have an opportunity to comment on PG&E's revised plan (not yet released).

Concerning energy efficiency statewide, the Judge ordered a full review of the past four years of utility energy efficiency programs, including a financial audit.

Barbara George, Exec. Dir. of WEM, remarked, "It's astonishing that \$250 million/year of conservation programs by the big four investor owned utilities have never been audited! WEM has repeatedly asked for one."

WEM also pointed out an Enron/Anderson-type conflict of interest. Utilities hire companies to "evaluate, measure and verify" their energy savings claims — and hire the same companies for lucrative consulting work. Utility executives were dismayed last August when George walked into a Sonoma resort and photographed utility personnel entertaining a group of sweetheart contractors. The Draft Opinion puts the Commission in charge of hiring measurement companies in the future.

The ALJ also required the utilities to set up a separate account for energy efficiency funds, which will be held in trust for the Commission. Utilities will no longer be able to take money for "estimated" expenditures; they will have to prove they spent the funds as planned and met energy savings targets, before being reimbursed.

George concluded, "WEM has urged the Commission to take control of ratepayer conservation funds away from utilities, and put them on the same footing as new, non-utility EE providers like cities and non-profits. Given half a chance, non-utility providers will deliver more energy savings for the money. Utilities have a fundamental conflict of interest — they make more money and raise stock prices by selling more power. But they want to control energy efficiency programs, to get the PR value of conservation, and to prevent greater energy savings."

Excerpts from 3/4/03 Draft Interim Opinion of CPUC Administrative Law Judge Kim Malcolm (Future Energy Efficiency Rulemaking 01-08-028) (emphasis added):

p. 8-10: Women's Energy Matters (WEM) objects to funding this program. WEM observes that it is unable to comment on program elements because PG&E does not provide a budget. It comments that the program envisions preferential treatment for the customers of a single community and would shift funding from residential customers to commercial and industrial customers. WEM raises broader issues relating to PG&E's potential conflict of interest in managing energy efficiency programs and the need to empower the city to implement such programs independently.

Discussion: ... We have numerous concerns about the proposal, however, as it has been presented in this proceeding. Most importantly, PG&E does not explain how the program will meet program goals to reduce demand by 16 MW during peak periods. Instead, it presents a list of possible program elements without a program budget or energy savings estimates. PG&E clarifies that it still needs to undertake a needs assessment and present a more specific proposal for consideration. It does not explain, however, how much of its budget will go to additional administrative tasks such as data gathering, study preparation, program development and program coordination. Given the apparent concurrence of PG&E and San Francisco regarding the value of local administration of energy efficiency programs and San Francisco's explicit wish to retain its energy efficiency organization, we also wonder whether PG&E's administration of this program could present unnecessary duplication of effort.

We also weigh the conceptual benefits of a more aggressive local effort in San Francisco against the lost opportunities presented by allocating such a large proportion of funding to a single city. To the extent the cost of the San Francisco program is higher than energy efficiency programs in other areas or statewide, if the Commission approved the Pilot Program, the result could be on a reduction in overall cost-effectiveness of energy efficiency programs. On the other hand, the value of energy savings in San Francisco may be higher than in other areas of the state because of the prospect of energy shortages and the high cost of improving system reliability with additional transmission and energy generation facilities. Unfortunately, we have little

information upon which to make these judgments using the information presented by PG&E and San Francisco.

Rather than take a risk with \$16 million of PG&E's funding -- which is about twice what the City of San Francisco's customers contribute to PG&E's energy efficiency programs and is about 15% of PG&E's total statewide program budget -- we will here approve \$8 million for the San Francisco Pilot Program. This funding would be in addition to money spent on pre-existing programs for which San Franciscans will still qualify. These funds will be set aside immediately for program implementation. In order to justify spending these funds, PG&E must present a needs assessment and a specific program proposal as part of an advice letter filing. This assessment should include an analysis comparing the costs of proposed program elements to the costs of alternative means of improving system reliability in San Francisco, if that information is publicly available, and a more traditional cost-effectiveness analysis. PG&E should include a draft resolution proposing a program budget for San Francisco and serve a copy of this advice letter on all parties to this proceeding. We will expedite review of the advice letter.

p. 17: For 2003, the Commission will select consultants to evaluate and verify utility programs and other energy efficiency programs. We focus these efforts in 2003 on utility programs.

We intend to fund five projects for measurement and verification, described in Sections A to E below. The Commission will contract directly with firms for four projects involving audit of PGC funds, EM&V of the utilities' 2003 statewide and local programs, and an update of avoided costs. The Commission will manage all aspects of the contracts and inform utilities of amounts due to contractors.

p. 18: The Commission will contract for a comprehensive financial audit... The purpose of this audit will be to (1) provide a comprehensive view of the effectiveness of PGC revenue collections and related energy efficiency program expenditures...

p. 21-22: Within 30 days of the date of this decision, SDG&E, SCE and PG&E shall each establish a separate interest-bearing bank account for funds collected from the

rates for their electric energy efficiency public purpose programs...These energy efficiency accounts shall be insured by the FDIC and held in trust for the Commission on behalf of the ratepayers in the event that a utility becomes unable to fulfill its energy efficiency associated financial responsibilities... This decision changes the current practice permitting the utilities to recover estimated expenditures associated with administration of energy efficiency programs. Instead, the utilities will qualify only for actual and verifiable expenses associated with specific programs.