

SENATE BILL

No. 29

Introduced by Senators Steinberg and Pavley

August 29, 2011

An act to add Article 3 (commencing with Section 25620.20) to Chapter 7.1 of Division 15 of the Public Resources Code, relating to energy.

LEGISLATIVE COUNSEL'S DIGEST

SB 29, as introduced, Steinberg. Energy: energy efficiency programs.

(1) Under the Public Utilities Act (the act), the Public Utilities Commission (PUC) has regulatory authority over public utilities, including electrical corporations, as defined. The Reliable Electric Service Investments Act within the act requires the PUC to require an electrical corporation, until January 1, 2012, to identify a separate electrical rate component, which the PUC refers to as the “public goods charge,” to fund energy efficiency, renewable energy, and research, development, and demonstration programs that enhance system reliability and provide in-state benefits.

Existing law requires the PUC to order certain electrical corporations to collect and spend certain funds for public benefit programs, including cost-effective energy efficiency and conservation programs.

This bill would require the PUC to fund mechanisms to finance comprehensive energy efficiency retrofits of specified building sectors.

(2) The California Constitution authorizes the Governor to declare a fiscal emergency and to call the Legislature into special session for that purpose. Governor Schwarzenegger issued a proclamation declaring a fiscal emergency, and calling a special session for this purpose, on December 6, 2010. Governor Brown issued a proclamation on January

20, 2011, declaring and reaffirming that a fiscal emergency exists and stating that his proclamation supersedes the earlier proclamation for purposes of that constitutional provision.

This bill would state that it addresses the fiscal emergency declared and reaffirmed by the Governor by proclamation issued on January 20, 2011, pursuant to the California Constitution.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Article 3 (commencing with Section 25620.20)
2 is added to Chapter 7.1 of Division 7.1 of the Public Resources
3 Code, to read:

4
5 Article 3. Investment in Energy Efficiency Retrofits
6

7 25620.20. (a) The Public Utilities Commission shall implement
8 the following elements and principles for the state’s investments
9 in energy efficiency retrofits pursuant to this article and Section
10 399.4 of the Public Utilities Code.

11 (b) The Public Utilities Commission, in evaluating energy
12 efficiency investments under its existing statutory authority, shall
13 do all of the following:

- 14 (1) Maximize in-state job development.
- 15 (2) Create and expand financing mechanisms that produce
16 long-term benefits and that can become self-sustaining over time.
- 17 (3) Ensure that moneys collected by an electrical corporation
18 are not expended to provide incentives to customers outside of the
19 service territory of the electrical corporation.

20 (c) Funds collected pursuant to Section 399.8 of the Public
21 Utilities Code and allocated to energy efficiency programs,
22 consistent with subparagraph (C) of paragraph (9) of subdivision
23 (b) of Section 454.5 of the Public Utilities Code shall be used to
24 invest in and leverage resources for energy efficiency retrofits.
25 The funds used pursuant to this section shall be targeted to do any
26 of the following:

- 27 (1) Achieve the goals in subparagraph (C) of paragraph (9) of
28 subdivision (b) of Section 454.5 of the Public Utilities Code, the
29 scoping plan adopted pursuant to Section 38561 of the Health and

1 Safety Code, Chapter 470 of the Statutes of 2009, Chapter 496 of
2 the Statutes of 2010, the Public Utilities Commission’s energy
3 efficiency goals and policies, and other state energy and water
4 efficiency policies.

5 (2) Maximize energy savings, job creation, and economic
6 development by establishing financing mechanisms that leverage
7 funds provided pursuant to this chapter to the maximum extent
8 feasible, encourage significant private investments in energy
9 efficiency, operate in coordination with other energy efficiency
10 and clean energy programs, and seek to achieve lasting market
11 transformation and sustainability.

12 (3) Provide financial assistance for comprehensive energy
13 efficiency retrofits consistent with guidelines adopted pursuant to
14 Chapter 470 of the Statutes of 2009 and in a manner that leverages
15 ratepayer funds to the maximum extent feasible and is cost effective
16 to increase investment in energy efficiency where appropriate in
17 a manner that will ensure that the investments produce energy
18 savings.

19 (4) Ensure opportunities for low- and moderate-income
20 households, including multifamily households, and economically
21 disadvantaged communities to participate in financial investment
22 tools for comprehensive energy efficiency retrofits, and include
23 preferences for programs and program providers in economically
24 disadvantaged communities in coordination with those services
25 made available pursuant to Sections 739 and 2790 of the Public
26 Utilities Code.

27 (5) Coordinate with low-income energy efficiency and
28 weatherization programs, including those administered by other
29 state and local agencies and community-based organizations, to
30 maximize the effectiveness and efficiency of both programs.

31 (6) Increase participation in energy efficiency financing and
32 implementation by independent third-party efficiency services
33 providers, including, but not limited to, local and regional
34 government energy offices, nonprofit organizations, community
35 organizations such as conservation corps and youth corps, small
36 businesses, and minority-, women-, and disabled veteran-owned
37 businesses.

38 (7) Coordinate with the CEIP to ensure that proven new
39 technologies are integrated into program implementation.

1 (8) Require independent evaluation, measurement, and
2 verification consistent with requirements established pursuant to
3 Chapter 470 of the Statutes of 2009 prior to implementation.

4 (9) Improve coordination among federal, state, local, and private
5 programs to mobilize investment in energy efficiency and
6 efficiency retrofits, and eliminate duplication.

7 (d) The Public Utilities Commission shall develop or authorize
8 financing mechanisms subject to subdivision (a) that are
9 appropriate to individual market segments in coordination with
10 the commission.

11 (e) The Public Utilities Commission shall establish a standard
12 for what constitutes cost-effective energy efficiency retrofits to
13 ensure that the benefits of energy efficiency retrofits exceed their
14 cost.

15 (f) The Public Utilities Commission shall ensure that the state’s
16 investments in cost-effective energy efficiency retrofits are
17 accountable and transparent by doing each of the following:

18 (1) Make data publicly available in a manner that provides
19 sufficient information to ascertain the total program costs and
20 benefits, typical installed cost of energy efficiency measures where
21 appropriate, the amount of expected energy savings over the life
22 of the retrofit measure or program compared to the incentive and
23 other expenditures incurred, the geographic distribution of projects
24 where appropriate, the type of measures deployed in each electrical
25 corporation’s service area, and the performance of energy
26 efficiency measures for the utility service area individually or
27 collectively as appropriate.

28 (2) Verify energy demand reductions by region and assess
29 progress toward energy efficiency goals, ensure that consumer
30 information is made publicly available to assist customers in
31 finding reliable contractors and energy efficiency measures, to
32 understand the cost and benefits of energy efficiency measures, to
33 understand their energy bills, and to understand the costs and
34 benefits of various means of financing energy efficiency measures.

35 (3) Make all contract bidding opportunities publicly available,
36 including contracts administered by electrical corporations or
37 third-party administrators, and ensure that small businesses and
38 minority-, women-, and disabled veteran-owned businesses are
39 afforded full opportunities to participate during the contract bidding
40 process.

1 (4) Ensure that major products of all consultant contracts of the
2 Public Utilities Commission are made available in a timely manner
3 on the Public Utilities Commission’s Internet Web site.

4 (g) The Public Utilities Commission shall, in coordination with
5 the commission and pursuant to Chapter 470 of the Statutes of
6 2009, adopt measurable goals and performance standards for each
7 building sector and financing mechanism. Financial assistance
8 shall be limited to no more than the amount necessary to finance
9 energy efficiency improvements without exceeding the value of
10 the savings over the life of the energy efficiency improvements.
11 The Public Utilities Commission shall adopt performance-based
12 standards for financial investment tools to ensure that recipients
13 are provided accurate information regarding the costs and benefits
14 of the financial assistance.

15 (h) The Public Utilities Commission shall convene a stakeholder
16 advisory committee no fewer than two times annually to provide
17 technical and strategic guidance for the development and
18 administration of energy efficiency financing programs developed
19 pursuant to this section. The committee shall include
20 representatives of the investor-owned utilities, the commission,
21 energy efficiency investors, technology companies, building
22 industry, installers, local governments, commercial real estate
23 industry, labor, diverse environmental groups, including
24 environmental justice groups, commercial building owners and
25 managers, the office of the Treasurer, the California Public
26 Employees’ Retirement System, and other entities, as appropriate.

27 (i) The Public Utilities Commission shall authorize funding in
28 a manner that provides opportunities for all customer sectors to
29 participate, including, but not limited to, residential single family
30 and multifamily, commercial and small business, agriculture and
31 food processing, public buildings owned by state or local
32 governments or special assessment and school districts, and
33 industrial entities.

34 (1) In developing and expanding financial investment tools for
35 energy efficiency retrofits in commercial buildings, the Public
36 Utilities Commission should consider the unique challenges related
37 to energy retrofits in commercial buildings, including length of
38 payback, access to capital, allocation of costs between tenants and
39 owners, and related issues. Programs and methods that should be
40 considered include, but are not limited to, revolving loans,

1 low-interest loans, loan-loss reserves, loan guarantees, interest rate
2 buy-down, property-secured financing, on-bill financing or
3 repayment, grants, use of the California Infrastructure and
4 Economic Development Bank, the California Alternative Energy
5 Transportation Financing Authority, or other appropriate financing
6 mechanisms.

7 (2) The Public Utilities Commission shall analyze and determine
8 the most effective means to increase cost-effective investment in
9 residential energy efficiency retrofits, including local and regional,
10 public and private, financing mechanisms to reduce the cost of
11 capital and leverage public funds to the maximum extent
12 practicable. This evaluation shall be used to prioritize the adoption
13 of financial investment tools for residential energy efficiency
14 retrofits pursuant to Section 399.8 of the Public Utilities Code and
15 other provisions as appropriate. This evaluation shall consider
16 revolving loans, low-interest loans, loan-loss reserves, loan
17 guarantees, interest rate buy-down, property-secured financing,
18 on-bill financing or repayment, grants, use of the California
19 Infrastructure and Economic Development Bank, the California
20 Alternative Energy Transportation Financing Authority, or other
21 appropriate financing mechanisms.

22 (3) The Public Utilities Commission shall evaluate and authorize
23 funding mechanisms to finance comprehensive energy efficiency
24 retrofits of public buildings. This evaluation shall be used to
25 prioritize the adoption of financial investment tools for public
26 building energy efficiency retrofits pursuant to Section 399.8 of
27 the Public Utilities Code and other provisions as appropriate. This
28 evaluation shall consider financial investment tools such as on-bill
29 financing and repayment, loan-loss reserves, regional municipal
30 financing programs, revolving loan funds, performance guarantees,
31 use of the California Infrastructure and Economic Development
32 Bank, and other measures that leverage funds provided pursuant
33 to this article to the maximum extent possible.

34 (j) The Public Utilities Commission shall encourage local
35 government participation in, and administration of, public building
36 retrofit financing programs. For purposes of this subdivision, local
37 governments include local and regional energy offices, joint powers
38 authorities, special assessment districts, local government councils
39 and associations, and other local government entities. The Public
40 Utilities Commission shall coordinate with the office of the

1 Treasurer, the commission, electrical corporations, and local
2 governments to identify the most appropriate and suitable local
3 and regional government administrators.

4 (k) Funds collected pursuant to Section 399.8 of the Public
5 Utilities Code and allocated for energy efficiency that are subject
6 to the requirements of this section shall be supervised by the Public
7 Utilities Commission.

8 SEC. 2. This act addresses the fiscal emergency declared and
9 reaffirmed by the Governor by proclamation on January 20, 2011,
10 pursuant to subdivision (f) of Section 10 of Article IV of the
11 California Constitution.

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