county of ventura

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September 30, 2019

California Public Utilities Commission
Attention: Energy Division Tariff Unit
505 Van Ness Ave.
Fourth Floor
San Francisco, CA 94102-3298

RE: 3C-REN Response to The Public Advocates Office's Protest of Energy Efficiency Annual Budget Advice Letters for Program Year 2020 (September 3, 2019)

Dear Energy Division Tariff Unit:

The following is respectfully submitted by the County of Ventura on behalf of the Tri-County Regional Energy Network, Purusant to General Order 96-B.

I. Introduction

The Tri-County Regional Energy Network (3C-REN) is a collaboration among the Counties of Ventura, Santa Barbara, and San Luis Obispo working together to design and deliver a portfolio of regional energy efficiency (EE) programs in the tri-county region. 3C-REN provides equitable access to EE programs for ratepayers in the tri-county region by serving residential customers and building industry professionals, as approved by the California Public Utilities Commission (CPUC or Commission).[1] 3C-REN hereby provides response to the California Public Advocates Office's (PAO) protest of the 2020 annual budget advice letters (ABALs) referencing 3C-REN AL 4-E/3-G. In summary:

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[1] D.18-05-041, Decision Addressing Energy Efficiency Business Plans, issued June 5, 2018 OP 54 and 56. Budget was approved in 3C-REN AL 2-E/1-G Non Standard Disposition Letter, issued October 31, 2018.

A. RENs are not required to meet specific cost-effectiveness goals and the Commission has not assigned responsibility to RENs for ensuring investor owned utility (IOU) or statewide portfolio cost-effectiveness.
B. 3C-REN is not requesting a budget increase in the 2020 ABAL. The PAO's assertion that the Commission should not authorize budget increases for PAs with low Total Resource Cost (TRC) portfolios is incorrect in light of the fact that RENs are not held to a specific TRC.
C. RENs should not be prevented from offering programs previously offered and discontinued by the IOUs. REN's were created by the CPUC specifically to fill gaps, complement services provided by the IOUs, and target underserved and hard-to-reach (HTR) customers. Limiting program design would negatively affect the ability of REN's to provide services to HTR customers.
D. PAO's raises policy issues that are outside of the purview of ABALs and cannot be addressed by RENs during ABAL filings.

II. Response

A) RENs are not required to meet specific cost-effectiveness goals and are not responsible for IOU and Statewide portfolios cost-effectiveness.

As stated in PAO's protest, the Commission requires that each IOU portfolio must be cost-effective at the portfolio level, rather than at the individual measure or program level. Prior Commission decisions confirm individual IOU portfolios must reach a TRC of 1.0 or greater, but this requirement does not apply to REN portfolios. PAO's own statements in its protest confirms this, noting the Commission has not applied a cost-effectiveness requirement to RENs.

PAO argues that because RENs have been regarded as a component of the overall statewide portfolio, the Commission must approve a portfolio that is cost-effective overall, including both IOU, CCA and REN portfolios. While the PAO's protest asserts the Commission must ensure cost-effectiveness on a statewide basis, citing Decision (D.) 12-11-015, this is not consistent with Commission guidance or actions. Multiple decisions since D.12-11-015 have evaluated cost-effectiveness as applied on a Program Administrator (PA) portfolio basis, including D.14-10-046 and D.18-05-041. Furthermore, the Commission has not directed coordination among PAs on cost effectiveness nor does it set cost-effectiveness requirements of RENs, which would both signal the Commission's condition for a cost-effective statewide portfolio as a requirement to approve RENs ABALs.

When PAs are required to coordinate for explicit purposes, such as to avoid duplicative programming, the Commission directs this coordination and provides clear guidance on process and outputs. For example, the Commission provided explicit direction[2] and requires that a Joint Cooperation Memorandum is filed annually so as to require coordination and avoid duplication across PA territories. Consistent with prior decisions, cost-effectiveness is evaluated on an IOU and CCA portfolio basis, rather than a statewide portfolio basis, and REN portfolios are evaluated separately from those of IOUs and without a specific cost-effectiveness requirement.[3]

The PAO's comments regarding RENs cost-effectiveness are in error because RENs do not have a TRC requirement. RENs target HTR customers and disadvantaged communities, which cannot always be served cost-effectively within the current framework. REN programs serve a different purpose than IOU and CCA programs, with RENs filling gaps in IOU offerings with activities that utilities cannot or do not intend to undertake; piloting activities where there is no current utility offering; and targeting underserved and HTR customers.[4]

In addition, the work of RENs is essential to help the meet State and local policy goals. To reach the State's ambitious energy efficiency, greenhouse gas reduction, resilience and climate action goals in an equitable and just manner, all rate payers must be served, not only those that are served most cost effectively under the current TRC framework.

B) 3C-REN is not requesting a budget increase in its submitted 2020 ABAL.

3C-REN is not requesting a budget increase but rather is requesting its 2020 Program Year (PY) budget as presented and approved with the 2019 ABAL[5]. The budget request in the 3C-REN ABAL for PY 2020 does not exceed the approved budget in the 2019 ABAL for 3C-REN. The

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[2] D.18-05-041 at p.97 and OP 47.
[3] D.12-11-015 at p.7-8.
[4] D. 12-11-015 at p.17 and reiterated in D.16-08-019 at 11-12 and 70.
[5] 3C-REN AL 2-E/1-G Non Standard Disposition Letter, issued October 31, 2018.

balance of uncommitted and unspent carryover reflects the total projected unspent uncommitted funds starting Jan 1, 2019 through Dec 31 of the current program year. Because each ABAL is filed in the third quarter of the previous program year, this unspent uncommitted amount is an estimate for the year in which the ABAL is filed. The carryover funds requested from 2019 to 2020 results in a delta less than the approved total budget amount. In program years 2019 and 2020 combined, 3C-REN will have spent less funds than were originally allocated. The $3.5 million cited by the PAO is therefore not a budget increase.

As previously stated, a TRC requirement is not applied to RENs nor does it apply at the statewide level, so RENs should not be denied budget requests based on a statewide cost-effectiveness requirement. The REN budgets have been settled and approved in the Business Plan filings and specifically for 3C-REN, in the approval of the 2019 ABAL.[6] The 3C-REN is administering programs in adherence to approved Commission guidance.

C) RENs are designed to fill gaps and should not be prevented from offering programs previously offered and discontinued by the IOUs.

IOUs and CCAs are not able to serve all market segments and customers due to the cost-effectiveness requirement applied to IOU programs. RENs, as noted, do not have a specific cost-effectiveness requirement in order to demonstrate unique program delivery and to focus on HTR customers and disadvantaged communities. IOUs may discontinue programs that are not cost-effective but served HTR customers. RENs are designed to fill these gaps, and should not be prevented from continuing to serve those customers. While costlier to reach, these customers are ratepayers who should be served by, have access to, and benefit from EE programs. Without the RENs, these targeted populations would be further underserved, as IOUs are unable or do not intend to serve these ratepayers. An example of this would be the IOU administered Local Government Partnership (LGP) programs. These LGP programs served a market that, with the changes in IOU portfolios, is currently underserved and could benefit from RENs continuing these program services.

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[6] In compliance with D.18-05-041, Ordering Paragraph (OP) 1 and D. 15-10-028, OP 4, 3C-REN timely filed its Advice Letter, AL2-E1-G, which was approved with the effective date of October 4, 2018 per a Disposition Letter to the County of Ventura from the Director of the CPUC Energy Division.

D) PAO raises policy issues that are outside of the purview of ABALs and cannot be addressed by RENs during ABAL filings.

The PAO raises some valid points and their protest highlights challenges with the current regulatory process, but these concern policy matters that would be more appropriately raised and discussed outside of the ABAL process. There are important, complex, and longstanding deficiencies in the existing regulatory framework that need to be comprehensively addressed to equitably and effectively serve all California ratepayers. Without doing so, PAs will continue to face time-consuming and resource-intensive regulatory hurdles that distract from program implementation to achieve energy savings. Despite efforts to streamline regulatory processes through the Energy Efficiency Rolling Portfolio Cycle[7], these challenges remain.

Addressing the underlying issues, such as cost-effectiveness, that result in routine protests is critical work that will require dedicated and collaborative effort through separate channels. Serving HTR customers and disadvantaged communities is often at odds with the goal of increasing cost-effectiveness. In approving the RENs in D.12-11-015, the Commission recognized this issue and did not set a cost-effectiveness threshold for RENs because the HTR market segments are more expensive than average to serve. Moreover, RENs already have an existing framework for evaluating performance and effectiveness in the form of metrics and indicators that have been collaboratively developed and approved via a robust statewide engagement process.

Finally, RENs offer essential support in meeting state goals and mandates related to increasing energy efficiency and reducing greenhouse gas emissions. Energy efficiency goals related to existing buildings (AB 758) and related to serving low income customers and disadvantaged communities (SB 350) are not supported by existing methods of evaluating cost-effectiveness. RENs, in particular, provide a unique, flexible, and powerful mechanism to help meet these goals while effectively administering ratepayer programs. The current framework for evaluating cost-effectiveness is not in the best interest of all California ratepayers and is unable to comprehensively capture the broader benefits and values of ratepayer programs administered by RENs.

[7] D.15-10-028 as described in OP 1 through 4.

ABALs are not the place for the essential work of addressing cost-effectiveness valuation and policy. Budgets do not make programs cost effective—program design does. ABALs are not the place to make policy and nor change program designs.

III. Conclusion

Prior Commission decisions have affirmed that RENs are not bound by a cost-effectiveness requirement[8], and REN program portfolios have already been approved through public process and are being implemented per Commission guidance. Suspending the ABALs will only keep PA's from moving forward with implementation and planning for future years, and further reduce the projected statewide portfolio TRC. 3C-REN asks that the Commission approve the 2020 ABAL without delay.

Respectfully submitted,

/s/ *Alejandra Téllez*

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For the 3C-REN, Tri-County Regional Energy Network

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Service List R.13-11-005

[8] D.12-11-015 Conclusions of Law 14, p.118.