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 (Filed November 14, 2013)

COMMENTS OF COUNTY OF VENTURA ON BEHALF OF THE TRI-COUNTY REGIONAL ENERGY NETWORK ON ADMINSTRATIVE LAW JUDGE'S RULING SEEKING COMMENT ON FUTURE OF REGIONAL ENERGY NETWORKS

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Ventura, Santa Barbara, and San Luis Obispo Counties

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I. Introduction

Per the Rules of the California Public Utilities Commission (CPUC or Commission) and in response to *Administrative Law Judge's (ALJ's) Ruling Seeking Comment on Future of Regional Energy Networks* (Ruling), issued on March 27th, 2019, requesting comments on policy regarding regional energy networks (RENs), the County of Ventura on behalf of the Tri-County Regional Energy Network (3C-REN), which includes the Counties of Ventura, San Luis Obispo, and Santa Barbara, respectfully submits these Comments. 3C-REN, as the newest formed REN, would like to frame these comments with the following:

- RENs are a crucial part of the energy market serving energy efficiency needs;
- RENs are adaptable and innovative, and can deliver programs to meet the needs and challenges of customers on a regional scale;

- RENs can leverage resources to serve in ways other program administrators (PAs) are not able and integrate non-ratepayer resources to fill gaps; and
- RENs continue to engage and coordinate with other PAs, including community choice aggregators (CCAs), local government partnerships (LGPs), investor-owned utilities (IOUs), and non-ratepayer sources to provide the best level of service to ***ALL*** California ratepayers.

II. 3C-REN Responses to Questions for Parties

The Ruling seeks input on the policy for and aptness of RENs for the future character of energy efficiency (EE) policy and program administration. 3C-REN recommends the Commission address specific considerations surrounding: 1) the overall framework of the statewide energy landscape and associated EE programs; 2) coordination among PAs to fill service gaps; 3) a comprehensive analysis of CPUC, California Energy Commission (CEC), and State goals; 4) establishing baselines for goal achievement; and 5) evaluating programs based on ***ALL*** benefits to ratepayers, not just cost-effectiveness. In assessing the future of EE policy and program administration, 3C-REN asks the Commission to also consider:

- The expanding role of CCAs compared to the diminishing role of IOUs in the energy production market;
- The continued and increasing challenges and ability of IOU PAs in developing and maintaining cost-effective portfolios as program penetration becomes more difficult and delivering EE programs becomes more expensive;
- The recent IOU PAs downsizing of Local Government Partnerships (LGPs) leaving large underserved markets in IOU portfolios in an effort to be more cost-effective;
- The need for increased coordination in EE programs due to territory and sector overlays;

- Ongoing program penetration and cost-effectiveness challenges for markets that are considered hard to reach and underserved (including geographically isolated, median income ratepayers, and renter markets) that many PAs are not able or willing to serve;
- The need to establish baselines for meeting CPUC goals with clear identification and analysis of market service gaps;
- The need to establish a methodology for evaluating RENs with standards informed by baselines and identified service gaps, that comprehensively match all REN program delivery benefits, including societal benefits, given that RENs are designed to serve the hardest to reach (and least cost-effectively to penetrate) markets, and then assessing if programs effectively meet Commission-approved REN roles.

1. Threshold REN Policy. Are RENs still appropriate (new or existing) in light of likely geographic overlap, and/or portfolio overlap, with CCAs and LGPs? Why or why not? What unique value do RENs bring, if any, compared to CCA or LGP programs?

RENS are still appropriate, and perhaps even more necessary, in California's evolving energy landscape. RENs provide a consistent, flexible, and expandable vehicle to fill gaps and collaboratively operate in concert with LGPs and CCAs regardless of geographic or portfolio territory and program overlay.

There are significant factors that limit the ability of CCAs and LGPs to offer holistic EE programming. For example, the very nature of this question seems to assume that all CCAs will choose to administer energy efficiency programs with ratepayer funds. In reality, this has not been the case. To date, only two CCAs (Marin Clean Energy and Lancaster Choice Energy) out of 19 active CCAs have selected to implement EE programs with ratepayer EE programs. Additionally, CCAs administering energy efficiency programs with ratepayer funding face barriers that RENs do not. D. 14-01-033 limits funding under section 381.1 for CCA-administered programs to electricity, and not gas programs[1]. As a result, if

[1] See D.14-01-033, page 2.

the Commission relies solely on CCAs to deliver energy efficiency programs ratepayers will not get the full benefit of gas and electric savings. The need for CCA and REN collaboration in this context is clear.

D. 14-01-033 also states that CCAs must meet a TRC ratio of 1.0 for the first three years. After the first three years, CCAs will be held to the same 1.25 TRC as the IOUs [2]. As IOUs and CCAs struggle to meet cost effectiveness goals, it is unlikely they will include programming targeted at the hard-to-reach markets that RENs are focused on. Aggressive cost effectiveness goals may also dissuade some CCAs from accessing EE funding altogether in favor of addressing other priorities that are more core to their business models.

LGPs also face barriers that RENs do not. Their scopes are limited by IOUs, many only implement IOU-designed programs, and their budgets have been cut significantly, without comprehensive evaluation of their benefits, due to the downward pressure of cost-effectiveness. IOUs are dismantling the current LGP structure in favor of a competitive solicitation process for third-party providers. It is unclear whether any local governments will be able to participate in the solicitation process if the requirement is for pay-for-performance contracts which local governments are legally unable to agree to participate. The Commission should consider whether LGP programs would fit better within the portfolio of REN programs rather than the portfolio of IOU programs. With the future of LGP programs currently in flux, it is even more important that RENs exist to fill the gaps that will most certainly result from this transition and future transitions.

In contrast, RENs are adaptable, innovative, and can provide a one-stop-shop for local governments to implement cross-sector energy efficiency programming that complements services provided by IOUs, CCAs, and LGPs. Due to their regional nature, RENs are large enough to benefit from economies of scale but small enough to be nimble and adapt to changing local needs. RENs have strong relationships with their communities and, therefore, have ability to reach untapped markets. These characteristics and RENs'

[2] See D. 14-01-033, page 14.

ability to layer programming from a variety of funding sources puts RENs in a unique position to offer wraparound services that capture savings often stranded by siloed IOU, LGP, and CCA programs.

2. <u>Existing REN policy.</u> Should the Commission consider cancelling REN programs after the expiration of the current business plan period? Why or why not?

Cancelling REN programs would result in a waste of ratepayer and taxpayer dollars. RENs have invested significant resources to develop and launch programs that are beginning to yield results in penetrating hard to reach markets. The 3C-REN local government members have spent nearly three years navigating the complex regulatory process required to achieve approval for REN formation and to obtain funding contracts. During this time the Counties of Ventura, Santa Barbara, and San Luis Obispo have invested a tremendous amount of staff time and valuable local government resources to proactively advocate for our constituents and assist the Commission with its efforts to engage local governments. The costs expended by local governments to form RENs, and the opportunities missed while focusing efforts on REN formation are unrecoverable. It is disheartening to hear that the Commission is considering cancelling RENs before 3C-REN has even had a chance to fully launch its programs.

As recognized in the CA EE Strategic Plan, local government's ability to, "interact with businesses and residents to work towards integrated sustainable communities is unique and needs to be engaged far beyond current efforts, to support California's aggressive energy efficiency and global warming goals."[3] RENs are the only entities formally responsible for filling gaps in programming and ensuring hard-to-reach customers are served. IOUs, CCAs, and LGPs all face barriers to addressing these customers. Only RENs have the willingness and ability to ensure that hard-to-reach customers are served. The continuation of RENs is

[3] CA EE Strategic Plan, Section 12, page 92.

an essential component to ensuring that all Californians have access to effective EE solutions.

RENs are beyond the point of being cancelled as they are part of the energy efficiency landscape that fills gaps identified by the Commission and the marketplace. Instead, 3C-REN suggests the Commission evaluate the policy goals it's been charged with implementing to determine how to best leverage the individual strengths of IOUs, CCAs, LGPs, and RENs. Evaluation of all programs and program administrators is appropriate but it should not be conducted in a vacuum without consideration of all program benefits that help the Commission meet policy goals; and cost-effective energy savings should not be the only metric by which RENs are evaluated.

3. <u>New REN policy.</u> Should the Commission consider discontinuing the opportunity for formation of new RENs? Or should the Commission consider new REN proposals? Why or why not?

The Commission should not discontinue the opportunity for formation of new RENs. It is impossible to know the potential benefits of a proposed new REN without providing the opportunity for submittal of a REN concept paper or abstract. Future RENs could backfill gaps left by the discontinuation of the current LGP structure and be a valuable partner to provide more regional programming that cannot be achieved through LGPs or CCAs that may serve only one city or County. However, the Commission should require potential RENs to explain in their concept paper what their strategy is for coordination with all PAs, including existing RENs or CCAs, that are operating EE programs in their territory. Providing the opportunity for a potential REN to submit a concept paper would be beneficial to both the Commission and local governments as it will reduce the administrative burden on both parties.

4. <u>Criteria for REN evaluation.</u> Are the criteria adopted in D.12-11-015 and reaffirmed in D.16-08-019 still the appropriate criteria to apply to RENs and their programs? Or should new or different criteria be developed and applied?

The criteria adopted, while limiting, are is still appropriate to apply to RENs and their programs. Existing evaluations do not fully consider the changing landscape of the energy market, nor do they take into account that Californians benefit from multiple options for program delivery. There is a need to establish a baseline for programs as well as identify and analyze market gaps to better equip program administrators for program development and improvement. Not being able to account for a portfolio or program's value in terms other than cost-effectiveness limits the ability of the CPUC to evaluate whether the overall energy portfolio is meeting California's policy goals as well as CPUC goals and standards. RENs are uniquely positioned to perform where other PAs cannot or will not while meeting or exceeding federal, state, and local mandates, such as for supporting renewable energy, energy efficiency, greenhouse gas reduction, and other societal benefits, at both a community and regional level. 3C-REN contends that a gap analysis of the statewide portfolio and activities would help all PAs improve program services and delivery towards more comprehensive, cost-effective, and gap-filling solutions.

The few available evaluation studies have shown that even though the markets available for RENs are the hardest to reach and require a high level of coordination among the RENs, IOUs, and now CCAs, RENs' societal benefits are not considered. In the face of these added barriers, RENs have met regulatory compliance obligations, collaborated with stakeholders and other PAs, and delivered commendable success at administering and implementing programs on a regional scale.

3C-REN is poised to deliver programs for multiple sectors regionally, across multiple electric, gas, and other utility areas, and implement cohesive programs that integrate policy and programmatic goals under a single administrator that has a constant and thoughtful consideration of effective delivery to its constituents.

5. <u>Application of REN criteria.</u> Should REN programs be required to meet all of the criteria from D.12-11-015 and not just one? Why or why not?

The Commission did not direct the RENs in D.12-11-015 or D.16-08-019 to meet all three criteria and there has been no new valid rationale or direction on the applicability of requiring more than one criteria be met. 3C-REN contends there should be no additionally restrictive changes to the application of REN criteria. Requiring RENs to meet all three hard-to-reach criteria is contrary to the Policy Manual, which only requires RENs to meet a single criterion, and would limit RENs' abilities to fill the gaps left by IOUs. There is no reasonable justification for revising this portion of the Policy Manual nor limiting the RENs from filling gaps where services are not being adequately provided.

The intention of these criteria was to prevent duplication of services. With the addition of a joint cooperation memo (JCM), PAs are already working together to ensure any program overlap is addressed and services are delivered by the entity best suited for the participant. RENs are a key part of that coordination and add value and choice in service delivery. The issue has already been addressed and the current requirement of just one criterion along with the JCM adequately raises awareness of, establishes precedent for, and prevents duplication. By further limiting the scope of RENs, the Commission would narrow the range and efficacy of programs within the CPUC energy portfolio and would hinder program delivery and access to services for many ratepayers. Additionally, the process which established these criteria did not fully consider the need, nor make adequate accommodation, for local government participation in CPUC proceedings[4] that provided comment on defining RENs and qualifications of hard to reach, excluding or limiting comment from entities that have long-standing experience in designing and delivering a variety of programs to underserved constituents. Having the Commission afford greater consideration of local government participation and the value of their input would be a benefit to all stakeholders.

6. New REN geography. Should the Commission consider proposals for formation of new RENs that overlap with existing or other new REN proposals? Why or why not?

[4] Rulemaking 13-11-005, February 26, 2016 COMMENTS OF THE LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION ON PROPOSED DECISION ON 2016 ENERGY EFFICIENCY GOALS AND ROLLING PORTFOLIO MECHANICS, pages 4-6.

3C-REN contends that the Commission should consider proposals for the formation of new RENs regardless of whether or not they overlap with existing or other new REN proposals. Similar to past REN proposals, new REN proposals should be required to meet one or more criteria for REN evaluation as adopted in D.12-11-015 and reaffirmed in D.16-08-019. If a REN applicant intends to administer programs and/or serve customers in a territory already served by an existing REN or identified in another REN proposal, the applicant should be required to demonstrate that its activities will not be duplicative with other RENs – just like it must do with IOU and CCA PAs. In practice, a successful precedent for the overlap of REN geography already exists between 3C-REN and SoCalREN. These two RENs both serve Santa Barbara and Ventura counties, without offering duplicative services while enhancing the offerings to regional hard to reach customers.

When evaluating new REN proposals with geographical overlap, the Commission's concern should remain focused on avoiding duplication of programs serving the same customers and ensuring that coordination is occurring when one or more PAs are serving hard to reach markets. For example, if an existing REN was serving the residential sector and a newly proposed REN with some geographical overlay desired to serve the municipal and commercial sectors, there would not be a duplication of programs serving the same customers.

7. <u>New REN timing.</u> If you recommend that the Commission consider formation of new RENs, when during the rolling portfolio cycle should such proposals be considered?

If the Commission determines that it is appropriate to consider the formation of new RENs, it should be done in advance of and in coordination with existing regulatory filings including Annual Budget Advice Letters and Joint Coordination Memos. Moreover, any new REN business plans should be required to be submitted to and vetted by the California Energy Efficiency Coordinating Committee (CAEECC) as part of a transparent stakeholder engagement process. This process serves two purposes; First, the CAEECC process enables the potential REN to gather formal stakeholder feedback to improve its programs, and to begin formally coordinating with existing PAs to ensure that planned activities will not be duplicative; Second, the CAEECC review process will support the CPUC's ability to fully evaluate the REN's capacity to meet criteria and identify any potential duplication of effort.

8. <u>REN sector limitations.</u> Should RENs be limited to delivering programs in specific sectors (e.g., the public sector, or multi-family buildings) or to specific populations (e.g., hard-to-reach communities)? Explain your rationale.

RENs should not be limited to serving specific sectors or populations so long as they meet one or more criteria for REN evaluation as adopted in D.12-11-015 and reaffirmed in D.16-08-019. The Commission's goal, as well as CAEECC's, should be to have sectors and populations served by the most effective programs possible, and by the entity or entities who are best positioned to deliver them. 3C-REN contends programs, not PAs, should be considered based on value and delivery of offerings to effectively meeting ratepayer needs. RENs, and any PA, should not be limited to a specific sector based on their PA type, rather it should be on their ability to deliver programs that help meet CPUC goals for that sector.

The Business Plan process is designed to help the CPUC evaluate programs prior to approval, and to gather critical stakeholder feedback to support, improve, or recommend against specific activities. 3C-REN values and trusts this process, sees it as the best way to determine which sectors and populations individual REN programs can serve.

9. <u>REN program types.</u> Should RENs be limited to offering certain types of programs only (e.g., non-resource programs or resource programs)?

RENs should not be limited to offering certain types of programs. As long as they meet one or more criteria for REN evaluation as adopted in D.12-11-015 and reaffirmed in D.16-08-019, RENs should be allowed to offer a variety of programs, both resource and non-resource, per mandate to fill gaps in existing programs and serve hard-to-reach audiences.

RENs have a unique ability to be more responsive to regional needs and challenges, and one of their key tools is the adaptability and flexibility to be innovative in program delivery.

10. Cost-effectiveness requirements. Should RENs be required to meet a certain cost-effectiveness threshold in order to be approved or continued? If so, what level, and why?

While RENs are not subject to the same cost-effectiveness test that IOUs are required to meet, multiple parties including PG&E and NRDC have commented throughout this and associated proceedings that there are various ways to show value of a program other than cost-effectiveness thresholds. That is not to say that cost-effectiveness should not be considered when evaluating programs; rather the current cost-effective framework and test are not comprehensive in determining REN program value. Furthermore, the current cost-effectiveness tests are in opposition to the criteria by which RENs exist. 3C-REN contends that cost-effectiveness should not be a primary consideration to approve RENs given that RENs offer stability and flexibility in the statewide energy portfolio, are charged with serving markets that are minimally served by IOUs, makes use of resources and delivers programs in a more nimble and innovative way than IOUs, and coordinates effective service delivery to adapt to market needs while collaborating among PAs within each REN region.

Overall, there has been push back from most PAs on the 1.25 Total Resource Cost (TRC). RENs already have mechanisms in place adhering to local government requirements and keep an eye to cost-effectiveness and meeting regulations for the appropriate use of funds. RENs should be held accountable for running programs effectively. This should be evaluated using a metric that weighs their success per public goods charge resource spent. Because the RENs should focus on meeting state and local policy goals that the IOUs cannot meet alone, the evaluation of resource effectiveness should include a metric that is specific to those policy goals. TRC is not the appropriate metric and is the reason why some policy goals are unattainable by the IOUs and why the RENs are needed to fill gaps. Applying a TRC requirement would undermine the purpose of the RENs and would only result in less and less program participation by underserved populations and sectors. TRC should be one of many ways to evaluate a program and should not be the deciding factor for program continuation, nor should RENs who have smaller more restricted portfolios, to be evaluated as if they were an IOU. By design, RENs do not have access to the most cost-effective programs that can prop up innovative programs and hard to reach markets for an overall cost-effective portfolio. REN cost effectiveness should be evaluated in the context of the statewide portfolio; a more granular application to REN programs will negate RENs' ability to serve the purpose for which they are tasked.

Additionally, regulatory standards applied to IOUs are not appropriate for local governments. There is no profit motive for local governments and they are already required to ensure their programs meet local and state policies, regulations, and mandates, while designing and delivering programs that serve specific community needs. RENs can leverage multiple resources in coordinating and delivering programs that meet the needs of regions, sub-regions, and individual communities towards greater reductions in energy use and greenhouse gas emissions. For example, 3C-REN can work seamlessly within municipal collaborations, as with Monterey Bay Community Power and the Clean Power Alliance CCAs, utility local government partnerships, such as the Ventura County Regional Energy Alliance, and the Community Environmental Council. 3C-REN can integrate other local government programs to better deliver comprehensive sustainability programs including those that are funded from non-ratepayer resources, such as various California Energy Commission grants.

11. REN evaluations. Are there specific studies that the Commission should undertake to more directly evaluate the effectiveness of the REN programs thus far? Please describe.

There are gaps in the current evaluation studies identified by several parties in this and associated proceedings, some of which 3C-REN find to be critical as the Commission unfittingly directs its attention to eliminating existing or denying prospective program administrators. Given the limited scope of existing studies, 3C-REN contends the Commission should not evaluate RENs while they are still ramping up programs and developing structures for innovative program delivery channels, but rather should step back and take a more comprehensive look at the entire energy portfolio and how it fits with CPUC policy goals and standards. Undertaking studies that comprehensively focus on the Commission's statewide portfolio and how to measure programs against both CPUC and policy objectives would provide a clearer picture of its existing and future energy landscape. Performing overarching, statewide portfolio evaluations that measure meeting policy goals, identifying and analyzing the portfolio and service gaps, and establishing baselines that include more comprehensive evaluation criteria than cost-effectiveness would help all PAs be able to work together to deliver services. RENs can be uniquely leveraged to fill those identified gaps.

Any evaluation considered by the Commission should encompass the benefits of emphasizing local priorities on program effectiveness. The evaluation of RENs should reflect what they were designed to do: to be flexible and adaptive in overcoming difficulties in delivering programs, provide better coordination, and innovatively fill gaps in the statewide portfolio. Suggested evaluations include: identifying which programs and sectors are impacted by cost-effectiveness cuts such as with LGPs, which segments are not being served by third party programs, and what state policy goals PAs are not meeting.

III. Conclusion

3C-REN appreciates the opportunity to submit comments and share common understandings of the current energy landscape, offer a vision for the future role of RENs in that landscape, and offer ideas for coordinating program delivery and evaluating RENs. Per these comments, 3C-REN requests the Commission:

- Acknowledge the crucial need for RENs and their ability to adapt and innovate gap filling programs given the shifts occurring in the overall framework of the statewide energy landscape and associated EE programs;

- Recognize the need for increased coordination in EE programs due to territory and sector overlays and acknowledge the value in the RENs' ability to coordinate among PAs to fill service gaps;
- Conduct a comprehensive analysis of CPUC, CEC, and State goals, to establish baselines, identify service gaps, and a means for evaluating programs based on all benefits to ratepayers, not just cost-effectiveness, including:
- Establish a methodology for evaluating RENs with standards informed by baselines and identified service gaps, that comprehensively match all REN program delivery benefits, and then assessing if programs effectively meet Commission-approved REN roles.

Respectfully submitted,

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