BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Approval of Energy Efficiency Rolling Portfolio Business Plan.	Application 17-01-013 (Filed January 17, 2017)
And Related Matters	Application 17-01-014 Application 17-01-015 Application 17-01-016 Application 17-01-017

RESPONSE OF THE LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION TO THE APRIL 14, 2017 ADMINISTRATIVE LAW JUDGE'S RULING SEEKING SUPPLEMENTAL INFORMATION

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For the Local Government Sustainable Energy Coalition (LGSEC)

Dated: June 22, 2017

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Pursuant to the April 14, 2017 Administrative Law Judge's Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judges (Scoping Memo and Ruling) directing energy efficiency business plan proponents to file and serve responses to the request for supplemental information in Attachment B – Questions for All Parties, the Local Government Sustainable Energy Coalition (LGSEC)[1] submits this Response in compliance. On June 9, 2017, the Administrative Law Judges issued the *Administrative Law Judges' Ruling Modifying Schedule*, extending the deadline for filing this response to June 22, 2017. LGSEC's Response to some of the individual questions included in Attachment B is presented in the Attachment hereto and served on all parties in this consolidated proceeding in compliance with the Scoping Memo and Ruling.

[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 this Application, which were approved by the LGSEC's Board. A list of LGSEC's members can be found at www.lgsec.org. LGSEC is a program of the Local Government Commission (LGC). The LGC is a 35-year old non-profit organization supporting local government leadership in land use, energy and water sustainability.

Respectfully submitted,

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ATTACHMENT

LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION

RESPONSES TO APRIL 14, 2017 ADMINISTRATIVE LAW JUDGE'S RULING, ATTACHMENT B, QUESTIONS FOR ALL PARTIES SEEKING SUPPLEMENTAL INFORMATION

(A.17-01-013, et al.)

LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION RESPONSES TO THE APRIL 14, 2017 ADMINISTRATIVE LAW JUDGE'S RULING ATTACHMENT B QUESTIONS FOR ALL PARTIES

(A.17-01-013, et al.)

I. General Questions Regarding Reasonableness of Business Plans

A. Overall Portfolio

3. Do the business plans include any activities or program elements that might depress market participation or otherwise have a negative impact on overall goals?

The California Public Utilities Commission's ("CPUC" or "Commission") recent Guidance Decision ordered that "all business plans should include strategies for improving the consistency of LGP administration statewide."[2] SCG, SDG&E and SCE provided discussions of statewide local government partnership improvements that closely mirror each other but offer only vague statements of intention to "align" various activities across multiple IOUs, claiming that some activities, such as direct install program offerings or regionalized partnerships are "on their way to become consistent statewide."[3] SCG stated a commitment to "a coordinated and very collaborative, on-going relationship among all implementers and Program Administrators."[4] Moreover, the only "statewide" tools identified for achieving improved consistency were utilization of the California Energy Efficiency Coordinating Committee (CAEECC) Public Sector Subcommittee[5] or the State Energy Efficiency Coalition (SEEC.) For example, PG&E points to the SEEC as a partner for its various public sector interventions such as providing tailored solutions, outreach and education and leveraging cross-agency resources in the public sector.[6] SCG, SDG&E and SCE state that the IOUs will explore leveraging SEEC to provide information and support for alternative funding sources and "align" best practices statewide.[7] These two groups are not appropriate vehicles for achieving meaningful statewide LGP administration consistency for several reasons.

First, the CAEECC does not have any authority to take any action with respect to

[2] D.16-08-019, Conclusion of Law 53.
[3] See SCG BP, pages 288-289, SCE BP, pages 197-199.
[4] See SDG&E BP, pages 127-128.
[5] See for example SCG BP at page 289.
[6] PG&E BP, pages 331 and 342.
[7] SCG BP at page 288; SCE at pages 183, 192-193, 198; SDG&E BP, pages 127-128.

either administration or implementation of energy efficiency programs. It is a stakeholder discussion forum that cannot enforce changes within any program administrator's business plan or portfolio.[8]

Second, the Public Sector subcommittee is comprised of local government representatives participating as volunteers. There is no compensation for attendance or related travel expenses. Local government member participation cannot possibly fulfill the detailed program administration oversight or tasks necessary to actually achieve the statewide consistency contemplated.

Third, although SEEC has been highly successful as a resource program, collaboratively administered by LGC, the Institute for Local Government (ILG) and ICLEI its mission and funding are limited. The four IOUs contribute a total of about $1 million annually to staff this program. This budget has not changed in over six years since the program's inception despite an increasingly robust set of services, resources and significantly expanded utilization.[9] SEEC's budget and mission are not sized nor designed to conduct the activities that both LGSEC and the IOUs have identified as needing statewide consistency. For example, under its current scope and budget, SEEC cannot undertake improvements in contracting such as standardizing, streamlining and proposing standard contract terms and conditions for consistent agreements between LGPs and the IOUs or between the IOUs and third party implementers.

SEEC is an important resource as far as it goes, but it does not go nearly far enough in this context. Leveraging SEEC and promises of renewed coordination among the IOUs is business as usual. IOU "business as usual" created the current inconsistencies that burden local government energy efficiency activities. Statewide administrative and technical infrastructure is required to meet the equity, consistency and program implementation support needs of local government. A short examination of some of the current inconsistencies

[8] "First, PAs, not the Coordinating Committee, are responsible for the content of what PAs file with the Commission (i.e., applications and advice letters)…. This means that PAs, not the Coordinating Committee, will have the final say in what PAs file and/or post with the Commission. " D.15-10-028 at page 76; Conclusions of Law #7 and #9 at page 122.

[9] SEEC currently serves 357 cities and 42 counties throughout California. SEEC's core programs are: 1) Annual Statewide Energy Efficiency Best Practices Forum (an annual conference), 2) SEEC ClearPath California, an all-in-one suite of online tools for conducting GHG inventories and forecasts, climate action planning and reducing energy use, 3) The Beacon Award that recognizes California cities and counties that reduce GHG, save energy and adopt policies and programs that promote sustainability and 4) Direct Technical Assistance through one statewide local government energy efficiency best practices coordinator.

burdening LGPs provides insight into the kind of strategies that would provide meaningful remedies. Today, contract terms remain limited even after D.14-10-026 approved the 10 year Rolling Portfolio to prevent the stop/start nature of shorter cycles. Contract negotiation typically takes several months and often is not completed until well after the start of a new year. In turn, the non-IOU program administrators within local governments cannot enter into contracts with their vendors until after the IOU contract is executed causing further potential delay in program implementation. These issues highlight the fact that the status quo of LGP contracting is rife with uncertainty and inefficiency right now. The LGSEC statewide local government administration proposal overcomes these IOU-program administrative problems to create greater certainty for local governments and better program outcomes.

As the Commission has noted: "statewide programs ideally would be designed to have long-term strategies and could also pursue market transformation over a period of at least five to ten years, to allow for continuity in program delivery and planned evolution during the life of the program, including data needs to track programs."[10] In contrast, current LGPs have contract terms that vary from utility to utility and even within one utility between LGPs. SCE and SCG have been executing one-year-only agreements for the past three years. SDG&E just this year executed five year agreements. PG&E contracts vary between one and three years. This situation may work well in the short run for some, but only for the subset of local governments in partnerships with the most favorable terms. (LGSEC's statewide administration proposal would do nothing to undo those agreements.) However, the lack of consistency represents an equity concern between similarly situated public entities, their constituencies and between public entities in different utility service areas. Likewise, funding eligibility and processes often vary not just by IOU, but within IOU territories by program or LG participant. In contrast, a single program administrator could develop standard eligible categories and criteria for funding that would implement the programs local governments are best positioned to provide their communities.

Current IOU LGPs lack coordination and consistency in design, measurement and verification and cannot be linked to long-term energy, GHG goals and other state and local government mandates. As well as the current LGPs perform, they cannot achieve the

[10] R.13-11-005, May 24, 2016 Administrative Law Judge Ruling Seeking Input on Approaches For Statewide and Third Party Programs at page 4.

Commission's long-term objectives for continuity, market transformation and data tracking targeted through the Guidance Order's other adopted statewide programs. By contrast, the LGSEC proposal provides a mechanism to connect state level goals and local program design and implementation.

Current IOU programs are often overly prescriptive in terms of qualifying measures and target installations. IOU programs for LGPs are often limited to public sector retrofits or promoting small business IOU incentives. This inhibits innovation and performance and fails to fully engage the attributes that local governments can bring to program design and implementation. Core strengths inherent in local governments such as leadership and market transformation by example, direct knowledge of constituent and business community demographics, established outreach and communication channels, economic development and community liaison roles as well as complementary planning and environmental programs remain underutilized under the current IOU-specific, decentralized program administration.

Also troubling is the disconnect between the IOUs discussion of improved programs while proposed Public Sector budgets are static or declining. It is implausible that implementation of the IOU's new "statewide consistency" activities and expanded program options is realistic in this context. For example, SDG&E has just signed 2016 contracts with five-year terms. Those contracts would be honored for their full terms under the LGSEC proposal. SDG&E says nothing about what it proposes for beyond 2020. Yet its budget stays flat through 2025. Current contracts for all the IOUs are subject to budget changes in annual advice letter filings implementing budget changes. SCE's 2016 advice letter filing included significant decreases in funding for local government programs. Likewise, its business plan includes a virtually flat budget projection for the Public Sector through 2025.[11] PG&E's Public Sector budget declines through 2025 as well.[12] SCG is the only utility showing modest increases in Public Sector budgets over the Rolling Portfolio period. Other parties to this proceeding have proposed that Public Sector program budgets be increased by 40% across the board to address lagging attention to energy efficiency potential, particularly in retrofits of public buildings.[13]

A single local government program administration would allow local governments to

[11] SCE Amended Energy Efficiency Business Plan (February 10, 2017) at page 193, Table 52.
[12] PG&E Energy Efficiency Business Plan (January 2017), Chapter 04 at page 8.
[13] Coalition for Energy Efficiency (CEE) Protest, pp. 12 and 33-34; NAECO Protest at page 10.

engage their special characteristics to support state climate and energy goals without the filter of IOU priorities that may favor short-term energy savings over long-term or large-scale market transformation. Simply put, the existing array of IOU LGPs is not optimal for the rapidly-evolving role of local government in the energy sector that takes "bottom-up" integrated demand-side management, climate action, sustainability, adaptability and local energy use reductions as an integrated policy mandate. A dedicated statewide local government administration would provide a "one-stop" resource for the technical, financial and data support needed to support all local government energy efficiency activities. The siloed, individual measures, defined from the top-down by the utilities are not adequate to fulfill either local government energy initiatives or the Commission's new energy efficiency goals. The IOU BPs simply do not offer predictable budgeting, funding criteria and program design consistency needed to capture otherwise stranded energy savings potential. Nothing in the IOU proposals eliminates the current vulnerability to short contract terms with uncertain renewal potential, or unilateral IOU decisions that shift or cut program budgets.

F. Sectoral program approaches in general

18. Will the sector strategies help achieve the Commission's goals or at least put us on a path toward achieving those goals?

See response to Questions I. A. 3 above regarding the failure of the IOU Business Plans to provide a mechanism supportive of the Commission's (and the state's goals) for consistency and increased energy savings results from Local Government Partnerships (operating under the Public Sector or within the other sectors.)

H. Local Government Programs

20. Should the PAs move toward uniform treatment of local government partnerships? If so, how? Is LGSEC's proposal a reasonable approach?

Yes, local government partnerships should have uniform administrative treatment. The Commission should accomplish this goal by establishing a Statewide Local Government Program Administration and ordering the PAs to transition to the new statewide program administration. Greater uniformity and consistency in LGPs will only result from a dedicated infrastructure committed to realizing the benefits of statewide administration and independent from the inherently conflicting incentives in IOU program delivery. LGSEC's proposed Business Plan as the reasonable and appropriate strategy for realizing the consistency between IOU service territories overseen by a single lead program administrator envisioned by the Commission.[14] LGSEC's approach preserves existing LGPs and current successful programs, including those implemented by regional non-profits, while transitioning to a statewide administration program that empowers local governments to realize the energy savings potential beyond that which is deliverable by the IOU's programs alone. Under LGSEC's BP Proposal, local governments will continue existing programs tailored to their local communities and add new program designs currently unavailable under the existing IOU program structures.

The transition to statewide administration features a phased approach designed to provide a solid foundation for greater certainty and consistency leading to increased energy savings program outcomes. The LGSEC BP Proposal focuses on a number of administrative improvements, including: 1) leveraging additional funding sources, 2) meaningful access to energy use data, 3) pooled technical and training resources, 4) standardized contract terms and conditions and 5) budget cycles that mesh with local governments. A statewide LGP administrator will become the single point of contact for the CPUC and provide "ombudsman" conflict resolution between local governments and the IOU or third party implementers, reducing the current transaction burden on all stakeholders and the administrative cost burden inherent in the disaggregated administration of LGPs.

LGSEC wants to see statewide accountability in local government program administration by centralizing those functions that are common to all local government programs, bringing program offerings to local governments across IOU service territories and to those jurisdictions that are not yet or not fully participating. LGSEC's proposal works to these ends while retaining the local IOU program implementation, technical support and local relationship that, when stable, have led to notable success.

Finally, the LGSEC BP Proposal budget is reasonable in light of the IOU's program budgets and the size of recently authorized IOU pilot programs offered in other contexts, such as electric vehicle charging infrastructure. LGC is well positioned to operationalize the LGSEC BP Proposal as a non-profit with low overhead costs and independent of IOU

[14] D.16-09-018, Ordering Paragraph #5.

shareholder interests. As such, LGC can respond quickly to identify local government needs and emerging energy efficiency opportunities.

It is important to note the significant changes occurring throughout California in energy in general, and energy efficiency, in particular. Local governments are answering the call of their constituents for greater energy innovation and integration with local, renewable resource development to meet multiple statewide energy and environmental mandates, particularly climate action. The BayREN, SoCalREN, 3C-REN and MCE BPs filed in this consolidated proceeding well demonstrate new models to realize the as-yet untapped potential for public, local government energy efficiency programs delivered as integrated, demand-side resource development and procurement. LGSEC's BP Proposal will effectively extend the reach of ratepayer dollars into under- or unserved communities and markets as SB350 targets are identified while facilitating greater coordination with the new public third-party, non-utility energy efficiency PAs, implementers and the IOUs.