



July 15, 2010

Karen Douglas
Chair
California Energy Commission
1516 Ninth Street, MS-33
Sacramento, CA 95814

Dear Chair Douglas,

In March of 2009, 37 days after President Obama signed the American Recovery and Reinvestment Act ("Recovery Act") into law, Governor Schwarzenegger signed Executive Order S-02-09, which created the California Recovery Task Force and affirmed the Governor's commitment to ensuring that Recovery Act funds are deployed expeditiously and in a manner consistent with the pressing economic needs of Californians. To be exact, the Governor declared, "It is in California's best interest to ensure that the Recovery Act is implemented quickly and efficiently and that its funds are deployed on the most meritorious projects to ensure the greatest stimulus effect."

As part of the Recovery Act, the California Energy Commission received \$226 million for its State Energy Program. Of this money, your Commission designated \$30 million to the Municipal Financing Program, which directed the implementation of local financing programs that would carry out energy retrofits in existing residential, commercial, and industrial buildings. The central mechanism that would allow these programs to operate was Property Assessed Clean Energy (PACE) financing.

On October 8, 2009, your Commission issued Solicitation Number 400-09-401 and is now in the process of contracting with several entities as part of the Municipal Financing Program. However, due to the recent decisions by Fannie Mae, Freddie Mac, and the Federal Housing Financing Agency that would prevent the continuation of PACE programs, it is evident that the efforts of the CEC to use the PACE financing model no longer constitute a viable option.

I am calling on the CEC to adapt to the changed regulatory landscape in a way that will allow full obligation of the reallocated funds by September 30, 2010. If the CEC does not respond to the challenges recently imposed by aforementioned federal entities, the CEC is teetering on failing to honor both Governor Schwarzenegger's Executive Order and the federal mandate to put Recovery Act funds to work for the American people as quickly and efficiently as possible. Every day that passes without action by the CEC increases the chance that stimulus funds so vital to California's recovery could be rescinded. The Governor has indicated in the past that any rescission of Recovery Act funds is unacceptable. Therefore, it is incumbent upon the CEC to immediately find ways to encumber State Energy Program funds in a manner that prioritizes expediency and viability.

In the days ahead, we must be ever mindful of the purpose of Recovery Act money—to spur economic growth—and the urgency that accompanies its receipt. I look forward to seeing State Energy Program funding go to work for the California economy. We will continue to support you in your endeavors and please do not hesitate to contact me with any concerns.

Sincerely,

Richard Rice
Director
California Recovery Task Force