

March 2, 2011

Senate President pro Tempore Darrell Steinberg, Chair, Budget Conference Committee
Senator Mark Leno, Vice Chair, Budget Conference Committee
Assemblymember Bob Blumenfield, Chair, Assembly Budget Committee
State Capitol
Sacramento, CA 95814

**RE: Budget Transfer of Natural Gas Energy Efficiency Funds to General Fund –
OPPOSE**

Dear Senator Steinberg, Senator Leno, Assemblymember Blumenfield, and Budget
Conference Committee Members:

On behalf of the National Association of Energy Service Companies (NAESCO) I write
to oppose the budget transfer of about \$100 million of natural gas consumption surcharge
funds intended for energy efficiency programs to the state's general fund, a measure
which is under discussion by your Committee.

NAESCO numbers among its members some of the world's leading energy services
companies, including: AECOM Energy, Ameresco, APS Energy Services, Burns &
McDonnell, CCI Group, CM3 Building Solutions, Chevron Energy Solutions, Clark
Energy Group, Clear Energy Contracting, Comfort Systems USA Energy Services,
ConEdison Solutions Constellation Energy Projects and Services, Control Technologies
and Solutions, Eaton Corporation, Energy Focus, Energy Solutions Professionals,
EnergySolve Companies, Energy Systems Group, Excel Energy, FPL Energy Services,
Green Campus Partners, Hess Corporation, Honeywell, Johnson Controls, McClure
Energy, Novatech Energy Services, NORESKO, NXEGEN, Onsite Energy, Pepco
Energy Services, Schneider Electric, Siemens Industry, Synergy Companies, Trane,
UCONS, and Wendel Energy Services. Its members also include many of the largest
utilities in the United States: Duke Energy, the New York Power Authority, Pacific Gas
& Electric, and Southern California Edison.

NAESCO member companies have delivered billions of dollars of energy efficiency
projects to California residential, commercial, institutional and industrial customers
during the past twenty years. These projects typically leverage incentives from utility
energy efficiency programs with private investment at a ratio of three or four to one,
which makes the projects a significant engine of employment and economic development
for California.

NAESCO urges you not to transfer energy efficiency funds to the General Fund for two reasons. First, it will deal a severe blow to one of California's only areas of economic growth. Second, it will undermine the ability of the state to help its citizens cope with the current energy price escalation.

As you know, during the last few years, numerous studies have documented the fact that investments in energy efficiency have been one of the only drivers of economic growth in California. The California energy efficiency programs took years of patient work by a full range of stakeholders – utilities, consumer groups, environmental organizations and energy efficiency companies -- to develop to their current level. Every dollar of ratepayer energy efficiency is leveraged with several dollars of private capital to make California homes, businesses and institutions more energy efficient and create jobs in California. NAESCO members, and hundreds of other companies that deliver energy efficiency improvements, have invested tens of millions of dollars in offices, vehicles, equipment and staff training to deliver these improvements. Redirecting program funding in the middle of a program cycle sends a clear message to the industry that California is no longer a good place to invest and grow their businesses, because programs that took decades to build can be wiped out in a moment.

As we read in the papers every day, the political turmoil in the Middle East is driving up energy prices in the U.S. once again. We should be taking advantage of this crisis to reinforce the message that energy efficiency protects our economy from these repeated shocks. We should be redoubling our efforts to help citizens and businesses become more energy efficient. We should not be cutting the programs that deliver the message and deliver the help people need. That's like closing down a fire station and laying off the firefighters when you can see the smoke on the horizon.

Finally, as I am sure you realize, the funding you are considering taking from the energy efficiency program is not going to solve the state's fiscal problems, or even make a substantial contribution to their solution. But it will deal a severe blow to an industry that can be part of the long-term solution to these problems, an industry that produces the jobs and economic growth that California needs.

Sincerely,

A handwritten signature in black ink, appearing to read "Donald Gilligan", with a long horizontal flourish extending to the right.

Donald Gilligan
President