Local Government SUSTAINABLE ENERGY Coalition 980 9th Street, Suite 1700 · Sacramento · California · 95814
415/587-7343

MEMORANDUM

TO: LGSEC Membership

CC: LGSEC Board

FROM: Irene Moosen, Regulatory Consultant

SUBJECT: Proposed Decision Providing Guidance for Initial Energy Efficiency Rolling Portfolio Business Plan Filings, Rulemaking 13-11-005

DATE: July 25, 2016

This memo provides a summary of the California Public Utilities Commission's (CPUC) Proposed Decision (PD) Providing Guidance for Initial Energy Efficiency Rolling Portfolio Business Plan Filings.[1] Issues addressed are 1) next steps for regional energy networks (RENs), 2) new default existing condition baselines effective January 1, 2017, 3) no statewide local government program would be required until a detailed proposal is submitted in a proposed business plan to the CAEEC, 4) transition for statewide and third party programs, and 5) changes to the evaluation and shareholder incentive frameworks.[2] The PD sets a new deadline for filing business plans for January 15, 2017.

The CPUC is taking comments on the Proposed Decision, Monday, August 8. Comments on Proposed Decisions at the CPUC are limited to errors of fact and law.

Summary: LGSEC filed comments in this proceeding in January (RENs), April (Baseline Calculations) and June (Statewide Administration.) We emphasized the need to move the RENs from "pilot" to "permanent" status and allow for new RENs to apply. LGSEC's Joint Comments with SoCalREN underscored the need for baseline calculations based on existing conditions, as AB 802 mandates. In June, LGSEC presented the proposal that the CPUC create a Statewide Energy Efficiency Local Government Program Area that would be administered by a single funding IOU Program Administrator with LGC as the responsible statewide Program Implementer.

[1] Full text of the Proposed Decision can be found here: http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=164950662

[2] LGSEC filed comments addressing the status of the RENS, joint comments with SoCalREN regarding baseline calculations and filed a new proposal that the CPUC create a new statewide local government program area (LGPA) with a single IOU administrator as a funding agent and LGC as the single statewide program implementer.

Regarding the RENs, the PD maintained the "pilot" status quo with further performance evaluation to occur prior to assessing the RENs' success.

The PD adopted the position SoCalREN and LGSEC joint supported in our filing by adopting a policy of using existing conditions as the default baseline, with few exceptions.

The PD did not adopt a statewide Local Government Program Area at this time but suggested presenting a business plan with more detail to the CAEEC as the appropriate next step.

Specific Issues in the Proposed Decision

Regional Energy Networks
RENs continue in pilot status until further data and analysis can be gathered to assess performance. The PD found that the REN programs offer the potential for unique and valuable program designs and should be allowed to continue to apply to the CPUC as program administrators. RENs are authorized to present business plans with proposed programs on January 15, 2017 along and on equal footing with the other Program Administrators. The CPUC will evaluate each program individually and assign a budget accordingly.

RENs were encouraged to focus on special expertise, local government, customer and statewide administrator relationships that the other Program Administrators do not possess. Long-term cost-effectiveness should also be a REN objective such that programs without a path toward cost effectiveness or market transformation results should be discontinued.

Baseline Calculation
The PD would adopt a default existing conditions measurement with certain exceptions in compliance with AB 802, effective January 1, 2017. Exceptions that will use a "code and/or appliance standards baseline" were listed as follows:

1) New construction, expansions and added-load programs:
    a. Shell & Building System Add-on Equipment, and
    b. Normal Replacement measures;
2) Existing Buildings, including major alternations:
    a. upstream and midstream measures for Shell & Building System Add-On Equipment and Normal Replacement, and
    b. Downstream Normal Replacement measures.

Industrial and agricultural behavioral, retrocommissioning and/or operational programs use "existing conditions" baselines.

The PD orders savings goals to be calculated on a Net savings basis instead of Gross Savings. This change was adopted In order to avoid double-dipping due to free ridership and as well as to align with long-term procurement capacity need forecasting.

In addition, the utilities will no longer get savings credit but will still receive funding and ESPI credit for codes and standards advocacy work.

The PD generally supported MCE's comment that funding should support local building departments in compliance, but they did not see how it would be applied and invited proposals on it.

Statewide and Third Party Administration
LGSEC's proposal to establish a new statewide Local Government Program Area with LGC as the authorized Program Implementer was not adopted. The PD stated that the Commission was interested in LGSEC's proposal but would not require LGPs to be administered on a statewide basis. The PD stated that to do so would be premature until the details of how such a proposal might be implemented are presented. The PD noted the inconsistencies LGSEC described and expressed interest in a statewide proposal with a detailed implementation plan outlined in a proposed business plan. The PD suggests that such a proposal be presented to the CAEEC as the next step.

New Finance Offerings remained a statewide program as well as Government Entity programs including the UC/CSU, California Community College and State of California and Department of Corrections and Rehabilitation programs. Home Upgrade and Commercial Energy Advisor were listed as pilot statewide programs with a single-administrator. No guidance was offered regarding how small and medium commercial programs would be addressed.

While endorsing midstream and upstream programs as most inherently amendable to statewide administration, the PD sought four program pilot proposals from the Program Administrators that would establish statewide administration for downstream or customer facing energy efficiency, identifying the following as potential candidate programs: 1) Energy Upgrade California Home Upgrade program, 2) Commercial Deemed Incentives, 3) Strategic Energy Management (any sector) and 4) Commercial Energy Advisor.

In addition, the PD did not assign specific IOUs to each Program Area. The PD directs the IOUs to either volunteer or establish Program Administrators by Program Area through consensus arrived at through the CAEEC or other process. The PD also allowed for non-utilities to be statewide administrators, again, subject to the same CAEEC consensus selection process. The PD also clarified that a single administrator could decide to have multiple implementers for a statewide program area.

The PD defines "Third-Party programs" as those that are proposed, designed, implemented and delivered by non-utility program administrators. A minimum target of 60 percent of the utility's budgeted portfolio is to be third-party designed and delivered by the end of 2020 (up from the current 20 percent). The IOUs are directed to include a transition plan to meet this minimum target in their business plans.

The IOUs are encouraged to focus more on their role as determiners of “need” and portfolio design and less on their role as program designers and implementers. The PD notes that certain functional responsibilities within the utility portfolios can be and to some extent already are consolidated and outsourced for cost savings and scalability, such as “back office” rebate fulfillment, data capture and management and to some extent marketing.

EM& V/EPSI
The PD affirmed that the budget for EM&V activities will continue to be four percent of the total program budget, to be allocated 40 percent to the program administrators and 60 percent to Commission staff. EM&V budgets for non-IOU program administrators, including CCAs and RENs, will be allocated from among the 40 percent of the EM&V budget that goes to program administrators, on a proportional basis (based on each program administrator’s total program budget within the utility service areas where the non-IOU administrators operate. The PD found no need to change the responsibility for accountability for EM&V priorities between Commission staff and program administrators. Existing Energy Savings Performance Incentive caps will remain.

<u>Next Steps</u>

Comments on the PD are due August 8 and are limited to identifying errors of fact and law. Notice was sent last week setting a discussion call with interested members for July 28 at 3:30. Please send your input to me by e-mail as well, as soon as possible.

Feel free to contact me with any questions or comments.