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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)

REPLY COMMENTS OF THE RURAL HARD TO REACH (RHTR) WORKING GROUP ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENT ON FUTURE OF REGIONAL ENERGY NETWORKS

Pam Bold
Co-Chair, RHTR
Executive Director
High Sierra Energy Foundation
3343 N. Main Street, Mammoth Lakes, CA 93546
(760) 934-4650
bold@highsierraenergy.org

And

Lou Jacobson
Co-Chair, RHTR
Director of Demand Side Management
Redwood Coast Energy Authority
633 3rd Street, Eureka, CA 95501
(707) 269-1700
ljacobson@redwoodenergy.org

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I. Introduction

The Rural Hard to Reach (RHTR) Working Group wishes to thank the California Public Utilities Commission staff, ALJ Fitch and all responding parties for the robust conversation on the future of Regional Energy Networks (RENs) and respectfully submits the following reply comments.

II. Discussion

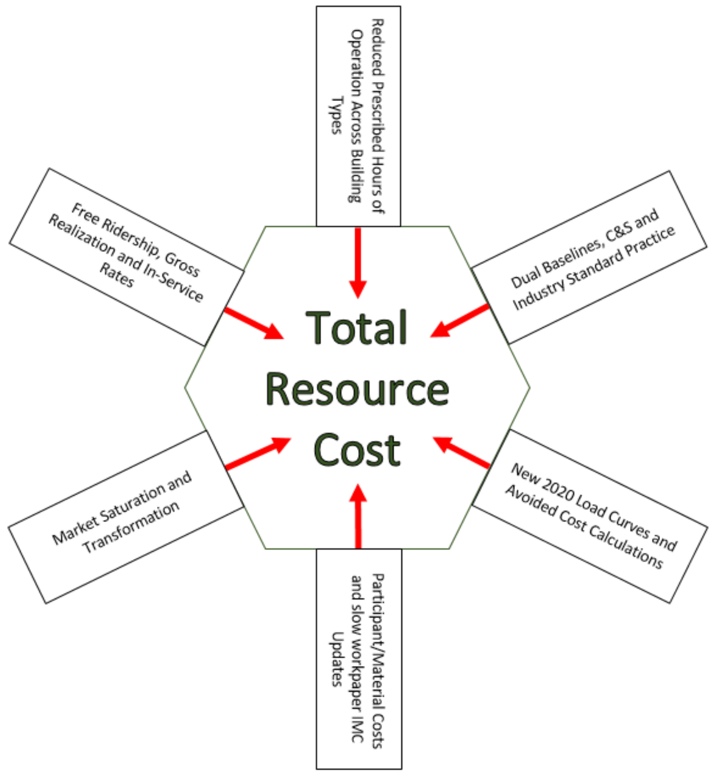
RHTR agrees with the Public Advocates Office (PAO) that the statewide energy efficiency portfolio should be cost-effective as required by Public Utilities Code section 381(b)(1). RHTR concurs with the PAO when they state, "Although the RENs' portfolios may not be cost-effective, they should be balanced out by surplus benefits from the utility portfolios in order to ensure that the full portfolio of ratepayer-funded programs is cost-effective[1]." In addition, RHTR agrees that there are diminishing returns in the energy efficiency space as measured by Total Resource Cost (TRC).

A. Cost Effectiveness

[1] R.13-11-005, Opening Comments Public Advocates Office on ALJ Ruling, Pg. 5
[2] 2013-2015 Energy Efficiency Evaluation, California Public Utilities Commission, May 2018, Date Accessed 04/22/2019; Available at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=2ahUKEwjFkuexjOThAhXBup4K

Figure 1 presents varying, but non-exhaustive factors that are contributing to the diminishing returns as measured by the TRC. The associated and observed challenges with delivering portfolios that exceed a TRC of 1, including those presented in Figure 1, have contributed to the recent downsizing in the LGP portfolios. In addition, RHTR has observed that the same diminishing returns have, and will continue to lead to, a reduction in services to rural and hard-to-reach market segments. RHTR does not think that an increasingly less cost-effective implementation environment, as measured by TRC, should result in a diminishing space for energy efficiency programs in rural and hard-to-reach California. RENs provide an administrative pathway to ensure rural ratepayers can be served.

Figure 1: Factors Depressing Total Resource Cost



RHTR agrees with the PAO in that cost effectiveness and IOU competitive procurement processes change the context for considering REN programs and their unique contributions. Since the regulatory structures and the IOUs' capacity to support innovation frame what actions are in the realm of possible, third-party solutions will be inherently limited by such framing structures. RHTR does not agree with the PAO's findings that this will somehow lead to changes in portfolio design that require changes in RENs. Submitting third parties still have to play by the same rules, use the same measures, and adhere to the same regulatory policies and guidelines. In addition, submitting third parties will continue to be limited by the administrating IOU's capacity to actualize innovation. RHTR expects that structure factors coupled with continued rebalancing of Program Administrators' (PA) portfolios will lead to even more loss of programmatic headroom for innovative programming. This is expected to expand service gaps in traditional market segments served by RHTR members.

PAO recommends the consideration of whether it's appropriate to continue to authorize funding for REN portfolios that have never exceeded a TRC ratio of 0.40. RHTR believes that REN funding should continue and that it is not appropriate to:

a. retroactively apply TRC requirements for the purpose of determining future funding, or
b. apply TRC requirements on RENs moving into the future.

RHTR maintains that applying a TRC requirement will undermine the purpose of RENs, and that alternative methods of determining cost-effectiveness or effectiveness should be discussed and pursued instead. In light of the current discussion and previous comments, RHTR recommends that the Commission take steps to ensure RENs are not obligated to hit TRC metrics, while revisiting previous decisions regarding the interpretation of PUC 381(b)(1).

PAO points out that the state has not had a cost-effective portfolio since 2012. When scanning PAO's opening comments, Table 1, it becomes evident that delivering an evaluated or reported TRC exceeding 1 is the exception not the norm. It is with this observation that RHTR recommends that the Commission reevaluate the appropriateness of TRC and the variables used to inform the calculation. When everyone fails a test, sometimes it's important to reflect on whether the test itself was a reasonable evaluatory measure.

RHTR recommends advancing a discussion on whether or not it would be appropriate to use the Program Administrator Cost (PAC) test as the de-facto test for all non-REN PAs. The TRC would be used as a lowest-cost alternative measure to compare program services. Our hope is that this will provide an applicable short-term measure to ensure the wide range of regulatory and policy goals are supported while also ensuring compliance with PUC section 381(b)(1). Table 1 in these comments recreates PAO's Table 1, but with PAC metrics as opposed to TRC. Table 1, below, shows that, as measured by the PAC, the state has had a cost-effective energy efficiency portfolio for every implementation year since 2012 and that the noted and needed headroom for RENs is present.

Table 1: Cost-Effectiveness Ratios of Energy Efficiency Program Administrators				
Percent Administrative Cost (PAC) Ratios of Claimed Results, Excluding Codes & Standards but Including Market Effects				
Program Administrator	**2013-15**	**2016**	**2017**	**2018**
	Evaluated	Reported		
Statewide Portfolio	1.28	1.26	1.55	1.37
PG&E	1.38	1.2	1.53	1.14
SCE	1.27	1.51	1.47	1.6
SoCalGas	1.42	1.07	1.12	1.15
SDG&E	1.12	1.25	2.47	2.2
Marin Clean Energy (MCE)	0.6	0.48	0.96	0.91
SoCalREN	0.05	0.06	0.33	0.11
BayREN	0.54	0.71	0.64	0.4
Sources: 2013-2015 EE Evaluation Report[2]; California Energy Data and Reporting System (CEDARS), Statewide Claims Summaries for 2016-2018[3].				

B. Competitive LGP Services Procurement

RHTR does not think that RENs should be compelled to competitively procure program implementation services. Local Government staff are already required to:

1. comply with the California Public Records Act;
2. comply with public procurement requirements; and
3. be held accountable by locally elected officials.

REN staff and the programs implemented by RENs are already transparent and often competitively advanced. In addition, the potential for overlapping administration or implementation does not create uncertainty. Respondents who are uncertain if a REN will impact their market should first reevaluate their proposal as it likely has a low TRC. Low TRC proposals are unlikely to be advanced by any other administrator. In the unlikely event that overlapping or competing program concepts are submitted and advanced, existing models to minimize market uncertainty can be utilized. RHTR notes that RENs and implementing lead

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[2] 2013-2015 Energy Efficiency Evaluation, California Public Utilities Commission, May 2018, Date Accessed 04/22/2019; Available at https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=2ahUKEwjFkuexjOThAhXBup4KHZcHBKAQFjAAegQIBhAC&url=http%3A%2F%2Fwww.cpuc.ca.gov%2FWorkArea%2FDownloadAsset.aspx%3Fid%3D6442459323&usg=AOvVaw3f8exGveluKmZVh5bU_lO_

[3] California Energy Data and Reporting System (CEDARS), Sitewide Claims Summaries for 2016-2018, date accessed 04/22/19; https://cedars.sound-data.com/filings/dashboard/SCR/2019/

local partners (LLPs) should be seen as allies and advocates of all programs across all funding streams. Some LLPs already act as a single point of contact (SPOC) regardless of whether or not this status was officially bestowed. Empowering local governments, RENs, and LLPs to fully embrace SPOC status will minimize the unlikely impacts concerning the PAO, while maximizing portfolio performance.

The presence of RENs will not reduce market share for implementing third-parties. Again, RENs have and will likely take on services that others simply cannot. RHTR does not assume that market forces will somehow correct institutional and regulatory social structures that frame the "who," "what," "when," "where," and "how," of energy efficiency—this is especially true so long as the TRC is the de-facto measure of cost effectiveness. DEER load shapes will still be impactful, codes and standards will continue to limit offerings and reduce incremental savings per project, free-ridership will continue to be contested, and lastly, the costs of doing business will continue to go up. These factors and many more will continue to reduce program headroom while pushing the remaining programs to the market segments with remaining opportunity to deliver a reasonably high TRC.

C. The Future of RENs and HTR/DAC Markets

RHTR agrees with the PAO in that the energy efficiency market is fundamentally different today than when RENs were advanced in 2012, and RHTR asserts that RENs are even more appropriate now than they were seven years ago.

RHTR agrees with SoCalREN, where on page 2, and paraphrasing, SoCalREN discusses a primary obligation to serve hard-to-reach (HTR) and disadvantaged communities (DACs) while pointing out that these market segments need as many active participants willing to serve them as possible. SoCalREN expands by saying they need special assistance that is not being filled by Investor Owned Utility (IOU) strategies because PAs often will not deploy offerings that are not "cost-effective." RHTR adds that cost effectiveness even further depresses HTR services when the geographical component is applied, and the need for support in this space is often amplified as compared to urban HTR/DAC areas. As we look to the future, while acknowledging the downward pressures on TRC (see Figure 1), RHTR anticipates that it will be unlikely that IOU third-party programs prioritize, at scale, service to those that are the hardest and most costly to serve across all market segments. RHTR agrees with SoCalREN that RENs should continue to be given the opportunity to meet the needs of those who are marginalized and historically underserved.

RHTR disagrees with SoCalREN's reasoning that it may be premature to form new RENs. SoCalREN notes that RENs are well equipped to serve those who are hardest to serve and that it is likely that IOU strategies, including third party solicitations, will fill those needs. In addition, SoCalREN notes that we need as many active participants willing to serve as possible yet follows this by saying empowering additional RENs to do just that might be "premature." RHTR strongly recommends allowing new RENs to emerge as market actors while aligning on-going Evaluation, Measurement and Verification (EM&V) to those new emergent organizations.

RHTR respectfully counters SoCalREN's point, where on page 4, they note that, in addition to not approving new RENs, the Commission should direct local governments and/or their council of governments (COGs), within existing REN territories, to work directly with existing RENs to propose program strategies that could be piloted under the existing RENs and implemented by their local government agency or COG. RHTR notes that if this set of recommendations were to be adopted, communities not currently served by or in close proximity to an existing REN will be unnecessarily marginalized.

Table 2: SoCalREN 5% Cost-Effectiveness Increase over Time

		TRC	PAC
Reported[4]	2016	0.05	0.06
	2017	0.31	0.33
	2018	0.11	0.11
Filing[5]	2019	0.27	0.29
5% Year of Year Increase	2020	0.2835	0.3045
	2021	0.297675	0.319725
	2022	0.312559	0.335711
	2023	0.328187	0.352497
	2024	0.344596	0.370122
	2025	0.361826	0.388628
> 1 PAC	2045	0.960032	1.031145

RHTR does not agree with SoCalRENs recommendation that the Commission adopt a 5% annual increase of portfolio cost-effectiveness for RENs as measured by TRC. As an example, RHTR calculated how this would impact SoCalREN, using 2019 filings. Table 2 presents the calculated

[4] California Energy Data and Reporting System (CEDARS), Sitewide Claims Summaries for 2016-2018, date accessed 04/22/19; https://cedars.sound-data.com/upload/dashboard/list/2016/?include_c_n_s=false&include_cca_rens=true
[5] California Energy Data and Reporting System (CEDARS), Sitewide Claims Summaries for 2016-2018, date accessed 04/22/19; https://cedars.sound-data.com/filings/dashboard/SCR/2019/

impact. RHTR finds that:

1. the results will deliver nominal cost-effectiveness increases;
2. assuming all programmatic factors remain static, SoCalREN's portfolio will exceed a PAC of 1 in 2045; and
3. this will create disincentives for future and existing RENs to pursue and file cost-effective initial portfolios.

RHTR maintains that applying a TRC requirement will undermine the purpose of RENs and that alternative methods of determining cost-effectiveness should be discussed and pursued.

III. Conclusion

RHTR appreciates the opportunity to provide these reply comments to the Commission. Our membership looks forward to continued and productive dialogue to resolve these issues.

Dated: April 26, 2019

/s/ *Pam Bold*

Pam Bold
Co-Chair, RHTR
Executive Director
High Sierra Energy Foundation
3343 N. Main Street, Mammoth Lakes, CA 93546
(760) 934-4650
bold@highsierraenergy.org

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/s/ *Lou Jacobson*

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