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 Coalition

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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"), the Local Government Sustainable Energy Coalition (LGSEC)[1] respectfully submits these Comments on the Proposed Decision establishing energy efficiency goals for 2016 and beyond mechanics of the Rolling Portfolio. LGSEC members share commitment to collaborative success, innovation, and accountability in attaining State goals, advancing economic and environmental justice throughout the energy sector, and in transforming energy to a low- or zero-emissions resource.

The LGSEC focuses in these comments on the Rolling Portfolio implementation, which we have long supported. The Commission is poised in related proceedings to adopt changes that hold the potential to increase collaboration and planning across energy management areas, particularly in terms of demand side resources. The California Energy Commission ("CEC") recently adopted the *Existing Buildings Energy Efficiency Action Plan*. These directives, combined with a Rolling Portfolio structure, hold great opportunity to make faster progress in achieving California's climate and energy goals.

The LGSEC recommends that the final decision do the following:

- Ensure that local governments in their roles both as Program Administrators and program implementers realize the benefits of the Rolling Portfolio through program continuity and clear communication, particularly between investor-owned utilities ("IOUs") and local government partners;

[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

- Outline a process for new RENs to apply to the Commission annually, starting in 2016;
- Continue energy efficiency financing programs launched by local governments as part of the American Recovery and Reinvestment Act, in operation today;
- Ensure the stakeholder process is representative and accessible, including rotating leadership, two Chairs, and representation by local governments that implement programs;
- Begin to realize a different paradigm for collaboration between State agencies, especially the CPUC, and local governments.

II. LOCAL GOVERNMENTS SHOULD REALIZE BENEFITS FROM THE ROLLING PORTFOLIO

A. Different Local Government Roles

When considering how local governments will participate in Rolling Portfolio energy efficiency activities, it is helpful to remember that there are different roles that local governments fulfill. These are described below.

1. Local Governments as Program Administrators

Regional Energy Networks ("RENs") and Community Choice Aggregators ("CCAs") have direct control over the management, delivery, and oversight of their energy efficiency portfolios.[2] The utilities act as fiscal agents, and RENS and utilities coordinate and collaborate in numerous areas. CCAs similarly have direct control over their energy efficiency portfolios, a responsibility provided in the CCA authorizing legislation, AB 117 (2003).

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[2] Decision 12-11-015 defined RENs. See pp. 7-16.

RENs and CCAs have administrative responsibilities similar to those of utility Program Administrators, including reporting, EM&V, fiscal management, and related.

2. Local Government as Program Implementers

Beginning with the energy crisis in the early 2000s, local governments were provided opportunities to apply directly for funds to implement energy efficiency programs. Over time, these local government programs morphed into partnerships between a local government or group of local governments and the investor-owned utility (or utilities, in areas served by more than one IOU). The utilities have more control over the content and budget of local government partnerships, working with the partners to design programs that satisfy requirements identified in the *California Energy Efficiency Long Term Strategic Plan*. Local governments are key implementers in the partnership programs. There is a long, documented record of achievements by local government partnerships and the importance of local governments as a delivery channel for the utilities. In acting as direct implementers, trusted community and contractor partners, and multi-channel communicators with residents and businesses, local governments have developed expertise and implementation relationships that are not replicable at the same level and cost-effectiveness. However, because they are not Program Administrators these local governments are more vulnerable to unpredictability in the contract process with the IOUs and have no clear direction forward should the IOU decide to shift or cut program budgets.

3. The Decision Should Recognize These Different Roles for Local Governments

The decision could go further in clarifying and utilizing these different roles for local governments. Ensuring local governments operate under optimal conditions is important because, as will be described below, all local governments participating in energy efficiency programs will be most effective when there is program continuity. We suggest that pp. 45-46 of the Proposed Decision would be an appropriate place to recognize that local governments participate in energy efficiency programs both as Program Administrators and program implementers.

The LGSEC appreciates the discussion of pp. 57-59 of the implementation plans, and the flexibility that is provided to Program Administrators in modifying those implementation plans. And, as program implementers, we have the concerns identified above about unpredictability in the contract process with the utilities.

B. Program Continuity is Important for Implementers

The LGSEC appreciates the program continuity that the Rolling Portfolio will provide, particularly to Program Administrators. As long-time partners in this work, the LGSEC assumes this continuity will endure also for local government implementers. While we cannot predict the content of program portfolios in five or eight years, we are confident that opportunities will continue for local governments to implement energy efficiency and related integrated demand side resource programs, particularly as State policy prioritizes greater deployment of distributed energy resources. We respectfully request that the final decision convey the Commission's expectation that there will continue to be a role for programs implemented by local governments over the long term. This could be as simple as adding a sentence in the discussion on p. 45 that "We expect an ongoing role for local governments as partners in implementing energy efficiency programs." We also believe there is value in ensuring that local government partners have adequate notice of proposed modifications to their programs by the utility partner. Local governments dedicate resources, staff, and budgets to projects with the expectation that they will be able to save money and energy. Some projects can take over a year to develop given budgetary planning cycles, our decision-making and project-implementation process, procurement, etc. Additionally, local government partnership activities are tied in to other programs local governments are providing. Local governments need adequate time to determine and plan for impacts of any changes. The utilities should be required to communicate any changes in local government partnership programs in a transparent, timely manner. Local governments reserve the opportunity to work with the Commission if differences of opinion cannot be resolved.

The LGSEC also suggests the Commission establish guidelines for timely review of custom projects brought forward by local government partners. Working directly with our constituents, local governments have good opportunity to pilot new energy efficiency products and systems that are not 'approved' for rebates and financing. It has been the experience of some LGSEC members that delays of several months, or more, for custom review projects lead to those projects being abandoned by the customer. There must be more accountability for speedy review of custom projects. We recognize that the custom review process is also being addressed in the comments of the Joint Parties, of which the LGSEC is part.

C. Opportunity for New RENs in 2016

The Proposed Decision does not address the process for additional local governments to apply to become RENs. The LGSEC is aware of several local governments exploring this option, based on local priorities and the success of the two existing RENs.[3] We respectfully suggest that it would be useful, when outlining the process for business plan submittal, to provide guidance for those government organizations that wish to apply to form new RENs. Indicating at this time that new RENs can apply in 2016 will allow those entities to participate in the stakeholder process that will precede the submittal of the business plans. The Commission also should identify the process by which new RENs can be proposed after 2016, once the Rolling Portfolio is in process. The LGSEC recommends this be an ongoing, annual opportunity.

Where the Proposed Decision discusses the schedule for submitting Business Plans in 2016 (p. 53), it should include a statement that "Local governments that wish to form new RENs can also apply at this time by submitting business plans. The Commission will provide further guidance for that process, and the process by which new RENs can form after 2016, in the next decision in Phase II."

D. ARRA Program Continuation

In 2012 and 2013-2015, the Commission leveraged programs started under the American Recovery and Reinvestment Act. Some have become RENs, others remain implementers in partnerships with the IOUs. The IOUs may misinterpret the Commission's silence on whether to continue these programs as an open door to shut them down. While statewide financing pilots begin to launch, we should not disrupt programs that have actively engaged lenders and are operating low cost loan products, along with the complementary services necessary to support program uptake. To avoid confusion, program disruption and service gaps, we respectfully recommend that the Commission:

[3] We note that CCAs have authority to apply under AB 117 and subsequent implementation by the Commission.

- Include explicit direction to the utilities regarding continuation of ARRA programs, reinforcing that the Commission's previous direction on ARRA Financing programs still stands:
  - Extend ARRA program residential loan loss reserves through next cycle (at least two years until/if pilots are evaluated and established)
  - Continue ratepayer support for ARRA program support functions at the same scale as 2013-2015
  - Leverage existing local program infrastructure to support Statewide pilots, particularly in areas that are less feasible or effective to implement on a statewide level (i.e. local demand generation, contractor engagement, lender support, project qualification)
  - Encourage continued ARRA program engagement with Statewide pilots to foster greater collaboration during any period of co-existing financing products
- Allow for greater volume of financing projects in both ARRA and Statewide financing pilots, and allow energy savings credits to be calculated for measured not eligible for rebates.

III. STAKEHOLDER PROCESS SHOULD BE REPRESENTATIVE AND ACCESSIBLE TO ALL

The Coordinating Committee will play an important function in the Rolling Portfolio for advance collaborative work to develop program portfolios and play an advisory role for the Commission, which correctly retains authority and responsibility to approve all portfolios. It will be important for the Coordinating Committee's members to include program implementers. The Coordinating Committee should include representation from local governments that serve in implementation roles, which the Commission will see in comments from other parties. On pp. 68-70 of the Proposed Decision, under the discussion of the Coordinating Committee, the final decision should state, "The Coordinating Committee should include representation from at least one local government that has a program implementer role." This is consistent with the comments from the Joint Parties.

The final Decision should provide more guidance about governance of the Coordinating Committee. The LGSEC believes it is important for leadership of the Coordinating Committee to rotate on a regular basis. Potential members of the Coordinating Committee should be required to participate in a nomination process, with final appointments made by the Commission. This is akin to the processes local governments use when appointing advisory committees.

The LGSEC concurs with the comments that will be submitted by the Joint Parties that there are already a number of venues where stakeholders gather to collaborate on different aspects of the energy efficiency portfolio. We agree with those parties that there is not a need to create a number of new committees. Rather, we support a thorough examination by the Coordinating Committee in conjunction with interested entities to determine whether there is opportunity to consolidate and streamline the ongoing work.

IV. THE ROLLING PORTFOLIO CAN OFFER A NEW PARADIGM FOR WORKING WITH LOCAL GOVERNMENTS

Local governments are uniquely capable of helping the State meet its climate and energy goals (climate plans, special authorities, on-the-ground services, local networks, ability to navigate and aggregate their communities). The recently adopted AB 758 Action Plan makes clear that local governments are critical partners in achieving goals for improving efficiency in existing buildings. Aggressive goals from the Governor (to possibly codified in SB 350) require new ways of approaching this work. We also now see a new, ongoing emphasis on looking comprehensively at opportunities, as demonstrated in the Proposed Decision in the Integrated Demand Side Resources proceeding (R.14-01-003).[4]

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[4] Note the proposed definition in IDSR Proposed Decision of integration of demand-side resources: "A regulatory framework that enables customers to effectively and efficiently choose from an array of demand-side and distributed energy resources. The framework is based on the impact and interaction of such resources on the system as a whole, as well as on customer's energy usage." The goal in the PD is

While there may not be opportunity in this decision, we encourage the Commission to determine in a future phase how energy efficiency and related demand side programs can better empower local governments to reach their potential to mitigate energy-related emissions. This could include identifying the key obstacles to aligning funding with local government programs that serve State goals, determining constructs that would work best to accomplish the goals, identifying the types of programs are best suited to individuals cities vs regional local government-run programs, identifying local governments are doing well that can be expanded an replicated, and identifying strategic opportunities for local governments that are not currently being funded at all.

The LGSEC respectfully suggests that one place the Commission could immediately initiate this more empowering approach to collaboration with local governments is in the Evaluation, Measurement, and Verification ("EM&V") studies. Going forward, those studies for local government partnership programs should focus on the issues identified above. The LGSEC suggests that the Commission should engage with local governments as it develops its EM&V workplan, to better identify areas of possible study.

V. CONCLUSION

The Proposed Decision moves the dial on energy efficiency by providing Program Administrators greater continuity and certainty, as well as important flexibilities. The Commission should ensure that the Rolling Portfolio continues to empower all market

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"To deploy distributed resources that provide optimal customer and system benefits, while enabling California to reach its climate objectives."

participants, particularly critical partners, including local governments. We look forward to continuing to contribute in our roles as Program Administrators and program implementers.

September 8, 2015

Respectfully submitted,

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For THE LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION

ATTACHMENT A:
RECOMMENDED CHANGES TO FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS

Findings of Fact

Add:

17. Local governments participate in energy efficiency programs as both Program Administrators and program implementers.

xx. The Commission has previously continued financing programs initiated by local governments as part of the American Recovery and Reinvestment Act.

Conclusions of Law

Add:

13. The Coordinating Committee should include representation from at least one local government in a program implementer role.

21. The Commission anticipates an ongoing role for local governments as partners in achieving energy efficiency and climate goals.

xx. Local government ARRA financing programs continue to operate today, producing energy savings, and should be continued.

xx. It is reasonable to allow new RENs to apply in 2016 when Program Administrators file their business plans. After 2016, new RENs can apply to the Commission annually.

Ordering Paragraphs

17. We eliminate requirements that energy efficiency program administrators (PAs) file advice letters for authorization to shift funds among authorized programs. If Commission Staff or stakeholders identify fund-shifting activities that substantially depart from Commission policy direction or, in the opinion of Commission Staff or stakeholders, are not in the best interest of ratepayers and/or the efficiency portfolios they may raise their concerns in a protest to the PA concerns next budget advice letter. Utilities shall communicate any changes in local government partnership programs in a transparent, timely manner.

20. Until the Commission's next Phase II decision in this proceeding, energy efficiency program administrators (PAs) may move forward under the existing Third Party Programs framework.

PAs may execute new contracts that will extend up to three years from the date of this decision. <u>PAs may enter into contracts with local government partners that anticipate scopes of work aligned with the Rolling Portfolio timeframes, up to 10 years.</u>