

BUSINESS MEETING
BEFORE THE
CALIFORNIA ENERGY COMMISSION

In the Matter of:)
)
Business Meeting)
_____)

CALIFORNIA ENERGY COMMISSION
HEARING ROOM A
1516 NINTH STREET
SACRAMENTO, CALIFORNIA

FRIDAY, AUGUST 6, 2010
10:00 A.M.

Reported by:
Tahsha Sanbrailo

COMMISSIONERS PRESENT

Karen Douglas, Chair

James D. Boyd

Robert Weisenmiller

STAFF PRESENT

Melissa Jones, Executive Director

Jonathan Blee

Claudia Chandler, Chief Deputy Director

Harriet Kallemeyn, Secretariat

Betty LaFranchi, Office Manager, Building Standards

Implementation Office, Energy Efficiency

and Renewables Division

Renee Webster-Hawkins, Senior Staff Counsel,

Chief Counsel's Office

John Butler, Supervisor, Special Projects Office, Fields and

Transportation Division

Public:

Liz Yager, Program Manager, Sonoma County Energy
Independence Program

John Haig, Energy and Sustainability Manager,
County of Sonoma

Ethan Sprague, Director of Government Relations,
Sun Run, Incorporated

Nehemiah Stone, The Benningfield Group

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P R O C E E D I N G S

August 6, 2010

10:03 a.m.

CHAIRPERSON DOUGLAS: Good morning. Welcome to the California Energy Commission Business Meeting of August 6th, 2010.

Please join me in the Pledge.

(Whereupon, the Pledge of Allegiance was received in unison.)

CHAIRPERSON DOUGLAS: Item 1. Revision of State Energy Program Guidelines. Possible adoption of a resolution to revise the American Recovery and Reinvestment Act State Energy Program Guidelines. Ms. LaFranchi.

MS. LAFRANCHI: Good morning. My name is Betty LaFranchi and I am the Office Manager of the Building Standards Implementation Office in the Energy Efficiency and Renewables Division. With me is Claudia Chandler, the Chief Deputy Director of the Energy Commission, and Renee Webster-Hawkins, Senior Staff Counsel with our Chief Counsel's Office. Today, I am here to ask the Commissioners to approve the third revision to the Guidelines for the State Energy Program, also known as SEP. This document guides the implementation and administration of five program areas in the Commission's American Recovery and Reinvestment Act Program

1 administered by the Energy Commission. These five
2 program areas include the Financing Program for
3 California Municipalities, Comprehensive Residential
4 Building Retrofits, Municipal and Commercial Building
5 Targeted Measure Retrofits, Low Interest Energy
6 Efficiency Financing, and Clean Energy Business
7 Financing. The first program I mentioned, the Financing
8 Program for California municipalities relies on a
9 financing mechanism known as Property Assessed Clean
10 Energy, or PACE, as we have all come to know it, for the
11 implementation of this program.

12 On July 6th, 2010, the Federal Housing Finance
13 Agency issued guidance which casts into serious doubt the
14 ability of municipal agencies to implement this critical
15 and widely supported financing mechanism in municipal
16 financing programs. In response, the U.S. Department of
17 Energy issued the following statement: "The DOE and
18 Administration continue to support Pilot PACE Financing
19 Programs. Recovery Act Grantees are not expressly
20 prohibited from using funds to support viable PACE
21 Financing Programs; however, the practical reality is
22 that Residential PACE Financing Programs with a senior
23 lien priority face substantial implementation challenges
24 in the current regulatory environment. In light of the
25 clear opposition from the regulators for PACE Financing

1 Programs with a senior lien priority, prudent management
2 of the Recovery Act compels DOE and Recovery Act Grantees
3 to consider alternatives to programs in which the PACE
4 assessment is given a senior lien priority.”

5 While the Energy Commission remains strongly in
6 support of PACE Programs, the uncertainty produced by the
7 FHFA guidance requires attention to the critical
8 timeframes for encumbering ARRA funds, as well as the
9 important goals of ARRA-SEP, including energy savings,
10 economic stimulus, and jobs creation. Therefore, in
11 order to fund projects with more confidence, staff is
12 recommending revisions to the current Guidelines that
13 allow the Commission more flexibility in the selection of
14 financing mechanisms used to support the ARRA-SEP
15 Retrofit Programs. In addition to first priority PACE
16 financing, staff recommends the inclusion of additional
17 acceptable financing alternatives be added to the
18 Guidelines. The funding options that will be made
19 available include assessments that are subordinate to
20 primary mortgages, unsecured loans or lines of credit,
21 loan loss reserve accounts, loan loss insurance, interest
22 rate buy-downs, on-bill financing, as well as perhaps
23 other options.

24 Finally, in addition to implementing the five
25 programs through the specific solicitation mechanisms

1 detailed in the current Guidelines, the revisions
2 expressly allow the Commission to exercise its authority
3 to avoid contracts, grants, and loans for energy
4 efficiency, energy conservation, renewable energy, and
5 other energy-related projects and activities authorized
6 by the ARRA-SEP Grant from DOE through available programs
7 and procedures other than solicitations and without first
8 amending these Guidelines.

9 For the reasons I stated above, I request your
10 approval of the recommended third revision to the ARRA-
11 SEP Guidelines.

12 CHAIRMAN DOUGLAS: Thank you, Ms. LaFranchi.
13 Commissioners, we have public comment. I thought we
14 would give the public an opportunity to speak, and then
15 you may have questions.

16 MS. WEBSTER-HAWKINS: If I may ask -

17 CHAIRMAN DOUGLAS: Please.

18 MS. WEBSTER-HAWKINS: I apologize, but if I
19 could just make a short statement on the record as the
20 Chief Counsel's Office does when the Commission is making
21 an approval of this kind, we reviewed the approval for
22 whether or not it falls under the California
23 Environmental Quality Act and its regulations, and we
24 have determined that the amendment of these guidelines is
25 not a project under CEQA pursuant to CEQA Guidelines

1 Section 15378(b)(4), which excludes from the definition
2 of a project the creation of government funding
3 mechanisms or other government fiscal activities which do
4 not involve any commitment to any specific project which
5 may result in a potentially significant impact on the
6 environment.

7 CHAIRMAN DOUGLAS: Thank you. Thanks for that.
8 All right, I have two cards and, if there is anyone else
9 here from the public who would like to speak, please fill
10 out a card and you can bring it to the Public Advisor,
11 who will bring it forward. Let's begin with Ms. Yager,
12 Program Manager, Sonoma County Energy Independence
13 Program.

14 MS. YAGER: Good morning, Commissioners, and
15 thank you for this opportunity. I am Liz Yager, the
16 Program Manager of the Sonoma County Energy Independence
17 Program, and did want to just support and encourage the
18 decision to use this new opportunity for continuing to
19 support PACE Programs. We are actually, to my knowledge,
20 the sole up and operating PACE Program in the State of
21 California at this time, we have continued this last
22 month to provide financing of over \$2 million for
23 projects through the Sonoma County Financing Authority,
24 and do hope that, as things move forward, that being a
25 pilot program for PACE, and we are used as a test bed for

1 actually continuing to evaluate this as an opportunity
2 to support PACE. I have 20 years of experience in
3 Silicon Valley and know, when you are doing an
4 experiment, you want to be very careful to not pull all
5 of your funds in one direction, one solution, especially
6 when you are developing a new technology like energy
7 programs and energy efficiency movements, so I know we
8 are considering other alternative financing programs and
9 want to make sure there is strong support for PACE and we
10 are able to actually explore that completely. Thank you.

11 CHAIRMAN DOUGLAS: Thank you very much. John
12 Haig, County of Sonoma.

13 MR. HAIG: Good morning, John Haig, County of
14 Sonoma, Energy and Sustainability Manager. Good morning,
15 Commissioner Douglas, Commissioners. Thanks for the
16 opportunity to speak this morning. I hope it goes a
17 little better than last week when I lost our County \$2.5
18 million by my appearance, perhaps not solely, but... I
19 understand the decision that the Commission had to make
20 in terms of vacating the solicitation, I think it was the
21 right decision, I do not think you had any choice. I
22 would like to suggest, however, that consideration be
23 given to the people that spent a lot of time and energy
24 in applying for the first solicitation, inspect the time
25 to craft the programs that were successfully viewed by

1 the evaluating committees to be the best among what was
2 available, and to encourage as much as possible that
3 those recipients be given some consideration in this
4 second round of financing. And I realize that there may
5 be steps that need to be taken to put the money in a
6 different place and allow further competition, but I am
7 hoping that at least the direction of the Commission will
8 be that the sort of principles that gave rise to our
9 successful application previously will be honored in this
10 next round. And I want to echo Liz's comment, that it is
11 important that the Commission not let up the pressure,
12 that you continue to fly the banner of traditional PACE
13 financing; it is the best model for municipalities, it is
14 clearly the best way for communities to be able to
15 finance this sort of work. If we are in a position of
16 non-priority lien status and we have to cure a failed
17 first mortgage for a half a million dollars, we will not
18 be able to survive our programs. You will not be able to
19 backstop those sorts of losses. The beauty of a PACE
20 model is that you are only one increment behind in a
21 financing element. A \$50,000 project might give rise to
22 a \$2,500 shortfall for someone to have to cure to be able
23 to move a property. The reverse is not true if we are in
24 second position. So, the model is working in Sonoma
25 County. Our efforts and initiatives continue, we need

1 your support and your assistance. The funding that we
2 ask for will help us to do a better job on loading order,
3 it will help us do a better job with energy efficiency
4 plans for our community, will help us to better market
5 the program, will allow us to expand water conservation
6 efforts. We intend to be present in this process. We
7 are looking for your help and your assistance, please do
8 not abandon Sonoma County, and do not abandon the
9 traditional PACE model. Thanks very much.

10 CHAIRMAN DOUGLAS: Thank you, Mr. Haig. And
11 Sonoma County has demonstrated really impressive
12 leadership on environmental programs, including, but
13 certainly not limited to this program. So, we definitely
14 recognize that. Thank you for your leadership. And I
15 think I will just pause and say here that we strongly
16 support PACE, you know, doing everything in our power.
17 In fact, yesterday I met with Congresswoman Matsui, who
18 wanted to talk about how we could work together and try
19 to restore PACE, and so her efforts the Federal level and
20 the efforts of many of the other members of the
21 California Congressional delegation, including Speaker
22 Pelosi, so I do have some optimism here that eventually
23 we will get PACE restored.

24 We have one more member of the public who would
25 like to speak, and that is Ethan Sprague, Director of

1 Government Relations at Sun Run, Incorporated.

2 MR. SPRAGUE: Good morning, Commissioners.

3 Thank you for the opportunity to speak. Sun Run is a
4 residential provider of solar systems, using a third-
5 party model, which means we install the systems, own
6 them, and finance the systems, making it easy for
7 residential consumers to get the benefit of solar energy.
8 We have been following the financial programs that have
9 been created under AB 811 and understand the need to
10 change the guidelines to expedite distribution or
11 reallocation of the funds and we are supportive of that.
12 We have had discussions with local governments and staff
13 on other ways we could support financing mechanisms.
14 Recently, it has come to our attention that there are
15 some proposals being developed that we create a
16 clearinghouse for a repository and information database,
17 or some research, it is not clear exactly what it is, but
18 it would facilitate providing information to consumers
19 about financing options. As we are a business that
20 provides financing options to consumers for clean energy,
21 our only concern is that we would be compelled to provide
22 information on this marketing about our business plan.
23 We just ask that there be some protections for those
24 recipients of the funds through maybe program
25 administrators and have access to this data, that they

1 not be allowed to enter into the financial services
2 market after the funds -- or during the administration of
3 these funds, they would have a competitive advantage.
4 Other than that, we really look forward to working with
5 the program. If PACE does come through, and even for
6 Sonoma's program, we have sponsored a bill, AB 44, to get
7 third-party providers of clean energy included. Under AB
8 811, we are currently not included under that, so this is
9 a plug for your support for that.

10 CHAIRMAN DOUGLAS: Thank you and we appreciate
11 your comments. Do we have - oh, Nehemiah Stone.

12 MR. STONE: Nehemiah Stone, The Benningfield
13 Group. I want to support the idea of trying to figure
14 out how to make PACE work, but I want to remind you that
15 PACE does not work for the affordable housing, multi-
16 family segment. And I would like to encourage you to
17 perhaps take the lead or be very involved in convening a
18 group to figure out solutions for support of our multi-
19 family because, once everything is done with getting PACE
20 moving forward, you are still not going to have a
21 solution for that group, unless you find some completely
22 different solution, is you are not going to have the
23 seven lenders and equity partners that are typically on
24 the affordable housing project agree to taking a larger
25 secondary position. And even if that was a possibility,

1 most developers are not going to want to go through the
2 effort, the huge transaction costs of trying to get all
3 seven to agree to that modification. So, you are still
4 going to be left with figuring out, how do we get these
5 solutions, you know, these funds to the affordable multi-
6 family market. And I would encourage you to take an
7 active role in developing what that solution is. Thank
8 you.

9 CHAIRMAN DOUGLAS: Thank you, Mr. Stone. Is
10 there any other public comment on this item? Seeing
11 none, I would like to ask staff to describe to us where
12 you are in terms of developing a recommendation for the
13 Commission on the financing programs.

14 MS. CHANDLER: Chairman, Commissioners, good
15 morning. I would like to just back up a bit and before I
16 talk about going forward and talk about what has changed,
17 first of all, as Ms. LaFranchi said, the decisions of
18 FHFA, and their decisions on PACE, very much undermined
19 everything that we were headed for very late in the game,
20 in their notorious letters of May 5th and July 6th. So,
21 that is a big game changer. And, in that, we needed to
22 do two things, first, we needed to look at expanding our
23 program, which is what we are proposing today, and,
24 secondly, we needed to follow DOE's guidance, which was
25 be prudent. We have a very short leash here to get this

1 money in play, so we are moving forward with a plan to
2 do that. But there is another imminent change since we
3 first developed this program over 12 months ago, and that
4 is something that I am very excited about, and that is
5 the new Energy Upgrade California Portal, and this Portal
6 was conceived earlier this year by the Energy Commission,
7 in conjunction with the California Public Utilities
8 Commission, and it is nested up to their Engage 360,
9 which is their Statewide Energy Efficiency Behavioral
10 Change Portal. I am not as familiar with their portal as
11 I am with mine, and I say "mine" because I feel like I
12 have mothered this thing. And in this portal, what we
13 are looking to do is we work with the investor-owned
14 utilities, the municipal utilities, including water
15 entities, we work with local jurisdictions, we have
16 worked with those entities that have received Block
17 Grants, and we are combining together one comprehensive
18 energy efficiency and renewable energy retrofit program
19 for both residential and commercial sectors. Our guiding
20 principle here was to reduce consumer confusion. I mean,
21 if you can imagine, now a consumer is really excited
22 about energy rebates, or really excited about energy
23 financing, or really excited about Home Star, should that
24 happen, and they start to try to look into it, and they
25 have to go to 15 different Websites to find out what kind

1 of rebate is available, what kind of financing is
2 available, who can do this, who is qualified to do this,
3 can anybody do this, can Joe down the street, you know,
4 do the contracting work?

5 So, what we have conceived of, and what we are
6 moving forward with, and what is different since 12
7 months ago, is this over-arching statewide portal, and it
8 will involve, then, with somebody just keying in their
9 Zip Code, the ability to then find out what is available
10 in their community. So, it includes the energy rebates
11 that the utilities might offer, it will include water
12 rebates, it will blend in the former Flex Your Power
13 rebate we have been working closely with those folks. It
14 will allow us to basically be a one-stop-shop. Now, this
15 has not been easy and we are still working on it, but
16 what - this is huge from the standpoint of what has
17 changed. So, what staff is looking at right now, and
18 what we are developing is - and will be bringing to the
19 Energy Commission when we are further along here, is the
20 ability to run this financing in to support those
21 activities. So, now the consumer will not only know
22 about a qualified contractor and what kind of rebates,
23 but they will also know the financing options that are
24 available. So, that is what we are looking to develop,
25 that is how we are looking to support it, it is

1 statewide, we are looking to broaden that. Staff has
2 been asked to develop some key components that will be a
3 part of this proposed contract effort; first of all, a
4 one-stop clearinghouse for alternative financing
5 mechanisms; secondly, the statewide portal and branding
6 consistent with our Energy Operational [phonetic], so it
7 will be kind of integrated into that; third, regional
8 components that will prioritize program delivery; third
9 [sic], contractor certification, this is really important
10 because not only to do our own SEP-ARRA Grants have
11 contract certification requirements, but the investor-
12 owned utility Whole House Retrofit Program has contractor
13 certifications required. This is a municipal program and
14 the Public Utilities Commission has directed the
15 investor-owned utilities to allocate nearly \$2 billion to
16 this program for energy efficiency rebates; third [sic],
17 quality assurance, this is critical from the standpoint
18 of assuring what people are promised is actually the
19 results, and we do not want a black eye here; recruiting
20 and outreach, so that everybody knows that this is
21 supposed to go, and that this is where they can get
22 accurate, reliable, and timely information; third [sic],
23 a workforce development component so that it is blended
24 with the \$20 million that we have already invested in our
25 ARRA, and it matches up with the monies that the Public

1 Utilities Commission has directed the investor-owned
2 utilities to invest in Workforce Development; third
3 [sic], what we know is near and dear to our heart,
4 loading order, energy efficiency first and foremost,
5 which is not to exclude renewable energy, but it is to
6 put at first energy efficiency, then to go to renewable
7 energy; there is a multi-family component that we think
8 is very important, we are addressing the commercial
9 sector, as well in this; we are looking for that very
10 important word, "leverage," so that there is a buy-in and
11 a commitment, everybody has a buck in this, everybody has
12 got a dog in this fight; and then sustainability because
13 our money only lasts until April 2012, and so what this
14 portal does for us and what this financing component does
15 for us is it creates that foundational effort and
16 infrastructure for the investor-owned utility programs
17 that will roll forward, the municipal utility programs
18 that will be going forward, as well as the preparation
19 for AB 758, and Home Star, should that be cleared through
20 the federal government. So, it is a vision that is big
21 and bold, it has taken a collaborative effort with a lot
22 of folks, our sister agency, the PUC, investor-owned
23 utilities, municipal utilities, and local jurisdictions.
24 It has not been easy, but I am very very pleased with
25 where we are, and I believe that, you know, I believe we

1 are making Lemonade here because, with last week's
2 action to cancel the 401, it required us to do something
3 very quick, but I think that this is also more
4 overarching than what that program provided. So, that is
5 where the staff is headed. We are working very hard on
6 this. And we are looking to do that kind of articulation
7 with this broader, bigger effort.

8 CHAIRMAN DOUGLAS: Thank you. That is a great
9 description and, certainly, I have been aware of your
10 work under your and other staff's hard work on this Web
11 portal issue, and the coordination with the PUC and the
12 IOU's, local jurisdictions, municipal utilities, and so
13 on. It has been very impressive and I do think that the
14 statewide framework is going to be very valuable for us
15 in certainly 758 implementation, in preparing the State
16 for Home Star, and so on. And so we appreciate that
17 description of that program, which is a big step forward.
18 Commissioners, do you have questions for Ms. Chandler at
19 this point?

20 COMMISSIONER WEISENMILLER: Yeah. Just to
21 follow-up, certainly appreciate your passion and
22 dedication on this. I think certainly it is very very
23 important to get, you know, the information out in a
24 transparent fashion for consumers, that is accurate so
25 they can do the comparisons. And I am sure it is

1 complicated because, when you look at the different
2 types of transactions, you know, there is a variety of
3 different tools and different approaches. And I guess
4 the good news is, for people that are providing these
5 financial services, this actually should be a good
6 mechanism for them on the business side in terms of
7 getting the publicity out on what they have. But, at the
8 same time, certainly I am sympathetic if there is any
9 secret sauce in their financing mechanisms, that that not
10 be easily untangled, at least by their competitors, and
11 so somehow trying to balance that transparency and
12 accuracy is important, but also respecting trade secrets
13 will be the other part, that certainly to the extent that
14 we can do that, that would be useful.

15 MS. CHANDLER: I agree, Commissioner. And I
16 think what is important here is that this is designed to
17 give a suite of financial options, that it includes PACE;
18 PACE right now is not a viable option for 57 counties,
19 but we believe strongly that PACE is the preferred option
20 once Fannie and Freddie figure out what they are doing.
21 So we have a place for PACE in this, we will not turn out
22 back on it because we want to be ready and prepared. I
23 think that goes with the lessons learned, I mean, we were
24 too exclusive before, and we want to be very broad and
25 very open to the dynamics of the market. I mean, if

1 there is one thing that changes, it is the dynamics of
2 the financial market. I am interested in this idea of
3 leasing, and I think that we should ask staff to look at
4 our leasing component, and how that fits in. I think the
5 important thing is that you are going to have a lot of
6 different kinds of consumers out there looking at how can
7 they do this financing. They are going to have different
8 credit scores, they are going to have different kinds of
9 equity in their home, so, depending on what their unique
10 situation is, and they are going to have different rebate
11 levels, so depending on how you pull all that together,
12 my vision is out will shoot the best options that they
13 can take advantage of. But the beauty of it is that it
14 is a one-stop-shop, it is one place to go, and then you
15 will get, as the consumer, you will get a suite of
16 options. You would know what your utility rebate is
17 going to be, you are going to know if your water agency
18 is giving you a rebate, you are going to know all these
19 kinds of things, and then you are going to know what the
20 bottom line is in terms of financing. And if PACE is
21 available in your local jurisdiction, you are going to
22 have that option, too.

23 VICE CHAIR BOYD: If I might, a couple comments
24 and a question, Ms. Chandler. I have heard a lot of
25 comments about the letters that, you are the first one

1 that I have heard call them "the notorious letters,"
2 that is a very [inaudible] quote, but very good as far as
3 I am concerned, and I want to commend you and the staff
4 on the one-stop-shop concept, those of us who are
5 veterans in state government know there have been
6 multiple one-stop-shop efforts in all kinds of arenas,
7 and it is not an easy thing to do, it takes an incredible
8 amount of cooperation and people letting go of their
9 turf, so I commend that whatever [inaudible], it sounds
10 like you are just about ready to launch something that is
11 going to be very significant, and utilizing your
12 statewide portal. Another comment, I quit writing after
13 you made 12 points in your presentation, but you kept
14 saying, "and third, and third." You need to give
15 yourself more credit. And I guess this is a comment more
16 than a question. I was at the last meeting impressed
17 with, moved by, and concerned about the multi-family
18 issue of affordable housing, the point was made again
19 today, and I do hope that when you catch your breath, we
20 can address that in more depth than perhaps we have been
21 able to up to date, although you may tell me we are deep
22 into that, in response to my comment. Lastly, Mr.
23 Sprague, I believe it is, his comments about
24 confidentiality and protections struck a chord with me,
25 and the idea of people running off and starting their own

1 businesses, taking confidential data with them, and this
2 question may be more for local folks, but maybe you have
3 some knowledge on it. Is there built into the
4 requirements and criteria, if not at the state level, and
5 to your knowledge at the local level, that do address
6 this handling of the kind of confidentiality of data, and
7 even protections against people utilizing that unfairly?

8 MS. CHANDLER: This has been a concern that had
9 been raised by the utilities, as well as the financial
10 institutions because, you can imagine that if you are
11 sitting on a Website and you are punching in your data,
12 the utilities consider some of that data confidential,
13 whereas the financial institution will consider other
14 parts of it. So, the design of the portal is that it
15 pushes that data to those entities to maintain the
16 confidentiality in those entities, so while the consumer
17 is typing in their street address and their account
18 number, and all of their utility kind of component
19 information, that data does not reside on our Website, it
20 is actually pushed out of our Website onto the utility's
21 Website for them to manage. It is transparent in that
22 you, the consumer does not know that they have just
23 dropped their data into their local utility's pocket, but
24 that is where it is, and we were concerned about the
25 protection, and obviously hacking, in this world. So

1 that is where we are headed with that. And the same for
2 the financial data. I mean, we do not really want the
3 financial data in terms of Social Security Numbers and
4 income levels and all that, so it will go to the
5 qualified lender who is on this suite of options, and it
6 will reside there. The rest of the data that would be of
7 interest is maybe the LEEDs and the qualifications and
8 certifications of the contractors, themselves. And so
9 that will reside on our website and we understand the
10 value of that, but that is our data and we will keep that
11 because this portal is owned by the California Energy
12 Commission. But we have been, you know, this is one of
13 the first discussions that came up and, you know, the
14 utilities are very sensitive to that confidentiality of
15 data, so we had to address it pretty early on. So, yes.

16 VICE CHAIR BOYD: Thank you.

17 CHAIRMAN DOUGLAS: I just have one final
18 question and that is, you know, can you go into more
19 detail on the statewide aspect of this, or just answer
20 the question about whether any county or local
21 jurisdiction can participate in this portal and this
22 overall effort?

23 MS. CHANDLER: Yes, that is our goal. I mean,
24 that is the beauty of the portal is that it is a
25 statewide - everybody has access to it. From the

1 standpoint of participation, the criteria that is listed
2 is critical because we need to have that standardized
3 approach. Truly, one of the benefits of financial
4 lending institutions might find in this is that we have
5 already pre-qualified and pre-certified that these people
6 had an energy audit, in or out, that they are having a
7 qualified contractor, that the lead that they are getting
8 is somebody who actually cares about doing energy
9 efficiency, is not going to a bank and sitting across
10 from the banker and saying, "You know, I'm going to do my
11 windows, and I'm going to do my decks, I'm going to add
12 some insulation," and the banker gives them the loan, and
13 then they go and buy a sailboat. I mean, this is a
14 confined closed loop system because they are going to
15 have the utility right there, who is going to offer the
16 rebate, and they are going to have that audit that talks
17 about what the payback is, and how much they are going to
18 be reducing in terms of their energy bill so they can pay
19 that loan off. So, you know, it is a little bit more
20 special than just having somebody walk in and ask for an
21 energy efficient or solar energy loan.

22 CHAIRMAN DOUGLAS: Thank you. And I definitely
23 see the benefit of having all of the pieces there, the
24 contractor qualifications, the closed loop ensuring that
25 the work is contracted for, and that the lending that is

1 provided for is actually done, verification, the
2 qualified audit that meets certain standards, that the
3 bank can count on it, all of this makes a lot of sense.

4 MS. CHANDLER: So the other thing that, even if
5 the local jurisdiction is not involved from a financing
6 component, most likely the local utility is. I mean, we
7 know that the investor-owned utilities cover 78 percent
8 of the state. We are working closely with the other
9 municipal utilities. So even if there wasn't a financing
10 option because there was no energy audit type, that
11 consumer would know what their rebates are, you know, if
12 they just wanted to go for an appliance rebate, or if
13 they were interested in a whole house program that the
14 investor-owned utilities are putting into place, they
15 also would have to look for a certified contractor, that
16 that is one of the elements, and they then would in that
17 sense have the ability to show that this is what they are
18 going to get, this is the gain that they are going to
19 receive if they do this investment. And so, they are a
20 little bit outside, but staff is looking at how do we
21 even involve those people who may be remote and their
22 local jurisdiction is not buying into the whole process
23 that we have discussed, this whole criteria.

24 CHAIRMAN DOUGLAS: Good, well I certainly hope,
25 obviously, that we get as many to participate as possible

1 and as fully as possible, but I really value the effort
2 to make sure that, at the very least, we have the best
3 possible information available for anyone in California
4 who is interested in taking part in this kind of program.
5 And it is a tremendous step forward because it is hard
6 for consumers to go to multiple websites to even have a
7 sense of what their options are, let alone knowing who I
8 qualified to do the work, and who is qualified to do an
9 audit, and how they can believe the results of that audit
10 and investment money in the results. So this sounds very
11 interesting, I am definitely interested as staff
12 continues to work on this, to learn more. And I want to
13 thank staff for really rising to the occasion here
14 because this has been a tremendously difficult workload
15 and, you know, we keep thinking that we might see the
16 light at the end of the tunnel, and then something
17 happens and it is another crisis, and the workload goes
18 way up again. So I really recognize that and I think we
19 are moving towards a product that we are going to be very
20 proud of, and it is going to be a great benefit to the
21 state.

22 MS. CHANDLER: Well, I would like to
23 acknowledge not only the program staff that has been
24 working on all of this, but also Susanne Garfield-Jones
25 and her team, because the whole Web portal concept is

1 being the broad energy upgrade California is, lives in a
2 different side of the house, and she has been working
3 very hard to bring this forward and herd the cats, as we
4 call it.

5 CHAIRMAN DOUGLAS: All right, well, bringing
6 this back to the rather narrow matter that we are here
7 today for, Commissioners, today staff is asking us to
8 amend the Guidelines in order to broaden the financing
9 options available, the financing program from first lien
10 place to other options, and are there more questions? Or
11 is there a motion on that?

12 VICE CHAIR BOYD: Well, I guess I have a
13 question. As a recipient of quite a few e-mails of
14 support for this action, I note that we have not noted
15 for the record, I appreciate Sonoma County's loyalty to
16 come here often, and others, to support these kinds of
17 activities, but it does seem to me we have letters or
18 notices of support from a broad number of people, and I
19 do not know if anybody prepared to mention who those were
20 from, but I think the record should show at least that
21 all of us up here are aware of the fact that the
22 Commission has received a fair number of e-mails and
23 letters from various localities and local governments,
24 and what have you, in support of carrying forth more or
25 less the message that Sonoma County brought to us today.

1 And I also noticed we have concerns about our legal
2 action, and I do not know if our attorney was going to
3 say anything today for the record with regard to the
4 action we are about to take, and everything is copasetic
5 as far as he is concerned. I would feel better if he
6 nodded or smiled yes or something like that.

7 MR. BLEES: I am always smiling.

8 VICE CHAIR BOYD: Yeah, and it is dangerous.

9 MR. BLEES: Maybe Ms. Webster-Hawkins could
10 address whether in the preparation of the revised
11 guidelines that are before you today, and also in the
12 development of the principles guiding the California
13 portal that Ms. Chandler was describing, there was an
14 affirmative effort made to ensure that both of those
15 activities complied with all federal and state
16 substantive and procedural requirements.

17 MS. WEBSTER-HAWKINS: Correct. Yes,
18 Commissioners, just to take us back, a little bit back in
19 time, we did publicly notice initially the cancellation
20 of the Program Opportunity Notice and the Notice of
21 Proposed Awards that were affected by the Notorious
22 Letters, that Ms. Chandler pointed out, and that notice
23 was posted consistent with Bagley-Keene 10 days prior to
24 the action that this Commission took last Wednesday on
25 July 28th to, in fact, cancel the solicitation. At the

1 same time last month on July 16th, we noticed the
2 revisions, the proposed revisions to these guidelines,
3 under AB 11 and the Statutes of 2009, this Commission was
4 given the authority to adopt guidelines in order to guide
5 the allocation and investments of the State Energy Plan
6 funding, which this funding is subject to, and that
7 statute provided that any guidelines - initial guidelines
8 - be given 30 days public comment period before any
9 action is taken, and further provided that any amendments
10 to those guidelines be given 15 days for public comment
11 before the action is taken. We posted the proposed
12 revisions to these guidelines, again, on July 16th, more
13 than 15 days has elapsed between then and now, and so we
14 have complied with all the legal procedural requirements
15 for the action that is before you today.

16 VICE CHAIR BOYD: Thank you. Well, if there
17 are no other questions or discussion, I would make a
18 motion to accept the staff's recommended changes to our
19 Guidelines.

20 COMMISSIONER WEISENMILLER: I will second that.

21 CHAIRMAN DOUGLAS: All in favor?

22 (Ayes.)

23 The item is approved. Thank you.

24 And moving on to a very similar item, Item 2 of
25 the Agenda, Energy Efficiency and Conservation Block

1 Grant Program Guidelines. Possible adoption of changes
2 to the Energy Efficiency and Conservation Block Grant
3 Program Guidelines (Guidelines) to expand the types of
4 energy efficiency retrofit financing programs included in
5 addition to Property Assessed Clean Energy (PACE)
6 programs. Is Mr. Sugar - oh, Mr. Butler.

7 MR. BUTLER: Yes, good morning, Madam Chairman
8 and Commissioners. My name is John Butler. I am a
9 Supervisor with Special Projects Office in the Fields and
10 Transportation Division. Similar to the SEP Guideline
11 revisions that you just adopted, I am here before you to
12 seek approval of revisions to our Block Grant Guidelines.
13 The Commission administers the Energy Efficiency and
14 Conservation Block Grant Program as part of its
15 responsibility under the American Recovery and
16 Reinvestment Act, funded by the U.S. Department of
17 Energy. The Commission has previously adopted Guidelines
18 for the Block Grant Program which allows local agencies
19 to support the development of municipal financing
20 programs, often called PACE or Property Assessed Clean
21 Energy Programs. These programs allow local agencies to
22 make loans to property owners for efficiency
23 improvements. The loans result in assessments against
24 the property, repaid on the owner's property tax bills.
25 The Block Grant Guidelines, as currently written, are

1 restricted. They allow use of funds for these programs
2 where the municipal finance assessments have priority
3 over previously reported private liens. Federal mortgage
4 agencies are opposing this approach, as you know. As a
5 result, program developers are assessing alternative
6 finance approaches, which do not comply with the current
7 adopted versions of the Block Grant Guidelines. The
8 proposed guideline amendments before you add flexibility
9 to the Block Grant Program's treatment of the municipal
10 financing options. These amendments will allow the Block
11 Grant Program funds to support development of alternative
12 municipal financing program designs that will support
13 efficiency retrofits of existing residential, commercial
14 and industrial properties. Staff seeks your approval of
15 the Block Grant Guideline Amendment as proposed in the
16 third edition.

17 MS. WEBSTER-HAWKINS: Commissioners, as noted
18 in the previous item, this action that is before you is
19 not a project under CEQA, and so you may proceed.

20 CHAIRMAN DOUGLAS: Thank you. Commissioners, I
21 think we have basically gone over this ground before in
22 Item 1, but do you have any questions specific to Item 2?

23 VICE CHAIR BOYD: I do not.

24 COMMISSIONER WEISENMILLER: Neither do I.

25 CHAIRMAN DOUGLAS: Is there a motion?

1 VICE CHAIR BOYD: I will move approval of the
2 staff recommended changes to the Energy Commission's
3 Energy Efficiency and Conservation Block Grant Program
4 Guidelines.

5 COMMISSIONER WEISENMILLER: I will second that.

6 CHAIRMAN DOUGLAS: All in favor?

7 (Ayes.)

8 Item 2 is approved. Thank you.

9 MR. BUTLER: Thank you.

10 CHAIRMAN DOUGLAS: Item 3. ICF Consulting
11 Services, LLC. Possible approval of Contract 500-10-018
12 with ICF Consulting Services, LLC for \$197,224 to provide
13 support for the planning and management of the
14 legislatively directed Public Interest Energy Research
15 Advisory Board meetings. Mr. Gravely.

16 MR. GRAVELY: Good morning, Chairman and
17 Commissioners. Mike Gravely from the R&D Division. The
18 PIER Advisory Board issue is to provide advice and
19 recommendations to the PIER Program Management Team, the
20 R&D Committee, and the Commission. We have used contract
21 support like this to help us in times that we are
22 stretched with the staff, and so this is what we are
23 doing at this time. This particular contract was a
24 competitive award through the California Award Schedule
25 Process, and then the Advisory Board is anticipated, we

1 will have two advisory boards supported by this
2 contract, one in the fall and one in the spring. The R&D
3 Committee has reviewed and approved this package and I am
4 prepared to answer any questions I can.

5 CHAIRMAN DOUGLAS: Thank you Mr. Gravely. Are
6 there questions?

7 VICE CHAIR BOYD: I have no questions, I just
8 wanted to point out how urgently, at least Commissioner
9 Byron and I feel, we are the R&D Committee, that we move
10 on this issue and, as Mr. Gravely has indicated, staff
11 everywhere in this organization is stretched and needs
12 outside help to keep us anywhere near being on schedule
13 in these tough times, and this is an issue of concern as
14 our PIER Program, and all the concern that people have
15 about it, or all the ambitions that people have for the
16 money that - and we need to move with our advisory
17 committee to keep them abreast and understanding and
18 advising us, as well as providing us some support for the
19 PIER Program.

20 COMMISSIONER WEISENMILLER: Probably more
21 giving some history, but when I was here before, the
22 Commission had at least a first legislative challenge to
23 its R&D Program, and I am not sure if it was the last
24 between here and there, and so, when I moved from the
25 Commissioner's Office to set up a Special Projects

1 Office, I found sitting on my desk an audit the
2 Legislature had done of the program, and I was
3 responsible for trying to come up with a response to
4 that. And one of the tools I used, which was very
5 useful, was an Advisory Board, although I would note, at
6 one of the earlier meetings, the Chief Scientist at
7 Hewlett Packard came in and said, "I don't know why
8 you're wasting your time on geothermal since it has such
9 a small national importance. And so, based upon that, we
10 really focused the program around things that were
11 important to California, but unimportant nationally, and
12 so, basically it was a very healthy exchange, but at
13 least sometimes I end up going 180 degrees from what the
14 advisories had suggested. And ultimately, I guess there
15 is hope in that, by the time we were finished, we got a
16 lot of support from the Legislature going forward, so, I
17 mean, it is possible to get there, but you do have to do
18 your homework, and certainly this is part, certainly with
19 a few other tools, that at some point we should talk
20 about in terms of how we turn things around because it is
21 not fun being in the hot seat, I can tell you, in this
22 area, and it is very very difficult to think about
23 methodologies and how you do the allocation, or how you
24 show the worth of these efforts. In fact, Susan Brown
25 was involved with me in one of the subsequent reports on

1 developing one of the subsequent reports to the
2 Legislature.

3 VICE CHAIR BOYD: She is out there somewhere
4 still, if she has not retired, maybe we can tap her, and
5 tap yours as well. For most of my years here, it has
6 been a continuous issue, this is a statutorily provided
7 advisory committee and does have members of the
8 Legislature on the committee, we have to keep them
9 interested enough to be with us and understand the
10 program and, of course, next week this agency gets
11 another opportunity to present itself to the Legislature
12 on this program, so the sooner we have an Advisory
13 Committee meeting, the better, and we had planned to do
14 two years to influence the program we are about to
15 initiate when you have the new Fiscal year and new
16 Budget, but new budgets have become scarcer all the time,
17 and then also kind of a progress against planned activity
18 for us as we move through a year and what the successes
19 are, the lessons we have learned, as well as then helping
20 us frame a budget for six years, so anyway, there is good
21 opportunities, but there are always people who come with
22 their own ideas, as well as what the world really needs,
23 and we need some sage advice from folks like you who have
24 been here before. Anyway, enough of that. If there are
25 no comments or questions, I will move approval of this

1 item.

2 COMMISSIONER WEISENMILLER: I will second that.

3 CHAIRMAN DOUGLAS: All in favor?

4 (Ayes.)

5 Item 3 is approved. Thank you, Mr. Gravely.

6 Item 4. Chief Counsel's Report.

7 MR. BLEES: Thank you, Commissioners. Two
8 things, first I request brief closed session following
9 the regular session today. Second, I have the great
10 pleasure of introducing two new members of the legal
11 office, David Edeli. I guess David is not here. I have
12 got him working on a couple of urgent questions posed by
13 Vice Chair Boyd and Commissioner Weisenmiller, so we can
14 hardly bring him for his introduction. Maybe he is
15 waiting for Commissioner Byron to be here since he is a
16 current student at Stanford Law School.

17 VICE CHAIR BOYD: Do not forget the Chair's
18 affiliation with that same institution. Us Cal people
19 are all alone here today.

20 MR. BLEES: Well, the next introduction is
21 awfully close to the real Cal, Kirsten Driskell is our
22 newest attorney. Kristin is a graduate of UCSD, where
23 she graduated with high honors in English Literature with
24 Minors in Poly-Sci and Math in 2006. She was an intern
25 for us here in the spring of 2009. She has also worked

1 for US EPA as a summer Honors Law Clerk, and also an
2 Intern with the prominent environmental law firm of Shute
3 Mihaly and Weinberger. Kristin received awards for her
4 performance in a number of classes, including Public
5 Lands and Natural Resources, Legislation, Legal Writing
6 and Research, and Environmental Law. She kind of ran
7 afoul of the Save Personnel System last year, last fall.
8 After she graduated from school, she was very interested
9 in continuing to work for us, but because she had not yet
10 passed the Bar, she had not gotten her Bar results and we
11 could not hire her as an attorney, and since she had
12 graduated, she was no longer a student and unable to be
13 hired as a student; nevertheless, she did continue to
14 work for us on a completely volunteer basis and did some
15 very valuable work, including on ARRA criteria and
16 deadline. Finally, it is very important that you
17 understand for your own welfare and meetings you have
18 with Kristin that she is a member of the San Francisco
19 Fog Women's Rugby Club. We are delighted to have Kristin
20 with us and she has already hit the ground running very
21 fast.

22 CHAIRMAN DOUGLAS: Well, thank you, Jonathan.
23 Welcome aboard, Kristin. I guess you have been here for
24 a while, and clearly really wanted to stay, so we are
25 very very pleased to see you. So, thank you.

