

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Concerning
Energy Efficiency Rolling Portfolios,
Policies, Programs, Evaluation, and
Related Issues.

Rulemaking 13-11-005

**COMMENTS OF
THE LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION
ON PROPOSED DECISION ON 2016 ENERGY EFFICIENCY GOALS AND ROLLING
PORTFOLIO MECHANICS**

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FOR Local Government Sustainable Energy
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I. INTRODUCTION

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission's ("CPUC" or "Commission"), and the January 12, 2016 Ruling of ALJ Edmister, the Local Government Sustainable Energy Coalition ("LGSEC")¹ submits these Comments on the Evaluation Studies of the Regional Energy Networks ("RENs").² As the organization that conceived of the RENs, and initially petitioned for their authorization, the LGSEC takes great pride in their success. We respectfully recommend that the Commission remove the "pilot" label from the RENs, and allow them to continue to develop innovative programs that are tailored to local needs. The RENs have met the three standards by which they were authorized in Decision 12-11-015. We further recommend that the Commission establish a process by which other regions can come forward with REN proposals, as there is great interest in pursuing this option.

II. THE RENs HAVE PROVEN THAT THEY ARE SUCCESSFUL PROGRAM ADMINISTRATORS

D.12-11-015 outlined three criteria by which REN proposals were evaluated:

1. Activities that utilities cannot or do not intend to undertake.
2. Pilot activities where there is no current utility program offering, and where there is potential for scalability to a broader geographic reach, if successful.

¹ The LGSEC is a statewide membership organization of cities, counties, associations and councils of government, special districts, and non-profit organizations that support government entities. Each of these organizations may have different views on elements of these comments, which were approved by the LGSEC's Board. A list of our members can be found at www.lgsec.org

² These include *PY 2013–2014 Regional Energy Networks Value And Effectiveness Study*, prepared by Opinion Dynamics, Jan. 5, 2016; *2013-14 Regional Energy Networks and Community Choice Aggregator Programs Impact Assessment Final Report and Appendices*, prepared by Itron, apex Analytics, and DNV/GL Jan. 7, 2016; and *Regional Energy Networks (RENs) Reconciliation Memo*, prepared by Dr. Katherine Johnson, Jan. 8, 2016.

3. Pilot activities in hard to reach markets, whether or not there is a current utility program that may overlap.³ (D.12-11-015, p. 17)

The Evaluation Studies do not dispute that the RENs have met these criteria. [cites?]

The Opinion Dynamics study commends the RENs for quickly coming up to speed with complex regulatory requirements:

The RENs will have demonstrated effectiveness if the RENs clearly show an ability to manage program implementation and adjust to necessary changes as they arise. Additionally, the RENs would be considered effective if program participants are satisfied and the RENs successfully mitigated program participants' challenges.

The study findings were that **the RENs put in place and successfully implemented their \$67 million portfolio within an 18-month period. This is commendable**, especially given the high level of coordination required between the RENs and the IOUs to determine how to create and deploy programs that target the same pool of customers. The three programs studied all had **high levels of customer satisfaction, which indicates good management and effective service delivery**. Additionally, the RENs **navigated the new regulatory environment** with some difficulties to begin with, but are now performing adequately (according to ED staff). A six-month regulatory delay occurred in the start-up of the RENs that the management of both RENs successfully overcame, although the delay made it difficult for the RENs to meet previously planned participation goals. (*Opinion Dynamics*, p. ii, emphasis added)

The RENs have proven that they are capable administrators, successfully operating a suite of programs, meeting regulatory compliance obligations, and collaborating with utilities and other industry stakeholders. RENs provide local governments an opportunity to access ratepayer dollars for energy programs without playing a role subordinate to the Investor Owned Utilities. By this, we mean that the REN programs are designed by local governments

³ It is worth noting that since 2012, as part of the update to the *Energy Efficiency Strategic Plan*, there has been interest in narrowing the definition of "hard to reach." As envisioned when the RENs were approved, and as used in the REN evaluation studies, "hard to reach" refers to "under-served", "un-tapped", "innovative markets", and similar terms. It does not have the specific connotations currently being considered for purposes of small commercial direct install programs.

and operated by local governments, for local governments. RENs are committed to continuous improvement, and it is time to make RENs permanent and available to local governments in other regions.

III. CALIFORNIA BENEFITS WHEN THERE ARE MULTIPLE OPTIONS FOR LOCAL GOVERNMENT PARTICIPATION

The RENs provide an accessible participation vehicle for interested local governments, and should be viewed as a complement to the other avenues by which local governments participate in energy efficiency. Those other avenues include partnerships with the utilities, which are focused on goals and options defined by the utilities; community choice aggregation (“CCA”); and participation in utility programs that are available to all customers. With the exception of CCA, the other options do not provide the customization that the RENs offer. Building on the customer focus established in the move to a Rolling Portfolio, the CPUC should be looking at different types of program administration, and the roles and responsibilities each can fill.

The regional scale of RENs is important, as they allow local governments to build on existing relationships and economies of scale in a geographic region that is more manageable than an entire utility service area or the State. This in turn allows customers in a region to be better served. For example, the BayREN Multifamily program has seen participation by property owners who own buildings in different jurisdictions within the BayREN territory. An important factor in the REN model, and a prime attraction for regions interested in forming RENs, is the fact that the programs are entirely designed and administered by local governments.

While many communities in California are considering forming CCAs, not every community will, and even if they do, it is not clear that every CCA will choose to administer energy efficiency programs. The RENs complement CCA and utility energy efficiency programs, and in those regions where they exist, the RENs are quickly becoming an important resource for local governments working to meet the goals of locally promulgated planning documents. RENs allow the development of programs that are directly responsive to local needs, and are able to position more customers to take advantage of energy management opportunities through these locally focused programs. As the CPUC moves to a Rolling Portfolio and considers the best form of administration for energy efficiency programs, it should be aware that different administrators and program structures will meet different needs, and allow the overall portfolio to be customized to serve more customer groups, including local government and our constituents.

IV. GAPS IN CURRENT EVALUATION STUDIES

A. Evaluation Timing and Metrics

We expect that the BayREN and the SoCalREN will provide specific comments on the accuracy and thoroughness of the evaluation studies. LGSEC members have participated in the REN programs, and from this perspective our organization questions the validity of the results. First, the studies do not extend through 2015. This means they are evaluating the period during which the RENs were still ramping up programs and developing systems. The Commission should look at the RENs with more comprehensive data on program results.

Second, the Commission did not intend for the RENs to be evaluated using the strict cost-effectiveness tests that apply to the overall energy efficiency portfolio. Conclusion of Law

14 in D.12-11-015 states: “There should not be a minimum cost-effectiveness threshold for approval of REN or MEA proposals. However, the RENs and MEA should strive to deliver the most cost-effective programs possible. This does not result in the Commission holding RENs and MEA to a different standard than the utilities. Similar programs should be considered similarly, regardless of who is delivering the program.”

Any evaluation of the RENs should reflect that they are by design structured to serve untapped and historically underserved markets, and focus on innovative programs and market transformation. The Opinion Dynamics study takes this into account to some extent. The Itron study looks at the RENs using the same metrics that are applied to Program Administrators with much greater ranges in their portfolios. Reaching historically underserved customers, as the RENs do by design, may never be cost-effective, yet the RENs appear to be making progress in this area where others have not. The Commission should use evaluation metrics that recognize the intentionally innovative scope of the RENs, and acknowledge their success in reaching their target markets.

B. The RENs’ Successes Go Beyond Those Studied

The evaluation studies were admittedly hurried and limited in scope.⁴ The studies do not include other accomplishments and benefits that the RENs provide, developed over a relatively short time period. The RENs help overcome problems experienced by Implementers which make it more difficult than necessary for local governments to utilize rate payer funding effectively and meaningfully in their work to help meet State emission reduction and energy use goals. Particular areas where LGSEC members have found benefits from the REN delivery of

⁴ Johnson memo, p. 1.

energy efficiency include control over the program content, certainty, and continuity, and the ability to meet local priorities. These are not areas that are easily quantified, and yet they are important. More detail is provided below.

Model Programs. There are many areas where RENS have been the first to explore different program delivery methods, as the Commission intended when it approved the RENS. These include financing programs, modifications to the Home Upgrade programs, and others described in this document. This is not easily quantified, and yet it is critical for innovation.

Improvements in Contracting Process. Historically, local governments in at least some utility service territories have been frustrated with utility energy efficiency programs because they have no input or control over the Program Implementation Plans. In particular, local governments have desired greater ability to update their scopes of work to meet local needs. There is no formal process for local governments to propose changes or even review what is filed with the Commission, which in turn affects program performance. With the RENS, local governments have experienced closer communication and ongoing program adjustment as conditions warrant. Any evaluation should look at how improvements in the contracting process impact program implementation.

Program stability and continuity. Prior to the RENS, local governments experienced a lack of certainty and stability in terms of program funding. Local governments are required to wait for the utilities to decide whether they will be funded, at what levels, whether funds will carry forward. This typically does not happen until very late in the program cycle, and may extend for only one year, denying local governments the benefits they expect to receive from the Rolling Portfolio. This inhibits the ability of local governments to plan ahead and achieve

maximum program performance. Local governments served by multiple utilities must negotiate with each of them, also a time consuming process that distracts from program delivery and performance. Any study of the RENs should account for the benefits of streamlined funding.

Local control. Under the current energy efficiency paradigm, for many local governments decisions about their partnership programs with the utilities are made by middle managers who are not engaged in the local community. It has been the experience of some local governments that program approval can be arbitrary and subjective depending on who the utility contract manager is. When there are multiple utilities involved, it is harder to prioritize and obtain approval, as goals and processes vary. Any evaluation study should consider the benefits of greater local priorities on program effectiveness.

V. RENs SHOULD BE MADE PERMANENT, AND THE CPUC SHOULD INVITE MORE REGIONS TO FORM RENs

The LGSEC recommends the Commission make the current RENs permanent, removing them from pilot status. The RENs are an important tool in helping local governments partner with the State to reduce greenhouse gas emissions. RENs should be continued through the Rolling Portfolio, and other regions should be invited to apply to create new RENs. On this matter, we note the recommendation from the Opinion Dynamics study, including:

- Creating a set of guidelines regarding the full regulatory processes by which any new proposed REN would be expected to adhere. This would reduce uncertainty about the significant coordination, time, and cost required in becoming a REN.
- Providing seed money to assist a new potential REN with preparing its first set of regulatory filings.
- Allowing for a prudent increase in administrative costs to facilitate collaboration through in-person meetings.
- Reviewing the associated Energy Division staffing requirements for overseeing additional RENs to assure appropriate coverage for ongoing interactions with additional program administrators.

- Assuring that any new REN leverages and borrows from the experience, models, and lessons learned from the existing RENs. (Opinion Dynamics study, p. 5)

The RENs are by their nature learning organizations. The REN construct should be continue to be improved (continuous improvement to evaluate constraints, successes and program portfolio). The RENs are an important innovation that allows local governments to be more effective program implementers. The CPUC should not continue to restrict this opportunity (particularly significant levels of funding) to two regions in the State. Others are ready to submit materials, but PUC staff indicate that they do not have the resources or direction to accept new RENs. This is particularly important for local governments operating certain regional programs, thereby minimizing administrative hurdles.

VI. CONCLUSION

For the reasons stated above, the CPUC should make permanent the BayREN and the SoCalREN, and invite other regions to form RENs as part of the Rolling Portfolio.

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Respectfully submitted,



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