

**CALIFORNIA ENERGY COMMISSION**

KAREN DOUGLAS, CHAIRMAN

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July 16, 2010

Dear Congressional Delegation:

California is a pioneer of innovative ways to protect the environment while sustaining a vibrant economy. Using American Recovery and Reinvestment Act (ARRA) funds, we are continuing to create clean energy jobs and industries through residential and commercial energy efficiency retrofits and renewable energy programs.

The action taken on July 6, 2010, by the Federal Housing Finance Agency (FHFA), Fannie Mae and Freddie Mac to stop Property Assessed Clean Energy (PACE) financing, severely damaged the state's ability to move forward on one of the most cost effective and innovative ways to support and finance energy measures for residential customers. PACE financing helps homeowners invest in energy efficiency retrofits while revitalizing the struggling construction industry. Cost effective and easily accessible financing is a critical element of our State's energy policy goals.

The California Energy Commission (Energy Commission), based on the direction of the Vice President's Office and Department of Energy, has spent the past 10 months developing statewide PACE programs. We are prepared to roll-out PACE programs in 26 of our 58 counties, every major municipality in the State will be developing a program and by the end of the third quarter of the year 28 million Californian's could have access to this low-cost financing opportunity.

PACE programs are already providing benefits to California communities. California's existing pilot PACE programs are saving energy and money across California and Sonoma County has experienced an 8.4 percent increase in construction sector employment since the creation of its *Energy Independence* PACE program in March 2009.

However, it is not only the Energy Commission that has invested more than \$30 million of the State's ARRA funds in this financing program. California cities and counties have geared up to invest their own Energy Efficiency Conservation Block Grant funds into new local PACE programs. Moreover, the halt of PACE financing significantly harms not only ARRA funded programs but also the California Public Utilities Commission's authorized \$3.8 billion energy efficiency programs over the next two years.

To have FHFA undermine this program and momentum at this late date is deeply troubling and reflects both a fundamental misunderstanding of the nature of these lawful assessments and a breakdown in national policy. Additionally and perhaps more alarming, is that FHFA's actions are deeply destructive to the nation's collective efforts to combat global warming, invigorate the economy with clean-tech jobs, reduce consumers' energy bills, and reduce our dependency on fossil fuels.

California Attorney General Jerry Brown's July 14, 2010, lawsuit rightly challenges the FHFA's faulty logic in discriminating against PACE assessments and violating the constitutional rights of local governments. PACE assessments are not loans, but instead are built on traditional tax assessments, which have been managed by local governments for over 100 years. Following Department of Energy guidance, PACE in California is being implemented with stringent operating rules, and with conservative and rigorous financial criteria, to reduce risk to homeowners, lenders or the financial system. This lawsuit aims to protect California building owners' ability to reduce their energy bills and communities right to implement safe, innovative strategies for creating jobs, saving energy and building a green economy.

Your assistance and leadership is required to ensure that federal energy policy is not undermined and that the State can continue to move forward efficiently with ARRA funding to create jobs, increased renewable energy generation, reduce energy use and green house gas emissions.

We respectfully request that you act with all due haste so that we can ensure implementation of these broad-reaching programs reach their potential.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Douglas', with a long horizontal line extending to the right.

KAREN DOUGLAS  
Chairman

cc: Members of the California Congressional Delegation  
Arnold Schwarzenegger, Governor, State of California  
Mr. Edward DeMarco, Acting Director, Federal Housing Finance Agency  
Dr. Stephen Chu, Secretary, U.S. Department of Energy  
Shaun Donovan, Secretary, U.S. Department of Housing and Urban Development  
Timothy Geithner, Secretary, U.S. Department of the Treasury  
Carol Browner, Director, White House Office of Energy and Climate Change  
Nancy Sutley, Chair, Council on Environmental Quality  
Michael J. Williams, President and Chief Executive Officer, Fannie Mae  
Charles E. Haldeman, Jr., Chief Executive Officer, Freddie Mac  
Bill Lockyer, State Treasurer and Chair, CAEATFA  
California Public Utilities Commission