

FOR IMMEDIATE RELEASE 2/25/04

Contact: Barbara George, Women's Energy Matters 510-915-6215

Maurice Campbell, Convenor, Community First Coalition 415-468-8964

**CPUC AFFIRMS ANALYSIS OF SAN FRANCISCO PEAK ENERGY PILOT
BY COMMUNITY FIRST COALITION & WOMEN'S ENERGY MATTERS**

CPUC votes Thurs., 2/26/04, 10 am - 505 Van Ness Ave., SF

Agenda Item 24 [3228] and 24a [3266] Energy Efficiency Proceeding R0108028

The California Public Utilities Commission (CPUC) will vote Thursday, February 26, 2004, on a key Energy Efficiency decision that will determine whether the San Francisco Peak Energy Pilot ("Pilot") - a collaboration between PG&E and SF Dept. of Environment - will be modified to ensure that it will deliver energy savings as promised. (This decision will also select another set of programs proposed for 2004.)

Commissioners will choose between a Draft Decision by Commissioner Susan Kennedy and an Alternate Decision by Commissioner Loretta Lynch (or they could take sections from each or make other changes). The Lynch Alternate selects more 2004-5 programs that scored high on the CPUC's criteria. The Kennedy decision gives more money to low-scoring programs that are mostly run by utilities.

BOTH DRAFT DECISIONS ACKNOWLEDGE THE TRUTH OF PROBLEMS IN THE PILOT WHICH WERE IDENTIFIED BY CFC/WEM. The Lynch Alternate requires the Pilot to be modified — the Kennedy Draft would allow it go forward as is.

CFC/WEM SUPPORTS THE LYNCH ALTERNATE, AND ASKS THE CPUC TO REQUIRE PG&E/SFE TO WORK WITH CFC/WEM TO DESIGN AND IMPLEMENT MODIFICATIONS WE PROPOSED.

The following is an excerpt from Commissioner Lynch's Alternate (2/11/04):

VII. Joint Motion for Reconsideration of the ALJ Rulings of October 16, 2003 Filed by Community First Coalition and Women's Energy Matters

CFC/WEM filed a motion on October 23, 2003 seeking reconsideration of the ALJ's ruling, dated October 16, 2003. CFC/WEM object to the ALJ's approval of an energy efficiency program pilot plan (Pilot) developed by the City of San Francisco (City) and PG&E in compliance with D.03-04-055. That order approved \$16 million in funding for the pilot program in San Francisco, which PG&E and the City stated would reduce peak demand by 16 MW. The ALJ's ruling dated October 16, 2003 approved the Program Implementation Plan (PIP), allowing PG&E and the City to implement the pilot funded by D.03-04-055.

Normally, the Commission does not consider interlocutory appeals to ALJ rulings. In this case, we address the matter here because CFC/WEM's motion raises concerns that the pilot program approved in the PIP relies too heavily on compact fluorescent lighting (CFL), frustrating the Commission's intent that the program promote energy savings during peak periods. CFC/WEM argue that the reliance on CFLs reduces peak savings in summer to 7.1 MW and peak winter savings to 5.6 MW in 10 years. The reason for this reduction in peak savings, according to CFC/WEM, is that the CFLs last only two years. This circumstance makes the entire program not cost-effective and more expensive

than alternatives for reducing peak demand in San Francisco. CFC/WEM presents a proposal for a more cost-effective program with alternatives costing about \$1300-1400 per average kW compared to its estimated cost of the San Francisco Pilot of about \$1,800 per kW over the same period. CFC/WEM asks that PG&E and the City be required to work with local communities in designing a more cost-effective program.

PG&E and the City respond that the CFL program will contribute to long term savings because they anticipate an effective useful life of eight years rather than the two years CFC/WEM assumes. They argue that CFC/WEM's cost-effectiveness analysis differs from the one used in the PIP, showing a cost of under \$1,000 for summer peak and winter peak periods.

Normally, the Commission does not consider interlocutory appeals to ALJ rulings. In this case, we address the matter here because CFC/WEM's motion raises important issues and demonstrates considerable knowledge of energy efficiency measures and analysis of costs and benefits. We appreciate CFC/WEM's concerns about the use of CFLs in the pilot program. We concur with its concern, expressed in the ALJ's August 20, 2003 ruling, that PG&E and the City inappropriately assume energy savings for periods that extend well beyond the life of the CFLs they install. PG&E and the City's cost-effectiveness calculations assume savings that may never occur and, where they do, are not necessarily attributable to the pilot program. This assumption artificially inflates the forecast cost-effectiveness of the pilot program and it should not be applied to the final evaluation of the program's success.

Accordingly, we direct the City of San Francisco to submit a modified PIP that addresses these concerns.

**PROBLEMS IDENTIFIED BY CFC/WEM IN PG&E/SFE PILOT
(see CFC WEM's proposed alternatives, after this section)**

- Residential customers, who pay an estimated 40% of San Francisco's utility bills (which fund Energy Efficiency programs), would receive only 2.2% of the bill reductions
- The work in apartment buildings would mostly reduce bills for landlords, not tenants
- Apartment tenants would receive only 0.7% of the Pilot's total bill reductions

• **Phantom savings:** The Pilot's energy savings estimates depend heavily on 298,000 compact fluorescent lights (CFLs) installed in commercial facilities. The Pilot attributed a life of eight years to these bulbs, but they also predict that they will burn for 5,563 hours per year (because they are in commercial facilities). Since the types of bulbs they plan to use have only a 6,000 hour life, they would burn out in just over a year. Their energy savings estimates rest on the assumption that customers would replace all of these CFLs six or seven times over the next eight years without using any further PGC rebates. The CPUC Judge recently refused to allow PG&E/SFE to claim energy savings from bulbs replaced by customers. As a result, the 16.5 MW energy savings claimed by the Pilot would only last a year, then quickly drop to 8 MW and taper off to less than 6 MW in late

years. Even this level is overstated, because some of the bulbs would burn out before the rest were installed. As a result, the Pilot's maximum energy savings is only 13.4 MW.

- **After eliminating the phantom savings**, the average cost for the Pilot is \$2,012 per peak KW — 50% more expensive than building power plants. Properly managed energy efficiency programs should be much less expensive than such alternatives.
- The current Pilot includes many measures that are not cost-effective. For example, interior hardwired fixtures have an average cost of over \$12,000 per summer peak kW, and coin-operated washing machines cost \$28,300 per summer peak kW. In the Commercial program, half the budget is spent on measures whose peak costs are around \$2000 per kW

Other problems include:

- For six months PG&E claimed that EE was needed for large buildings downtown, because of the need to close the Hunters Point Power Plant (HPPP). They finally had to admit that EE downtown would not help close the plant, since there were two high-voltage lines serving downtown from the Peninsula, bypassing San Francisco power plants.
- PG&E said they need to give commercial rebates in the Pilot that are double and triple the size of rebates in statewide programs because of the “emergency” in SF, however, a few months later it also increased the size of statewide rebates
- The Pilot provides \$360,000 to fund PG&E staff working inside SF's Planning and Building Inspection Depts., specifically assigned to review and draft City ordinances
- The Pilot gives PG&E access to databases in several other City departments and a free ride for corporate advertising in City mailings to all residents
- No specific funding has been allocated for work in Bayview/Hunters Point,

CFC/WEM OFFERS A WELL-DEVELOPED ALTERNATIVE WITH MORE COMMUNITY BENEFITS

- CFC/WEM's modifications to the Pilot would give residential customers at least 28% of the budget — preferably 40% — vs. 6% planned by PGE/SFE. The modified pilot would provide at least 48% more summer peak savings and 56% more winter peak savings at a price per kW that is one-third less
- Our modifications increase cost-effective measures and reduce or eliminate those that are not cost-effective. For example, PG&E/SFE only planned to install 132 programmable thermostats in multifamily apartments — a very cost-effective measure that saves gas as well as electricity. CFC/WEM recommend increasing that to 10-20,000.
- Our alternative has an average winter peak cost of \$1,159
- CFC/WEM could improve on these figures, which accepted certain PG&E/SFE assumptions as given — such as administrative costs of 20%. The Commission's December decision required PG&E to reduce overhead for all its other programs to 7%. If the Pilot's excessive overhead was shifted to the rebates budget, this would all by itself increase savings by over 25%. There would be even higher savings if the commercial rebates were capped, as CFC/WEM recommend.
- Our alternative would eliminate funding for PG&E staff to work in City Depts.

- CFC/WEM asks for at least half the funds, or preferably all, to be allocated for residential and commercial customers in Bayview/Hunters Point and Potrero, with a priority for low-income residents. These communities have suffered health damage and economic blight from having the power plants in their midst.
- Residents of public housing and Section 8 should be served first
- A decent percentage of the jobs should go to BVHP community residents