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. And Related Matters	Application 17-01-013 (Filed January 17, 2017) Application 17-01-014 Application 17-01-015 Application 17-01-016 Application 17-01-017

REPLY OF THE LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION TO PARTIES' RESPONSES 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 29, 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) allowing energy efficiency business plan proponents to file and serve replies to responses to the request for supplemental information in Attachment B – Questions for All Parties, and all other supplemental information filed in response to Attachment A, the Local Government Sustainable Energy Coalition (LGSEC)[1] submits this reply (LGSEC Reply.) The *Administrative Law Judges' Ruling Modifying Schedule* on June 9, 2017 extended the deadline for this filing to June 29, 2017. LGSEC's Reply is timely presented to address specific responses submitted on June 22 to some of the individual questions included in Attachment B and other Supplemental Information as the Attachment hereto. It is served on

[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.

all parties in this consolidated proceeding in compliance with the Scoping Memo and Ruling.

Respectfully submitted,

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ATTACHMENT

LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION

REPLY TO JUNE 22, 2017 RESPONSES TO APRIL 14, 2017 ADMINISTRATIVE LAW JUDGE'S RULING, ATTACHMENT B, QUESTIONS AND OTHER SUPPLEMENTAL INFORMATION

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

<u>REPLY OF THE LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION TO PARTIES' JUNE 22, 2017 RESPONSES TO THE APRIL 14, 2017 ADMINISTRATIVE LAW JUDGE'S RULING AND OTHER FILED SUPPLEMENTAL INFORMATION</u>

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

Parties have commented on the LGSEC BP Proposal in their June 22, 2017 responses to a number of different questions posed in Attachment B. All comments that addressed the LGSEC BP Proposal are cited and addressed in aggregate as a single reply below to Question H. 20.

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?

LGSEC submitted its Business Plan in compliance with the Commission's Guidance Order setting forth its goals and criteria for the move to statewide administration of energy efficiency in several sectors. Under LGSEC's BP Proposal, existing Local Government Partnerships (LGPs) would continue to be honored as currently authorized including renewals upon expiration of current contract terms, where available and appropriate. All LGPs would transition to a new statewide administration platform. There is nothing in LGSEC's BP Proposal that seeks to undo current, successful programs and contract relationships. On the contrary, the LGSEC BP Proposal assumes their continuation and seeks to scale and expand those best practices to jurisdictions with fewer or no existing resources throughout California.

The majority of the arguments in the IOUs' and other parties' June 22 filings have been raised before. LGSEC noted and addressed those arguments in its June 22 Response and other prior filings.[2] Accordingly, LGSEC addresses only those issues that were raised for the

[2] See ***Response of LGSEC to the April 14, 2017 Administrative Law Judge's Ruling Seeking Supplemental Information***, June 22, 2017 (A.17-01-013 and related matters); ***Response of the Local Government Sustainable Energy Coalition to the April 14, 2017 Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judges***, (A.17-01-013 and related matters) May 15, 2017, pp. 9-15; ***Reply of the County of Los Angeles on Behalf of the Southern California Regional Energy Network and the Local Government Sustainable Energy Coalition to Protests and Responses on the Energy Efficiency 2018-2025 Rolling Portfolio Business Plan Applications***, (A.13-01-017 and related matters) March 10, 2017, pp. 30-42. ***Protest of the County of Los Angeles on Behalf of the Southern California Regional Energy Network and the Local Government Sustainable Energy Coalition to the Investor-owned Utilities' Energy Efficiency 2018-2025 Rolling Portfolio Business Plan Applications***, (A.17-01-013 and related matters) March 3, 2017.

first time or in a new light in the parties' June 22 Filings.

LGSEC's BP Proposal complies with the letter and spirit of the Commission's statewide program criteria. Specifically, the Commission stated:

> For energy efficiency program purposes, "statewide" shall be defined as: A program or subprogram that is designed to be delivered uniformly throughout the four large investor-owned utility service territories. Each statewide program and/or subprogram shall be consistent across territories and overseen by a single lead program administrator. One or more statewide implementers, under contract to the lead administrator, should design and deliver the program or subprogram. Local or regional variations in incentive levels, measure eligibility, or program interface are not generally permissible (except for measures that are weather dependent or when the program administrator has provided evidence that the default statewide customer interface is not successful in a particular location…Some, but not all, downstream (at the customer level) approaches are also appropriate for statewide administration. Statewide programs are also designed to achieve market transformation. [3]

The IOUs' arguments assume that the "uniform delivery" in this definition as applied to LGPs would result in programs that are identical in design and implementation regardless of local or regional differences and delivered on a statewide basis from a remote location. The IOUs described the LGSEC BP Proposal as "one size fits all" thus mischaracterizing both the design and intent.[4] Clearly, the Commission did not assume this kind of "uniformity" for new statewide program administration that includes the University of California/California State University and Community Colleges (UC/CSU/CC). UC/CSU/CC have centralized administrations and a statewide partnership with all four IOUs, but there is nothing "one size fits all" about the UC/CSU/CC's energy management, including energy efficiency, on each of the individual campuses. Individual campuses operate in diverse locations with some campus communities at the same scale and diversity of public facilities as municipal jurisdictions, including housing, administration buildings, hospitals, emergency services, individual climate action and sustainability programs, microgrid distribution systems and onsite electricity generation. UC/CSU/CC face similar local coordination challenges and have local relationships at specific campuses with multiple utilities, both municipal, CCA and IOU, just like local governments. In finding UC/CSU/CC suitable for statewide administration of energy efficiency partnerships, the Commission understood it would not initiate the demise of uniquely local, successful implementation relationships that the IOU naysayers have depicted

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[3] D.16-09-018, Ordering Paragraph #5.
[4] SCG June 22 Response at page 16. PG&E June 22 Response at page 5.

in their responses to the LGSEC BP Proposal.

As stated many times before, local government partnerships should have statewide, 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 consistency in access to resources, local government deployment and higher performance by local government energy efficiency programs will only result from a dedicated infrastructure committed to realizing the benefits of statewide administration. That infrastructure should be independent from the inherently conflicting incentives in IOU program delivery, such as the clash between maximizing shareholder value and achieving broader societal benefits. LGSEC's proposed Business Plan is the reasonable and appropriate strategy for achieving consistency between IOU service territories overseen by a single lead program administrator envisioned by the Commission. 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 IOUs' programs alone. Under LGSEC's BP Proposal, local governments will continue existing programs tailored to their local communities and may choose to add new program designs currently unavailable under the existing IOU program structures.

The IOUs continue to provide only vague and limited gestures in the direction of increased statewide consistency.[5] There appears to be some effort to reform LGP agreements to "align them across IOU territories."[6] Each utility seems to acknowledge the need for more consistent contract terms and conditions. However, the IOUs continue to express inconsistent views on basic elements, such as contract terms. For example, PG&E takes aim at LGSEC's BP Proposal for failing to support the position that longer contract terms lead to higher energy savings performance while SCG states that the four IOUs are moving to longer term contracts across the state and SDG&E points to their five year contracts to argue LGSEC's concerns about contract terms are inapplicable to their LGPs.[7] All IOUs argue that LGSEC's BP

[5] SCE June 22 Response at page 15; SDG&E June 22 Response at page 9; SCG June 22 at page 13; PG&E Response page 15.
[6] See, for example, SCG June 22 Response at page 6.
[7] PG&E Response at page 31 vs. SCG Response at page 13 and SDG&E June 22 Response at pp. 8-9.

Proposal would disrupt existing local relationships but only SCG provides a commitment to offering new agreements on similar terms when current contracts terminate.[8]

It is important to note that there is more to reform of existing LGP contract terms and conditions to establish statewide consistency than a meeting between the four IOUs. They are only one side of the agreements and cannot and should not presume to represent local governments' interests. The existing LGP agreements are structured with local governments in the role of "contractors" or "implementers" of the IOUs programs and therein lies a fundamental problem. These agreements require reform to make them truly partnership agreements that recognize the full investment of government funds and resources while fully crediting the energy savings results realized. The utilities cannot achieve these reforms in a private conversation between themselves without local government input and negotiation.

It is important to reemphasize the fact that none of the IOUs or other critics of the LGSEC BP Proposal address the full range of benefits or how the IOUs would provide comparable efficiency and consistency statewide. The LGSEC BP Proposal focuses on several 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.

The City and County of San Francisco (CCSF), the state's largest LGP, expresses concern that "wholesale" changes in administration would not benefit their highly successful programs. CCSF describes both challenges and successful resolution of those challenges with PG&E through their existing relationship.[9] CCSF's primary concern is that its current programs not be inadvertently disrupted by changes to a statewide administration. As LGSEC has pointed out numerous times to others LGPs that do not want to lose their current programs, the Commission has mandated that existing agreements and successful programs

[8] SCG June 22 at page 13.
[9] CCSF June 22 Response, pp.2-3.

not be discontinued or subjected to funding hiatus. PAs are directed to ensure a smooth transition between existing programs and those that will eventually be proposed and approved in the business plan process [for statewide and third-party programs].[10] LGSEC is committed to full compliance with the Commission's orders.

The Commission should be mindful of the context for CCSF's comments. First, CCSF receives more ratepayer funding than any other single LGP in California and likewise has the regulatory resources to intervene and make its views known to the Commission. CCSF also recognized that the LGSEC BP Proposal "could be a useful resource to smaller, limited partnership programs."[11]

Very few other local governments have the individual financial or regulatory engagement resources to bring forward their individual experience in this forum. While LGSEC does not speak for all 67 LGPs in the state, it speaks for a diverse, significant cross-section of local governments and is dedicated to presenting proposals as a collective voice for its member local governments. The LGSEC BP Proposal was put forward after considerable stakeholder input from local governments both within and beyond LGSEC's membership roster and a vote of the LGSEC Board of Directors.

Second, it should be noted that Los Angeles County, another large, well-resourced local government, is a proponent of the LGSEC BP Proposal for a statewide administration.[12] Clearly, there is nothing inherently threatening to large, successful program continuation in the LGSEC BP Proposal.

The LGSEC BP Proposal budget meets the Commission's criteria for business plan budget estimates, that is, "to provide general information on the expected levels of annual spending for the duration of the business plan" and that "annual advice letter filings, not the business plans, will propose detailed budgets for cost recovery, transfer and contracting purposes."[13] In addition, LGSEC submitted Supplemental Information using the common budget information template along with all the other PAs and prospective PAs on June 12, 2017. LGSEC BP Proposal budget numbers can be updated in compliance with the Commission's final decision guidance.

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[10] D.16-08-019, Conclusion of Law 48 at page 104.
[11] CCSF June 22 Comments, at page 3.
[12] County of Los Angeles, on behalf of Southern California Regional Energy Network, June 22 Comments, pp. 20-21.
[13] D.15-10-028, pp. 55-56.

PG&E and SCG rely heavily on SJVCEO and RHTR Working Group to bolster their arguments that LGPs themselves see the LGSEC BP Proposal as a potential disruption to existing programs. The RHTR Working Group voiced concerns regarding a level of uniformity and removal of local control that is not part of the LGSEC BP Proposal, as discussed above. LGSEC has addressed their concerns, some in prior comments[14] and in the case of RHTR Working Group, in changes to the final, filed Business Plan. The RHTR concerns cited by PG&E come from comments filed on November 21, 2016 prior to that filing.[15]It is instructive to note that while SJVCEO has been a successful regional, multi-utility implementer, it is not a local government and as such is in a limited position to speak for local government partners.

PG&E and SCE argue that LGSEC has presented no evidence of lost energy savings due to lack of consistency and unequal access to resources and best practices from one jurisdiction to another. This argument is disingenuous for three important reasons. First, no definitive market potential or energy savings study has been completed to date for the Public Sector in general or LGPs in particular. The LGSEC BP Proposal to create a comprehensive current LGP inventory is targeted, in part, to assess with greater precision where lack of resources and limits in IOU core programs are leading to unrealized potential or stranded energy savings.

Second, LGSEC cannot be expected to make up for the lack of targeted studies in its showings in this proceeding. Tthese IOU arguments criticize the proposal for failing to produce one of the work products anticipated under the proposal *before* approval and start-up of the proposed new program.

Third, the Commission needs to look no further for evidence of the energy savings potential lost by incomplete or unequal access to Public Sector and other IOU energy efficiency resources from one service territory to another than to the Business Plans proposed by BayREN, SoCALREN, 3C-REN and MCE all seeking to fill these gaps. All target energy savings potential currently unaddressed by one or more of the IOUs in their respective service territories. In addition, the Coalition for Energy Efficiency (CEE) has commented on the Public Sector's chronic underfunding, has advocated for increased public sector incentives

[14] For example, see Protest of LA County on behalf of SoCalREN and LGSEC, March 3, 2017, pp. 6-7. Reply to Protests and Responses of LA County on behalf of SoCalREN and LGSEC, March 10, 2017 at page 36.
[15] PG&E at page 6, SCG at page 15.

and the IOUs have apparently agreed.[16] LGSEC supports these proposed Business Plans as well as the CEE proposal and urges the Commission to adopt them in order to reach beyond the current IOU energy efficiency program delivery to increase energy savings reductions and greater innovation in doing so.

Finally, NRDC commented that it "understands the numerous concerns raised in the LGSEC proposal" but proposes that "steps be taken in the short term to address the issues raised in the LGSEC proposal rather than switching completely to a new system."[17] This suggestion fails to appropriately acknowledge the serious, systemic problems addressed by the LGSEC BP Proposal and the significant professional and financial resources invested in putting forward a proposed business plan through the CAEECC, hosting additional webinars and stakeholder input forums, revising and filing a new proposal and participating fully in each step of this unusually demanding proceeding on a highly accelerated and ambitious schedule. If there were short term steps that adequately addressed the concerns of local governments, the Commission and NRDC can be assured that they would already have been taken. Accordingly, the Commission should not delay consideration of the LGSEC BP Proposal to some future, undetermined date, as NRDC suggests.

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[16] CEE June 22 Response at page 37, emphasizing the fact that public sector buildings consume approximately 35% of commercial electricity use and 40% of commercial gas use. See also, NAESCO stated that California public buildings need tens of billions of dollars of energy efficiency improvements, pointing out that the BPs propose only $5 million in aggregate. NAESCO June 22 Response at page 14.

[17] NRDC June 22 Response, pp. 9-10.