BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Examine the Commission's Post-2008 Energy Efficiency Policies, Programs, Evaluation, Measurement, and Verification, and Related Issues.	Rulemaking 09-11-014 (Filed November 20, 2009).

COMMENTS OF THE LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION ON PROPOSED DECISION ENABLING COMMUNITY CHOICE AGGREGATORS TO ADMINISTER ENERGY EFFICIENCY PROGRAMS

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For THE 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 ("Commission"), the Local Government Sustainable Energy Coalition[1] ("LGSEC") submits these comments on the Proposed Decision of ALJ Edmister setting forth the conditions under which community choice aggregators ("CCAs") can administer energy efficiency programs, an opportunity accorded to them under State law. As local government entities, CCAs are governed by democratic processes and open meeting rules and are directly accountable to the community. The Proposed Decision, issued ten years after passage of Assembly Bill 117 granted local governments the ability to administer energy efficiency programs, marks an important milestone in both the evolution of CCA in California, and the Commission's oversight of an important part of California's energy efficiency portfolio. While the LGSEC has not been active in this particular track of the current proceeding, we have been monitoring it with great interest and offer below comments in support of the positions advanced by the Marin Energy Authority ("MEA") and Office of Ratepayer Advocates ("ORA").

In reviewing the opening comments, it is evident that the Proposed Decision is controversial for implementing what the Commission is required to do under Public Utilities Code: allow CCAs to administer energy efficiency programs. It is significant that the Proposed Decision classifies CCAs as "administrators" of energy efficiency programs. As California advances its environmental goals[2] by ongoing reliance on energy efficiency programs, the Commission and other regulators and decision makers should be open to the concept that the statewide energy efficiency portfolio may be overseen by the CPUC in conjunction with other

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[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] This includes but is not limited to climate action and adaptation goals, as well as emissions reductions targets.

state agencies, and that a number of entities will administer programs within the portfolio. While the investor-owned utilities will always have an important role in energy efficiency, energy efficiency program administration will no longer be practical or effective as a monopoly of the utilities.

II. Cost-Effectiveness Requirements

The LGSEC agrees with the ORA that there is a fundamental difference between the energy efficiency portfolio that a CCA will offer, and the portfolio that an investor-owned utility can offer. A key reason the CPUC has increasingly directed funding to local governments for energy efficiency programs is our ability to compound energy programs across other state mandates imposed upon local governments, tailor programs to our communities, and engage sectors usually considered "hard to reach." ORA recognizes that the energy efficiency portfolio for a CCA will be far smaller than that of a utility, and "it is unlikely that CCAs will be able to offset low TRC [total resource cost] EE [energy efficiency] programs with highly cost effective programs…Accordingly the PD's cost effectiveness requirement could have the unintended consequence of forcing CCAs to only administer the most cost effective EE programs, thereby discouraging innovation in the most challenging market sectors." ORA goes on to suggest that cost effectiveness standards should be determined by comparing similar customer classes. The LGSEC applauds this creative approach to cost effectiveness. The Commission should set overall TRC targets that recognize the market sectors being addressed, and recognize that CCAs are serving a small segment of the market with limited programs.

III. "Ramp Up" Period for New CCAs

Related, MEA advocates for a "ramp up" period of a few years to develop systems and processes, and establish programs. MEA cites the significant costs and experiences associated with running a new program (MEA Opening Comments, p. 10). The utilities have developed their systems and programs over scores of years, at ratepayer expense. The LGSEC is familiar with the costs that the two new Regional Energy Networks ("RENs") have experienced as part of establishing themselves, and agrees with MEA that a ramp up period and lower initial cost-effectiveness test is necessary for CCAs as they administer energy efficiency programs. In the alternative or as an additive strategy, the Commission might also consider adjusting administration cost caps for a transition period as CCAs (and RENs) refine these processes, as the utilities had opportunity to refine them over time. For example, an alternate cost cap transition period would allow CCAs the opportunity to coordinate and orchestrate highly-technical administrative processes (such as EM&V) with the Commission, the Energy Division, and the utilities.

IV. Appropriate Regulatory Standards for Government Entities

The LGSEC also agrees with MEA that the regulatory standards that are applied to the investor-owned utilities are not appropriate for local government entities (MEA Opening Comments, pp. 12-13). There is no profit motive for local governments, rather local governments are required to ensure that energy efficiency programs are meeting local and state policies, regulations, and mandates, and serving specific community needs.

V. Definition of "Regional"

The Proposed Decision establishes an overly broad definition for "regional programs." There is significant discussion in the Proposed Decision and in the MEA Opening Comments about what is meant by "regional." The LGSEC directs the Commission to D.12-05-015, in which the Commission invited applications for local government regional pilots. (D.12-05-015, pp. 146-151) There appears to be a difference in how the word "regional" is used in the context of CCAs, and how it has been used more generally for the overall energy efficiency portfolio. In approving the Regional Energy Networks in D.12-11-015, the Commission discussed its interpretation of "regional:"

> The basic idea is that each REN be able to represent a large group of customers with similar characteristics by geography or demography, at a minimum. A proposal by one or two cities or counties would not necessarily constitute a REN. Another consideration is to discourage overlapping RENs where a single community is served by more than one REN.

The LGSEC suggests that "regional" is definitely smaller than statewide, although it may be a geographic territory within the state.

VI. Appropriate Savings Goals for CCAs

The Sempra utilities suggest that if a CCA is to administer energy efficiency programs and funds, it must also take on a proportionate share of the service territory's energy efficiency savings goals established by the Commission. This conflates three different ideas: geographic proportionate share of goal, budgetary proportionate share of goal, and cost-effective energy efficiency. The geographic proportionate share is not possible because IOUs do not identify goals by local government jurisdiction or even climate zone. Each jurisdiction has a unique mix of, for example, residential, commercial, and industrial, and even within market sectors, unique building types, occupant demographics, and income that affect behavior. Employing proportionate share by budget would mean the CCA has to match the Total Resource Cost test of the IOU's average. As noted above, government agency administrators and RENs do not have the offset and amortization option of large-scale utility portfolios (MEA is located in the service territory of a utility with nearly a billion dollar portfolio for 2013-2014).

To use proportionate share by budget, the CCA would have to match the Total Resource Cost of the IOU's average in each market sector. However, it is unfair to the burden the CCA with mimicking the IOU program, and might even be impossible for a CCA territory that lacks the large customers to balance out the lower cost-effectiveness of serving smaller customers.

Moreover, successful evolution of hard-to-reach sectors into substantively-performing ones are processes ideally suited to government agency administrators.

VII. Importance of Both Electric and Natural Gas Programs

Lastly, the LGSEC supports MEA's reasoning and multiple propositions for the implementation by CCAs of combined gas and electric measure programs and, in fact, the regulatory and legislative record would seem to encourage programs designed and implemented on the basis of combined funding. Conversely, the LGSEC is not able to find regulatory or legislative mandates or precedent for the compartmentalization of gas and electricity funding in the execution of energy efficiency portfolios. Moreover, their separation would serve to erect multiple consumer, contractor, and implementer barriers against market growth in energy efficiency programs, as well as impede cost- and time-effectiveness of otherwise sound program design.

VIII. Conclusion

The LGSEC commends the Commission for moving forward to authorize CCAs to administer energy efficiency programs, as allowed under AB 117. CCAs are by their nature different from investor-owned utilities, and as such the Commission will apply standards, definitions, and goals that are appropriate to CCAs as government entities.

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Respectfully submitted,

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