

CURRENTS

AN ENERGY NEWSLETTER FOR LOCAL GOVERNMENTS

Utilities to Administer State Energy Efficiency Programs through 2001?

MAR/APR 1999

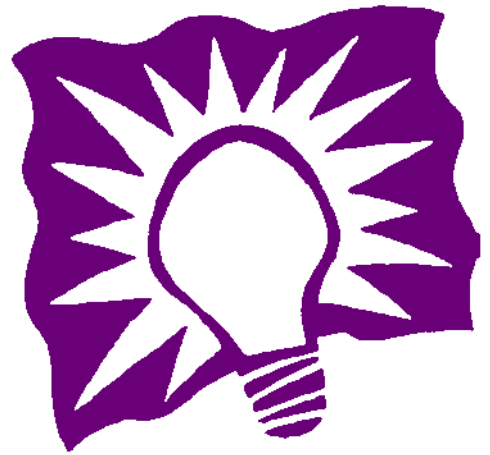
by Peter Asmus

When the California Legislature unanimously approved Assembly Bill 1890 in 1996 and restructured the state's \$23 billion electricity market, they avoided precisely spelling out specific public policies to govern the state's energy efficiency market. Though AB 1890 included over \$800 million to be invested in energy efficiency between 1998 and 2001, the job of determining the best way to manage these funds in California's new competitive market was handed off to the California Public Utilities Commission (CPUC).

Now, however, the job of determining the best way to administer and manage these funds has fallen back into the laps of state lawmakers.

Most of the debate over electric industry restructuring has focused on the best way to dismantle existing monopoly utilities. The most dramatic impact of AB 1890 was the goal of having utilities over time divest themselves of most of their power generation facilities. Instead, most consumers today actually purchase their electricity from the Power Exchange (PX), a new spot market for electricity that has supplied over 88 percent of state consumers not served by municipal

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Energy Information Clearinghouse Spreads the Word on Energy Efficiency

How much money can a homeowner save on energy bills by planting a shade tree? What funding resources are available to purchase solar energy systems? What kinds of programs have California cities and counties developed to help create more energy-efficient buildings? The Local Energy Assistance Program's Energy Information Clearinghouse can assist you with these and other energy-related questions.

Providing information on energy efficiency, renewable energy and utility deregulation issues, the Clearinghouse is one component of

the free energy planning services provided through the Local Energy Assistance Program (LEAP). Cities and counties participating in LEAP can also receive in-depth plan analysis of proposed residential or commercial projects. The LEAP team, comprised of the Local Government Commission and the engineering firm ADM Associates, identify opportunities to make developments more energy efficient and less costly to build. The LEAP team can also assist with the General Plan update process by providing energy efficiency and renewable energy provisions and

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WHAT'S INSIDE

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Energy Info Clearinghouse Spreads the Word

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background information drawn from the Clearinghouse library.

The Clearinghouse is available to everyone, even if they are not connected with a participating LEAP city or county. "LEAP has been showing local governments how they can develop communities that are more energy efficient, more livable, and less costly to build and maintain, saving money for residents, local governments, and developers," explains LEAP Project Manager Josh Meyer. "The Clearinghouse helps us reach a larger audience with this message. A city or county may not be ready to become a LEAP participant, but if its councilmember or a planner has a question about the economic and social benefits of shade tree programs, or would like a copy of our guidebook on improving ener-

gy efficiency in buildings, the Clearinghouse is there to help."

Several LGC energy publications are available through the Clearinghouse on solar energy, energy efficiency in buildings and urban forests (see page 6 for a complete list of publications), plus project studies and General Plan recommendations generated for participating LEAP communities. The Clearinghouse also maintains an extensive library on energy-related issues and lists of energy publications and newsletters from energy conservation organizations from across the country.

The Clearinghouse also maintains a web site (www.lgc.org/energy). The site includes energy case studies and fact sheets, funding opportunities for energy efficiency projects, an on-line version of current and back issues of *Currents*, and

web links to over 55 organizations addressing energy efficiency, renewable energy, sustainable development and utility deregulation issues.

To help keep cities and counties abreast of current energy events, the Clearinghouse has added an "Energy News Briefs" section to the web site. The Clearinghouse will also soon have a free e-mail list serve providing energy news briefs and information on upcoming conferences, workshops and funding opportunities.

If you would like to receive one of the LEAP publications, subscribe to the energy update list or have any energy questions or requests, contact Steve Hoyt at ☎(916) 448-1198 (e-mail at shoyt@lgc.org), or leave a message on the toll-free energy hotline at ☎(877) 674-5159.

Energy-Efficient Homes



Homebuyers are willing to pay substantially more for energy-efficient homes, according to a new study by the ICF Kaiser Consulting Group for the U.S. EPA's Energy Star Homes Program. Energy Star homes use at least 30% less energy than a Model Energy Code home, while also maintaining or improving indoor air quality and increasing comfort in the home.

The EPA estimates that upgrading a new home to Energy Star levels can cost from \$2,000 to \$4,000, and that a typical Energy Star home reduces utility bills by \$420 per year. That level of savings can add about \$8,400 to the home's market value. The study concluded that people are willing to fully pay for the monthly fuel savings of energy-efficient homes with higher monthly mortgage payments and ultimately recover the market value of their energy efficiency investments when they sell their homes.

To learn more about the Energy Star Homes Program, visit the Program's web site at www.epa.gov/homes.

Energy-Saving Homes in NJ

The State of New Jersey has agreed to offer up to \$10 million in low-interest loans and tax credits to developers building energy-efficient homes as part of its Sustainable Development/Affordable Housing Pilot Project. Residents of these energy-efficient homes, which must be 30% more efficient than traditional homes, can expect to save an average of \$30-\$35 per month on their combined heating, cooling, and water heater bills. If the program meets its goal of developing 100 energy-efficient homes, the homeowners would save enough on their energy bills to pump thousands of dollars back into the local economy.

Energy Efficiency Programs through 2001?

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utilities since the state power market was opened up to competition last March 31st. The remaining consumers have selected an alternative provider, over 50 percent of which have elected to purchase green power from private power marketers.

Responsibility for long distance transmission of electricity was handed off to a neutral overseer called the Independent System Operator. Distributing electricity to individual customers remains the only job of the former monopoly incumbent utilities.

Where does energy efficiency fit in this new market structure?

At the urging of the Sierra Club and Utility Reform Network (formerly TURN), the CPUC devised a new structure for the energy efficiency market in 1997. Instead of allowing the state's four investor-owned utilities (Pacific Gas & Electric, Southern California Edison, San Diego Gas & Electric and Southern California Gas) to continue to manage these programs based on their existing service territories, there instead would be statewide programs operated by a variety of companies competing to provide residential, commercial and new construction energy efficiency services. Each of the administrators for these categories was to be picked in a competitive open solicitation.

The California Board for Energy Efficiency (CBEE), created by the CPUC, was immediately hampered from setting up reforms to encourage the selecting of these independent administrators due to disputes with unionized state employees and other legal issues. Incumbent utilities were allowed to manage



energy efficiency programs on an interim basis in 1998 (ruled CBEE) until bidding programs for independent administrators were to be released in time for 1999 program implementation.

However, last December CPUC Administrative Law Judge Meg Gottstein issued a ruling that would allow the state's four private distribution utilities to continue to administer energy efficiency programs through 2001.

One of the chief reasons for Gottstein's ruling was former Governor Pete Wilson's veto of AB 2461, which would have secured staff funding for the CBEE and the Low Income Governing Board, which also manages energy efficiency programs.

"Due to circumstances beyond our control, we must now adopt a 'second best solution,'" Gottstein stated in her ruling. "Energy efficiency cannot be sustained in California with continued uncertainty over how programs will be administered." She indicated her preference was a legislatively mandated nonprofit organization.

In January, the CPUC approved stricter accounting rules proposed

by the CBEE for utility administrators in anticipation of some future hand-off of administration responsibilities to non-utility administrators. According to the CPUC, the goal is to achieve a straightforward accounting structure for future, non-utility administrators to use when these programs can be transferred from utilities.

The intent of the CBEE recommendations is to 'tag' budgeted funds for specific activities in order to accomplish responsible utility budgeting within a program year.

The Natural Resources Defense Council and Environmental Defense Fund applauded the ruling to allow utilities to continue administering energy efficiency programs. Even Rich Ferguson, the Sierra Club's national energy chair and a prime supporter of taking energy efficiency services out of the hands of utilities, reluctantly agreed there really was no other choice.

"In essence, the ruling was a punt to the California Legislature to let them decide whether the state should have an independent administrator for energy efficiency programs. For whatever reason, the CPUC, given the outstanding bureaucratic and legal issues, seems unable to move forward with an independent energy efficiency administrator at this time without further guidance from Sacramento," Ferguson said.

Ferguson had suggested allowing the PX to run energy efficiency programs given its major presence as a power supplier in the state. The California Energy Commission and state Office of Ratepayer Advocates favor

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Santa Monica Is World's First Green Power City

Setting an example for other municipalities around the world, the Santa Monica City Council voted unanimously on February 23rd to negotiate with Commonwealth Energy of Orange County to purchase five megawatts of clean, renewable energy to supply electricity to serve all of its municipal power needs for one year.

The proposed purchase of an equivalent amount of electricity used by 5,000 to 6,000 homes would make Santa Monica the first major city in the world to have all of its municipal power needs to be served by clean, renewable energy.

"This is a historic vote and a major step in our community's commitment to lead by example and make Santa Monica a model of sustainable energy policies," said Council-member Paul Rosenstein. "I urge other local governments in California to follow our lead and to look to renewable energy as a way to reduce emissions associated with global warming. The sooner more government agencies make

these kind of commitments to green power, the sooner a market is created to lower costs, which benefits all consumers."

Commonwealth Energy offered the best price and greatest flexibility in meeting Santa Monica's distinct needs, according to Susan Munves, the city's conservation coordinator.

"If we can finalize negotiations to each party's mutual satisfaction, we will be served by electricity generated from geothermal power plants located in Sonoma County," Munves said. "Ultimately, Commonwealth Energy has pledged to develop new geothermal power plants near the Salton Sea in Imperial County."

Santa Monica will pay a 5-percent premium, or roughly \$140,000 more annually, for green instead of dirty power. According to Monves, the 5-percent premium is not a significant expenditure (compared to the total annual energy bill) and is easily offset by the air emission reductions and corresponding environmental benefits.



'99 GUIDE TO GREEN CARS

The American Council for an Energy-Efficient Economy recently released its *Green Guide to Cars and Trucks: Model Year 1999*, which assesses the health impacts, estimated annual fuel expenses, and greenhouse gas emissions for every new passenger car, minivan, sport utility, and pickup truck sold in the United States.

"American cars and light trucks alone account for more fossil fuel CO₂ emissions than the total nationwide emissions of all but three other countries in the world," the guidebook notes.

Not surprisingly, the most environmentally friendly vehicles are those powered by electricity or natural gas such as the GM EV-1, Nissan Altra, Toyota RVA4, and Honda Civic GX. For details, check out the Council's web site (aceee.org/greencars).

Power Provider Goes Green

The Commonwealth Energy Corporation of Tustin, CA (one of the few remaining independent power providers in the state's deregulated market) is converting all of its residential and small-business customers to green power and reducing rates by 8% at the same time. The company's 10,000 large-business customers will be switched to green power when their contracts expire.

Commonwealth gets its power from the Calpine Corporation and about 60% of the electricity comes from geothermal sources. The rest comes from biomass production in which the company burns forest wastes. According to the California Public Utilities Commission, Commonwealth is one of the cheapest energy providers in the state. The company believes it can make its green electricity product cost-competitive with the traditional system mix.

Did You Know?

In 1995, over 45,000 jobs were directly or indirectly related to energy efficiency and renewable energy programs.

Energy Commission Program Offers Rebate on Renewable Energy Systems

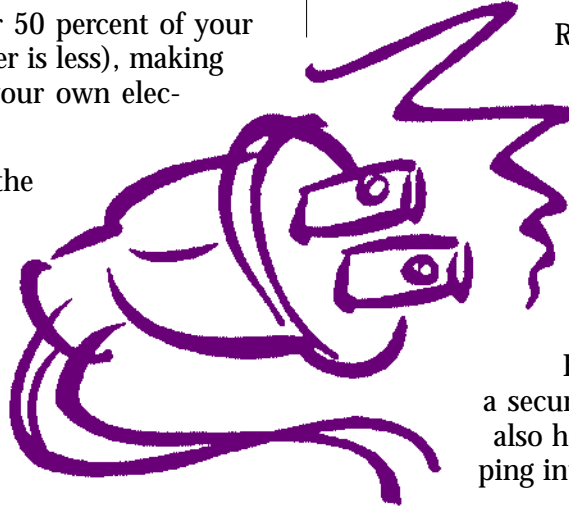
Through its Emerging Renewables Buydown Program, the California Energy Commission is offering cash rebates on eligible renewable energy electric generating systems. You can receive a rebate of up to \$3,000 per kilowatt, or 50 percent of your system purchase price (whichever is less), making it more affordable to generate your own electricity using renewable energy.

Rebate amounts will depend on the level of funds available at the time the buyer's rebate is reserved, the system's rated electrical output, and the costs of the system that are eligible. The rebate amounts will decline over the duration of the program, as each funding level is reserved.

The four types of renewable energy electric generating systems that are eligible are:

- 1 Photovoltaics (PV),
- 2 Small wind turbines (output of 10 kilowatts or less),
- 3 Fuel cells and
- 4 Solar thermal systems.

PV systems convert sunlight directly into electricity while solar thermal systems use solar heat to generate electricity. Fuel cells use a chemical process to convert renewable fuels into electricity.



Renewable energy provides a reliable, secure, clean and replenishable source of energy that does not pollute or contribute to climate change. If you use a solar photovoltaic or wind system, your utility can "store" your electricity, and supply it to you when your system is not generating.

Renewable energy technologies offer a secure back-up source of electricity that also help ensure our energy future by tapping into an infinite resource supply.

Residential, commercial, agricultural and industrial customers with the Pacific Gas & Electric, San Diego Gas & Electric or Southern California Edison are all eligible for the program. Customers participating in the program must also remain connected to the utility grid.

For more information, contact the California Energy Commission Energy Call Center at (800) 555-7794 or visit its web site at www.energy.ca.gov/renewables.

Buying Solar Panels Getting Easier in Arcata

Local Government Commission Boardmember and Arcata City Councilmember Connie Stewart has succeeded in gaining the cooperation of the local branch of Humboldt Bank in making private loans to homeowners who want to purchase photovoltaic panels. Stewart is pushing for the City will put together a "one-stop shopping" program later this year that would allow residents to easily take advantage of the California Energy Commission's alternative energy program rebates and the PG&E's net metering program.

Stewart hopes to simplify the process by asking the City to put out a RFP for one installer for all participating households. Both Humboldt Bank and Stewart hope to see 100 Arcata residents generating their own electricity by the end of 2000.

For more information, call Councilmember Stewart at (707) 269-0392.

Did You Know?

Solar power is now the world's second fastest growing energy source — averaging 16% growth per year since 1990.

LEAP Publications for Local Governments

Energy Conservation Under the Sun: A Resource for Local Governments (1998). FREE!

From the California Solar Rights Act to local solar-heated swimming pool ordinances, this guide provides local elected officials with an overview of state solar energy laws, a summary of local solar energy ordinances and programs, and case studies highlighting the work of three California cities. Opportunities for action are identified, while the appendices includes state solar laws and local ordinances and programs to assist with developing and implementing these ideas locally.

Improving Energy Efficiency in Buildings: Untapped Savings Opportunities for Local Communities (1998). FREE!

Consuming 35% of the energy produced in the United States, buildings present an enormous opportunity for reducing unnecessary energy costs and improving air

quality. *Improving Energy Efficiency* is designed to help cities and counties create energy-efficient homes and workplaces that meet or exceed California's "Title 24" energy efficiency standards. Common building problems resulting in energy loss are identified along with a number of innovative programs that local, state and federal governments are using to create high performance, energy-efficient buildings. "Green building" measures are also discussed.

Tree Guidelines for San Joaquin Valley Communities (1999). FREE!

Mature trees can reduce summer cooling costs by shading buildings and reducing ambient temperatures. Trees can also improve air quality by absorbing pollutants and can increase property values by 3-7%. Developed for the LGC by the U.S. Forest Service's Western Center for Urban Forest Research & Education, this guide provides tree selection and planting guidelines and an extensive cost-benefit analysis. Detailed tables and graphs quantify the impacts of street and shade trees on air quality and community energy along with maintenance and infrastructure costs.

LEAP Reports (1998-99). FREE!

The LEAP team has produced project studies and energy efficiency analyses on existing buildings and proposed developments for participating communities, and recommendations and background materials to assist communities with General Plan updates.

Street Design Guidelines for Healthy Neighborhoods (1999). \$25

Developed by a team of experts led by nationally-known bicycle and pedestrian street design expert Dan

Burden, this guidebook features the latest ideas and design specifications for calming traffic, providing a healthy environment for pedestrians, bicycles and children, and developing community spaces where neighbors can interact. The guidelines provide for narrower, tree-lined streets which reduce local ambient temperatures that in turn lower residents' energy bills for cooling.

Energy Aware Planning Guide, Part I (1993). FREE!

This comprehensive policy handbook offers more than 40 different energy-conserving policy ideas and 280 implementation ideas for improving land use, transportation, building, water and waste management. Over 115 local government projects, complete with contact information, are showcased as "how-to" examples of effective energy conservation programs.

Energy Aware Planning Guide, Part II: Energy Facilities (1996). FREE!

Energy Facilities examines the local government role in planning and permitting energy extraction, production, transmission, and distribution facilities. This guide assists local agencies siting energy projects which are not otherwise subject to the CEC's power plant site certification process and highlights cost-effective and environmentally superior power generation opportunities. (*Energy Aware Planning Guides* are also available from the California Energy Commission)

☞ ***Please use form on page 7 to order any of these publications.***

Deadline Nears to Apply for Funds for Local Government Energy Projects

The Public Technology Institute's Urban Consortium Energy Task Force is awarding funding grants to cities and counties for innovative energy projects. The deadline is March 31, 1999. Priority funding areas are electricity restructuring, energy use, energy and sustainable development, and technology transfer. For more information, call Ama Frimpong at ☎(206) 626-2430 or e-mail to frimpong@pti.nw.dc.us.

" Power Content Label" Informs Consumers

The California Energy Commission (CEC) released last month its "power content label," designed to explain to consumers how their electricity is produced. The label describes the various resources used to generate electricity in California. A two-column format allows consumers to compare the resource mix of a specific electricity product with the generic state system power mix.

For Californians who chose to purchase green power, the label adds a

strong measure of confidence that their energy dollars are flowing to renewable resources. State law requires companies selling power that differs from the California system power mix to report pertinent information to the CEC. The power content label will be sent to consumers quarterly by their electric service providers.

For more information, visit their web site at www.energy.ca.gov/consumer/power_content_label.html.

Did You Know?

Global energy production in 1993 was 40% greater than that in 1973.

The U.S. will emit 15% more carbon dioxide in 2000 than it did in 1990.

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Restructuring and Renewables Study Released

According to a new study released by the Union of Concerned Scientists, the United States could increase the share of electricity generated from renewable sources (wind, solar, biomass, and geothermal) to about ten times current levels over the next 20 years and still see a 13% decrease in electricity prices. Expanding renewable electricity use to these levels would freeze power plants emissions of CO₂ at about year 2000 levels.

A Powerful Opportunity: Making Renewable Electricity the Standard highlights a comparison between a proposal by Senator James Jeffords (R-VT), which would increase renewables to 20% of electricity generation by 2020, and a proposal by the Clinton Administration which would result in a share of 5.5% by 2010. The report is available online at www.ucsusa.org/energy.

More on Administering State Energy Efficiency Programs

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Gottstein's idea of nonprofit administration.

It is widely expected that legislation will ultimately be introduced to establish a new system of energy efficiency fund administration. The key question is whether such a bill is introduced, and passed, before 2001.

Similar issues revolving around independent versus utility administration have confronted the Low Income Governing Board (LIGB). Last November, the LIGB issued proposed policy rules. In their fil-

ings, utilities identified two primary components of low-income energy assistance. While the first addressed providing subsidies to qualified low-income customers, the second component focused on delivering energy efficiency products and services as a way to lower bills of low-income consumers.

Last December, the CPUC proposed to abolish the LIGB, allowing incumbent distribution utilities to manage low-income energy efficiency programs until 2001, and seek guidance from the California Legislature on whether to establish



an independent, nonprofit administrator. Then in January, the CPUC instead proposed to keep the LIGB intact, but to scale back its responsibilities.

In response to these CPUC actions, current efforts are also now being made to develop legislation to guide the state's efforts to assist low-income consumers through energy efficiency.



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