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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)

COMMENTS OF THE COUNTY OF LOS ANGELES, ON BEHALF OF THE SOUTHERN CALIFORNIA REGIONAL ENERGY NETWORK (CPUC #940), ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENT ON FUTURE OF REGIONAL ENERGY NETWORKS

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For the Southern California Regional Energy Network

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I. INTRODUCTION

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission's ("Commission") and in response to the *Administrative Law Judge's Ruling Seeking Comment on the Future of Regional Energy Networks* ("Ruling") dated March 27, 2019, the County of Los Angeles, on behalf of the Southern California Regional Energy Network (SoCalREN), respectfully submits these comments in response to the ruling and the questions for parties offered in the ruling.

II. DISCUSSION

A. SoCalREN's Continued Commitment to Long-Term Value For Ratepayers And Commission's Enhancement of Existing REN Frameworks

SoCalREN strongly supports the Commission's efforts to address the future of regional energy networks (RENs) and to enhance existing REN frameworks. Since its inception, SoCalREN has utilized innovative strategies that complement and supplement its Investor Owned Utility (IOU) Program Administrator (PA) partners despite only having pilot status and being limited to implement distinct strategies. In D.12-11-015, the Commission acknowledged the steep, formidable learning curve emerging PAs must master. The timing of REN authorization gave the SoCalREN and BayREN enormous opportunity and trust, tempered by a short window to design and develop their first portfolios. Despite the constraints imposed, SoCalREN has matured, optimized its portfolio diversity, and thoroughly segmented its market strategies in a better effort to meet hard-to-reach market needs. The SoCalREN's gratitude for the opportunity to co-navigate and drive the State's energy efficiency goals has never wavered, nor has its commitment and determination abated.

SoCalREN has successfully met and continued to support the criteria set forth by the Comssion in D.12-11-015 and reaffirmed in D.18-05-041. As a Program Administrator managed by a local government, implementation of its portfolio is governed by a number of core values and policies – including the primary obligation of the county to strive for parity on behalf of the underserved, specifically hard-to-reach (HTR) and disadvantaged communities (DACs). These two market segments need as many active participants willing to serve them. They also require very special assistance that is not being filled by IOU strategies because PAs often will not deploy offerings that are not "cost-effective" in fear of their overall portfolio losing additional cost effectiveness. SoCalREN has structured its portfolio strategies to be as administratively cost-efficient with a focus on hard-to-reach markets and disadvantaged communities. It is imperative to the State's objectives that the Commission allow existing RENs to continue to meet the needs of these underserved and marginal communities.

Last and most importantly, SoCalREN as a non-IOU PA has consistently implemented its portfolio as a strategic platform with an eye toward long-term value, impact and scalability, ***cost-effectiveness***, and transformative influence. The SoCalREN is confident that it will continue to successfully, and increasingly advance program cost-effeciency within its portfolio.

SoCalREN believes that although RENs are restricted to a narrow menu of programs and markets, and that the TRC threshold required for IOU PAs is not reasonable for RENs, there is still room for a REN to continue to seek additional cost-efficiencies. SoCalREN believes this can be achieved through an integrated action plan over short-, mid- and long-term timeframes that includes: increased administrative efficiencies (reduction in costs), increased savings (resulting in lower costs per kWh saved), streamlining of program implementation and pay for performance contracting, and outcome-driven pilots ranked for savings potential, replicability, and nexus to under-performing markets.

B. Future Regional Energy Networks

SoCalREN is not opposed to the formation of new RENs. However, it may be premature to form new RENs given the evolving and uncertain energy efficiency (EE) marketplace. The IOU PA third party and statewide solicitation processes are just now underway. Much still needs to be determined about the content of portfolio offerings to meet the needs of the marketplace. In addition, the existing RENs are currently being evaluated. An on-going Evaluation, Measurement & Valuation (EM&V) study being conducted by the Commission is examining the benefits arising from the programs offered by RENs and the RENs effectiveness at achieving the Commission's stated program design goals. This study is scheduled to span three years and will not be officially complete until the end of 2021. Results from this study will inform the Commission deliberations about the existing REN policy framework and future RENs.

In addition, the Commission should consider the impact of additional redundancies and administrative cost burdens resulting from additional RENs within existing REN territories.

Overlapping REN territories would be challenging to administer, coordinate, and manage. Additional fragmentation in the market would create customers confusion, higher costs, as well as complexities for program managers and policymakers to properly assess program performance.

As an alternative to considering new REN proposals, SoCalREN proposes that the Commission 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. The existing RENs in turn can utilize their already established infrastructure and economies of scale to cultivate piloted program models under the administration of the authorized existing REN. The existing REN through its experience in administering programs and active regulatory status can work with Commission Staff to propose and obtain approval for the piloted program model. Once approved the REN would retain administration and oversight of the program model while the local government implements the piloted program strategies. In this solution, the concept or pilot would be utilized to test program delivery strategies that is different or unique, for potential to be scaled up to a statewide approach delivered either by the existing REN and/or by utilities in the future. Any additional funding could be pursued by the existing REN once the model is proven successful and could be submitted in the next cycle of business plan applications. This solution is in direct alignment with Commission criteria established in D.12.11-015, which advocates for RENs to "*Pilot activities where there is no current utility program offering, and where there is potential for scalability to a broader geographic reach, if successful.*"[1]

SoCalREN recommends the Commission abstain from establishing any new RENs (even where no REN exists) until the IOU solicitation processes and the Commission's EM&V REN study is complete. SoCalREN also strongly urges the Commission to reaffirm its initial policy framework adopted in D.12-11-015, that rejects the overlapping of RENs to avoid market confusion and to minimize costs to ratepayers. And as an alternative adopt SoCalREN's recommendation that would allow local governments and or their council of governments to work directly with existing RENs to propose program strategies that could be piloted under the

[1] D.12-11-015, p. 17.

administration of existing RENs.

C. Harmonizing Requirements Among CCAs, LGPs and RENs

As mentioned above, too much fragmentation in any program market can work counter to the intended purpose of public program offerings. The energy efficiency landscape is rapidly changing. The demands of the state for new solutions to GHG, climate change, equity, and grid harmonization is challenging everyone to be more innovative, flexible, and effective. Existing RENs are demonstrating in a consistent fashion their ability to address these challenges.

RENs are increasingly appropriate and valuable in light of the proliferation of Community Choice Aggregators (CCAs) and the reduced resources and capacity of the Local Government Partnerships (LGPs). The territories of RENs approved to date are larger than those of the CCAs and LGPs, which allows RENs to operate at scale, an important factor given the Commission's challenge to keep the EE portfolio consistently cost efficient. Broader regional consistency affords more consistent customer experience, contractor engagement, and economies of scale. Moreover, the RENs defining characteristic of being regional allows local governments (i.e., cities, CCAs, LGPs, and others) to partner, pilot, and propagate new ideas effectively across a broader area. RENs can help energy-related programs, actors, and stakeholders, such as program contractors, to connect with each other across the region and leverage each other's knowledge and expertise. At the same time, RENs work on a small enough scale to also allow in-depth knowledge of local conditions. Regional delivery results in reduced costs through leveraged resources, economies of scale, streamlined project delivery services/assistance, and effective market conditions for participating contractors. Coordination between RENs and CCAs diversify the energy efficiency market even further and expand the platform for innovation. Without REN presence and delivery, the energy efficiency market is not predictable or reliable. Last, the majority of the State's CCAs are newly on-boarding and their ability to fund energy efficiency programs will be limited if not preempted altogether by the need to overcome establishment costs (including PCIA), build reserves, and stabilize operations of their core business.

Local Government Partnerhips. At the time of D.12-11-005, many eligible SoCalREN cities and/or counties had robust local government partnerships with SCE and/or SoCalGas. LGPs are IOU programs, designed, managed and directed by the IOUs. Local governments have little influence on the design or implementation of program resources to meet local needs. One of the Commission's original intentions in approving the REN model was to complement and not replace LGPs. IOU PAs recognized early that REN offerings could enhance and complement their LGP programs and that programs could be leveraged to offer deeper energy savings and more expansive offerings (such as SoCalREN's Public Sector EE Project Delivery Program). Further, LGPs were typically designed, managed and directed by the IOUs. Often, the IOUs would even procure in advance whatever third-party serves LGP programs would required. This IOU-LGP framework worked to limit development within the LGPs of essentially skills and capacity necessary to assume the regulatory, operational, self-assessment, administrative, and implementation requirements of Program Administrators.

Further, one of the Commission's original intentions when approving the REN model was to be additional to and not instead of LGPs . The need to augment and/or supplement LGPs is more relevant now given the significant decrease in the LGP budgets resulting in a declination of programs and in some countries, a discontinuation of all programs. With their approved BPs, and an increased percentage of third party implementation of their portfolios, the IOUs have essentially retired most LGPs.

The role of the LGPs across the state is diminishing. The need for RENs to augment and/or supplement LGP services is more relevant now given the significant decrease in LGP budgets and discussions within the IOUs about discontinuation of all LGP programs in 2020. Accordingly, any perception that the RENs are duplicating the LGPs is misplaced. SoCalREN has historically provided support in coordination with their partner IOUs to offer services not covered under IOU LGP programs. This support in-turn attributed over the last three years in SoCalREN's IOU partners LGP programs in achieving signifcant savings that would have other wise been missed if not for the supplemental non-resource support provided by SoCalREN's Public Sector portfolio. SoCalREN recommends that the Commission consider an expansion of the RENs to include some or all of the activities previously implemented by the LGPs in their territories.

Community Choice Aggregators. When D.12-05-015 was issued, there was no CCA within the County of Los Angeles. In SoCalREN's territory, there currently only exists two

CCAs, Lancaster Choice Energy (LCE)[2] and Clean Power Alliance (CPA). LCE is the only CCA implementing a limited implementation plan of EE programs and the CPA is still in its infancy, with a focus on delivering clean reneawable power to the communities they serve.

By definition, CCAs allow local governments to procure power on behalf of their residents, businesses, and municipal accounts from their chosen suppliers while transmission and distribution continues to be from their existing utility. There are many benefits to CCAs, one of which is allowing the aggregation of demand that enables communities to negotiate better rates with suppliers and choose a more expansive mix of renewable energy. CCA's missions may extend beyond providing competitively priced and greener electricity for their customers and some may offer additional programs to their customers. However, the focus of these programs has been primarily on development of local solar and energy storage projects and transportation and building electrification, activities that cannot be funded with energy efficiency dollars. In addition, these programs have been primarily self-funded or grant funded from other public agencies and foundations. Most of the CCA priorities (e.g., EVs, electrification, solar and storage) cannot be funded with EE ratepayer funds. The ability for CCAs and RENs to partner and complement services is important. New approaches to DERs and community-scale energy solutions require a CCA-like entity to manage and oversee the effort, which is out of the REN's purview. Conversely, a REN may be better suited to address both residential, small commercial and public agency energy efficiency efforts, which are more difficult and time consuming and unable, in most cases, to meet stringent cost effective thresholds required from a CCA Program Administrator.

The Commission needs to continue to emphasize minimizing administrative cost burdens to ratepayers and thus leveraging existing PA program models, like the RENs, so that redundancies in the market are reduced and administrative efficiencies and economies of scale are consistently applied.

III. RESPONSES TO QUESTIONS REGARDING THE FUTURE OF THE

[2] Apple Valley Choice Energy Energy, PRIME (Pico Rivera Innovative Municipal Energy), Rancho Mirage Energy Authority, and San Jacinto Power are als considered existing CCAs however reside under the umbrella and administration of the LCE Joint Powers Authority (JPA).

REGIONAL ENERGY NETWORKS

1. **<u>Threshold REN Policy</u>. 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?**

The programs and services of the SoCalREN not only remain appropriate but have, in fact, continually and substantially increased their value and importance to participating customers since the launch of SoCalREN in 2013. The SoCalREN has fully met the specific criteria for RENs set forth in D.12-11-015 and has successfully implemented innovative and unprecedented program approaches for delivering ever higher levels of energy savings within its service area. From its inception, SoCalREN's program activities, both resource and non-resource, have complemented and supplemented utility administered programs, including LGPs. SoCalREN's ongoing collaboration with the utilities has included a joint agreement on customer engagement protocols and coordination of program service delivery to ensure the efficient and effective application of ratepayer funds. These efforts, from the start, have prevented any overlap or duplication of activities between SoCalREN and the utilities.

It is important to recognize that SoCalREN's Public Sector Programs are offered to approximately 700 public agencies of various types within the SCE and SoCalGas territories whereas the utilities' LGP programs only reach a subset of about 140 cities and counties. In addition, in 2017 SoCalREN's residential multifamily program tripled its claimed energy savings from previous years. The SoCalREN is therefore uniquely positioned to provide proven and comprehensive energy efficiency program services to a great number of public agencies and hard to reach customers who would otherwise not have access to adequate EE program opportunities. When working with a local government that is already a participant in a utility LGP, the SoCalREN adds significant value beyond what is available from the LGP alone by providing a turn-key package of comprehensive project management and technical assistance support that is typically the key determining factor in motivating an agency to take action. Also, the SoCalREN is distinct from either SCE or SoCalGas in being able to always simultaneously offer both electric and gas efficiency services through a seamless integration of combined electric and gas EE project options and recommendations to customers. The Public Sector Project Delivery program also facilitates participation in all existing IOU core and third-party programs available to public agencies. These practices reduce ratepayer costs to deliver services through a single provider, improves the customer experience and creates opportunities for more comprehensive projects.

As discussed above, only one CCA to date in SCE territory, Lancaster Choice Energy (LCE), has been authorized by the Commission to receive ratepayer EE program funds. The approved LCE program is a Small Commercial Direct Install Program that does not overlap with or duplicate any programs or services in the SoCalREN portfolio. Based on SoCalREN's recent communications with other CCAs in SCE's territory SoCalREN is not aware of any impending plans by them to apply for EE program funds from the Commission. However, even if such CCA applications are made in the future SoCalREN believes it is more likely that the proposed new programs will overlap with or duplicate SCE programs rather than SoCalREN programs. Also of significance is the fact that SoCalREN services cover the entire SCE and SoCalGas joint territories whereas a CCA authority constitutes no more than a subset of SCE customers. The SoCalREN will therefore continue to be the only program administrator capable of offering unified electric and gas efficiency services to all eligible customers throughout the entire territories.

As is described above, the SoCalREN is uniquely experienced in delivering both electric and gas efficiency services either combined as is the case with projects in the joint SCE and SoCalGas territories, or as separate options as is the case with our gas efficiency services in municipal utility territories and with our electric efficiency services in the City of Long Beach which has a municipal gas utility. SoCalREN has also demonstrated value through coordination with municipal utilities to deliver co-funded electric and gas efficiency services as demonstrated with the Moreno Valley Municipal Electric Utility. Even with the emergence of potential new CCA managed electric efficiency programs in the future, SoCalREN will continue to be adept at tailoring its programs and services to not only meet the particular needs of each customer, but to also ensure that all ratepayer funds administered by the SoCalREN are effectively applied and prudently managed.

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

No. The SoCalREN and other RENs have proven their ability to deliver very substantial benefits and value to the ratepayers they serve. The results from REN programs have consistently attributed to the results of its IOU partner program Commission mandated goals and target. It is important to note that in D.12-11-015 the Commission determined that "…REN proposals should not be held to a higher standard than similar utility programs."[3] And, that "…many of the REN program plans address hard to reach market segments that are generally more expensive than average to deliver. REN proposals should not be punished for that."[4] What was clearly understood by the Commission in D.12-11-015 was that RENs, unlike the utilities, were barred from administering those EE programs or targeting those market segments that usually provide the highest TRC results. REN portfolios are mandated, for the most part, to serve harder to reach customers, focus on higher cost and lower savings projects and pursue non-resource activities. The non-resource activities provide great benefit and value to customers, contribute significantly to achieving the Commission's and California's long-term energy goals and targets but are, nonetheless, not currently credited with any energy savings value for the REN portfolios. Even within this rather limited program purview the RENs have proven their ability to design and implement "best in class" programs that identify and implement EE solutions to meet critical ratepayer needs.

Since the adoption of D.12-11-015 the Commission subsequently approved a new Rolling Portfolio (RP) program structure which was predicated on creating a more stable and predictable platform for EE portfolios that would reduce the chronic start-stop dynamic in previous EE cycles, create more consistency and certainty for both participating customers and contractors, and allow reasonably sufficient time for new programs to be designed, launched and proven successful. The Business Plans that were approved by the Commission for the initial 2018 to 2025 RP period are not static, i.e. it was expected that during this RP new programs would be started, some existing programs would naturally end, and some unsuccessful programs would be eliminated. This dynamic rather than static program approach is the same for both the RENs as well as all other Program Administrators.

The appropriate focus for the Commission at the end of the current RP period should be on continuing the most successful programs and phasing out the least successful programs regardless of whether the Program Administrator is a REN or not.

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[3] D.12-11-015, p. 18.

[4] *Ibid.*, p. 19.

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?**

As mentioned above, SoCalREN is not opposed to the formation of new RENs but believes that it is premature given the current energy efficiency market. RENs are program administrators authorized to complement and supplement IOU partners by identifying strategies and programs that fill gaps. As it currently stands the IOU PAs third party and statewide solicitation processes are still in their infancy and there is still a huge variation of unknowns not only within their portfolio offerings but as to what will be needed in the market.

In addition, there is an on-going EM&V study being conducted by the Commission which is examining the benefits arising from the programs offered by RENs and the RENs effectiveness at achieving the Commission's stated program design goals. This study is scheduled to span three years and will not be officially complete till the end of year 2021. Results from this study will inform the Commission deliberations about the existing REN policy framework and future RENs. In addition, the Commission should consider the impact of additional redundancies and administrative cost burdens resulting from additional RENs within existing REN territories. Overlapping REN territories would be challenging to administer, coordinate, and manage. Additional fragmentation in the market would create customers confusion, higher costs, as well as complexities for program managers and policymakers to properly assess program performance.

As an alternative to considering new REN proposals, SoCalREN proposes that the Commission 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 REN and implemented by their local government agency or COG. The existing RENs in turn can utilize their already established infrastructure and economies of scale to cultivate piloted program models under the administration of the authorized existing REN. The existing REN through its experience in administering programs and active regulatory status can work with Commission Staff to propose and obtain approval for the piloted program model. Once approved the REN would retain administration and oversight of the program model while the local government implements the piloted program strategies. In this solution, the concept or pilot would be utilized to test program delivery strategies that are different or unique, for potential to be scaled up to a statewide approach delivered either by the existing REN and/or by utilities in the future. Any additional funding could be pursued by the existing REN once the model is proven successful and could be submitted in the next cycle of business plan applications. This solution is in direct alignment with Commission criteria established in D.12.11-015, which advocates for RENs to "*Pilot activities where there is no current utility program offering, and where there is potential for scalability to a broader geographic reach, if successful.*"[5]

SoCalREN recommends the Commission abstain from establishing any new RENs (even where no REN exists) until the IOU solicitation processes and the Commission's EM&V REN study is complete. SoCalREN also strongly urges the Commission to reaffirm its initial policy framework adopted in D.12-11-015, that rejects the overlapping of RENs to avoid market confusion and to minimize costs to ratepayers. And as an alternative adopt SoCalREN's recommendation that would allow local governments and or their council of governments to work directly with existing RENs to propose program strategies that could be piloted under the existing RENs.

4. **Criteria for REN evaluation. 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?**

Since its launch in 2013, SoCalREN has successfully met the criteria set forth by the Commission for RENs. In D.12-11-015, the Commission directed the RENs to deliver programs and activities that met a threshold of criteria:

1. Activities that utilities cannot or do not intend to undertake.
2. Pilot activities where there is no current utility program offering, and where there is potential for scalability to a broader geographic reach, if successful.
3. Pilot activities in hard-to-reach markets, whether or not there is a current utility program that may overlap.

However, with the maturity of the State's energy efficiency portfolio and changes being revealed in the current market, there does hold substantial merit to improving the adopted criteria from 2012. SoCalREN recommends that Commission consider modifying the first criteria to clearly state that RENs should be seeking to fill gaps identified within the market or activities

Secondly, SoCalREN has found that underserved communities are not ubiquitous but many

[5] D.12-11-015, p. 17.

share similar characteristics. Their populations are ever-shifting, their boundaries are permeable, and their very existence is sometimes conceptual. Classifying communities into different definitions such as "under-served" or "marginalized", depending on the context can be instructive, informing the choice of strategies and interventions, the kind of outcomes that can realistically be attained, and the timeframe required. SoCalREN supports the expansion of criteria # 3 to include "under-served market segments", "marginalized communities"[6] and "disadvantaged communities." By allowing this expansion the Commission can ensure that communities or market segments not captured under the currently adopted definition of "hard-to-reach"[7] can be assisted by REN portfolios and that environmental equity is provided to all possible energy efficiency market participants.

Last and most importantly, SoCalREN does believe that RENs should strive to follow a path to cost-effectiveness. However, SoCalREN does acknowledge that RENs differ in many ways from their partner IOU PAs and are not afforded the same attributes that would allow them to meet comparable cost-effectiveness thresholds. Nonetheless and as previously stated, SoCalREN is confident that it will, successfully and increasingly, advance program cost-effectiveness, using standards and criteria comparable to those used to assess IOUs and scaled for scope and other distinctions such as conducting activities that IOUs cannot, or do not, intend to undertake, and targeting hard-to-reach markets which can be challenging from a cost-effectiveness perspective.. SoCalREN believes that although RENs are restricted to narrow menu of programs and markets, and that the TRC threshold required for IOU PAs is not reasonable for RENs, there is still room for a REN to continue to seek additional cost-efficiencies.

SoCalREN recommends that the Commission adopt a 5% annual increase of portfolio cost-effectiveness for RENs. This value would be required to be filed with the RENs annual budget advice letter filings which are due September 1st of the preceding year. This will allow for Commission staff oversight and public transparency. In addition, SoCalREN recommends the Commission adopt a policy that would allow permanent PA status for a regional energy network if it met a 5% annual increase of portfolio cost-effectiveness over the 8-year business plan time

[6] Communities facing systemic economic, political, social, and cultural barriers. Marginalized communities often include rural populations, persons with disabilities (the largest minority group in the world), refugees, immigrants, ethnic minorities, and members of the LGBTQI+ community, among others.

[7] D.18-05-041, p. 41-43.

period. This will encourage further accountability of regional energy networks and would foster more innovative approaches to REN strategies.

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?**

SoCalREN does not believe that REN programs should be required to meet all of the criteria from D.12-11-015. Each of the three criteria in D.12-11-015 can stand on its own as an appropriate criteria for needed and successful REN programs. To require a REN program to meet all three criteria would mean that most current REN programs that are currently delivering substantial value to customers could not have been approved.

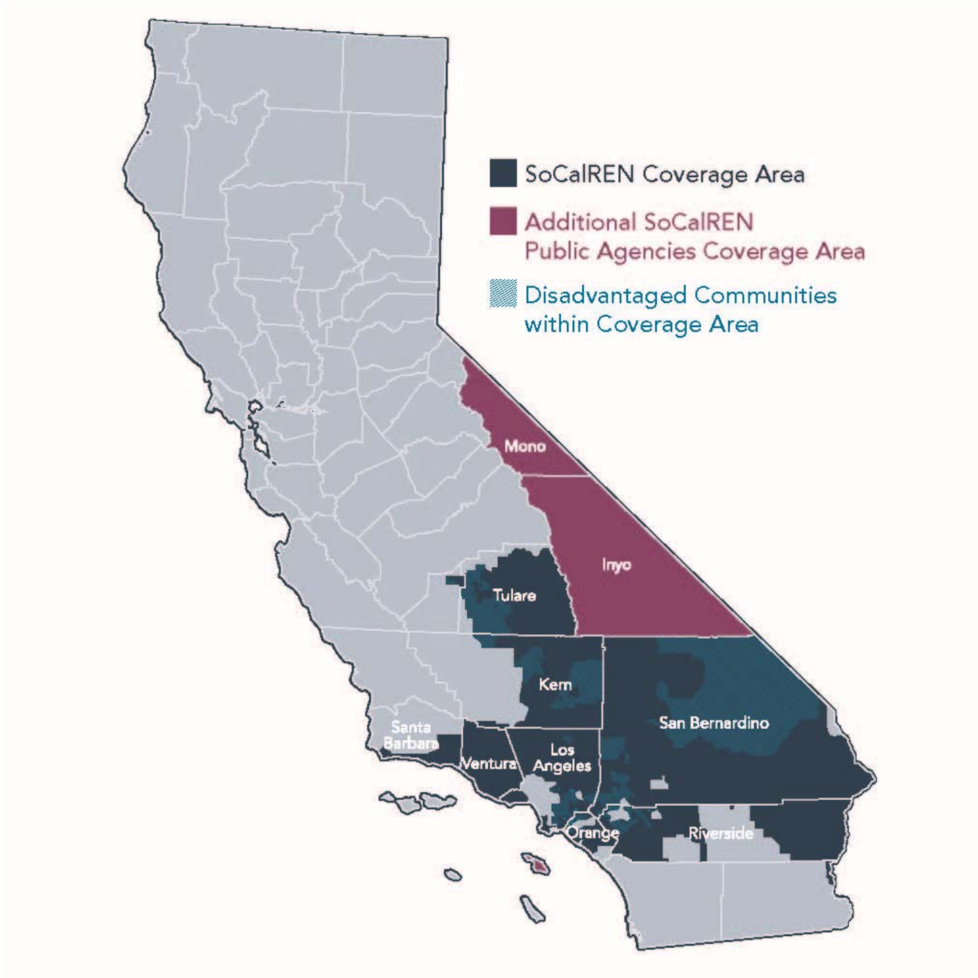
In terms of the potential impact from such a change on current SoCalREN programs, the clearest example is SoCalREN's multi-family energy efficiency upgrade program. This program meets the third criteria in D.12-11-015: Pilot activities in hard to reach markets, whether or not there is a current utility program that may overlap. The program, however, does not meet the first criteria: Activities that utilities cannot or do not intend to undertake. If all three criteria were required to be applied, the SoCalREN would not be able to implement its multi-family program. Ironically, BayREN's multifamily program that is referenced in this ruling to have garnered national recognition as a successful energy efficiency program from the ACEEE would also have been disqualified from inclusion in the BayREN portfolio under strict application of D.12-11-015. Similarly, the SoCalREN's Public Agency Programs would be disqualified as they meet the first and second criteria but would not meet the third criteria as most public agencies do not meet the test for hard to reach customers.

SoCalREN recommends that the Commission continue to allow REN programs to meet one or more three criteria established in D.12-11-015.

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

SoCalREN currently covers a large geography of customers and public agencies with similar characteristics. SoCalREN currently offers its services in over 9 counties which include: County of Los Angeles, Inyo, San Bernardino, Santa Barbara, Riverside, Kern, Tulare, Ventura and Orange County. This large coverage allows SoCalREN economies scale and cost-efficiency in delivering programs.

Figure 1. SoCalREN's Coverage Area



SoCalREN supports the Commissions initial policy framework adopted in D.12-11-015, which states:

"… 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."[8]

This policy ensures that market confusion is minimized and costs to ratepayers are minimized. Offering an array of programs in any market plays a key role in supporting those in

8 D.12-11-015, p. 13.

need, however it has been shown that any program market too fragmented and overly complex causes difficulties for customers to navigate, for program operators to administer cost effectively, and for program managers and policymakers to properly assess program performance.

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?**

As mentioned in response #3, SoCalREN is not opposed to the formation of new RENs but believes that it is premature given the current energy efficiency market environment and the fact that the comprehensive evaluation, measurement and valuation study regarding RENs being performed by Commission staff has yet to be completed. For the reasons in response #3, SoCalREN recommends that the Commission abstain from considering new REN proposals at this time and instead consider them within the next application of the rolling portfolio cycle which would likely occur in 2024 or 2025. This timing would be in direct alignment of the completion of all the anticipated IOU third party solicitations and the completion of the Commission's REN evaluation study.

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 rational**

RENs should not be limited to specific sectors or populations and should continue to be guided by the criteria from D.12-11-015. For some market sectors, RENs can fill gaps in services across the entire sector, while for other sectors, RENs may choose to focus on a specific population. Limiting REN programs to specific sectors or populations would limit the abilities of RENs to design and offer programs that best serve the needs of the communities they serve and meet the objectives of RENs.

As a Program Administrator managed by a local government, the SoCalREN has an inherent duty to serve all populations, such as hard-to-reach and disadvantaged communities (DACs). Regional government PAs are well-suited to address hard-to-reach markets and DACs, through deployment of independent yet parallel programs, initiatives, and actions specifically developed to respond to underserved constituents. As a result, the SoCalREN can cross-cut energy efficiency programs onto a number of pre-existing government frameworks specifically designed for underserved and DAC communities, reducing administrative, development, and other costs. By contrast, IOU PAs must build these market-specific frameworks and these activities could impact the cost-effectiveness of their overall portfolios, which further encourages higher investment on traditionally cost-effective customers and minimal investment in approaches that target and meet the needs of hard-to-reach, rural and disadvantaged communities across all sectors.

As stated in the Ruling, IOU program administrators are being faced by increasing challenges in developing and maintaining cost-effective portfolios. Certain sectors, such as the newly established public sector and residential sectors face significant barriers to deliver cost-effective programs. For example, the designation of the public sector by the Commission was done in part to recognize the unique challenges faced by this segment and the need for programs to adress these head on in their design. As described in the SoCalREN Business Plan[9], "these barriers to action include limitations on technical, financial, data, and procurement resources…". Addressing these barriers require investment in non-resource services to deliver significant savings within the sector.

As increased penetration of energy efficiency becomes more expensive to deliver IOU program administrators are being forced to downsize certain program portfolios that include investments into non-resource activities, such as public sector portfolios where LGPs in SCE and SoCalGas territories reside. As IOU program administrators continue to move away from tactics and strategies that weigh down their portfolio's cost-effecitvness, an opportunity presents itself for existing RENs to fill the gaps. These opportunities occur in market segments and specific populations that require more intense application of resources and assistance to overcome common barriers.

SoCalREN recommends that the Commission not limit the RENs to specific segments but instead allow them the flexibilty to identify strategies that best align with Commission directives and thereby continue to fill critical customer program gaps.

[9] SoCalREN Business Plan, Public Sector Chapter, p.14.

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)?**

No, RENs should not be limited to offering certain types of programs. The mission of the RENs is to bring their unique perspective and experience to compliment IOU programs, fill in gaps, and reach customers who would otherwise have limited access to energy efficiency programs.

Since its inception, the SoCalREN has utilized both resource and non-resource strategies that have contributed to providing significant energy savings to their partner IOU PAs. The SoCalREN is also committed to be at least comparably cost-effective as other actors' resource programs provided they are similar in delivery channels and customer segment. Recommendations that would limit REN's to only non-resource activities would significantly diminish the available options available to energy efficiency market participants in meeting their energy goals.

In addition, resource strategies will be an essential element in meeting the aggressive legislatively-mandated energy efficiency objectives over the next 10 years. California's SB 350 requires energy efficiency targets be doubled by 2030. The state will need as many market participants as possible, actively engaging, sharing and coordinating resource strategies to meet these aggressive targets. For the reasons mentioned above, the Commission should continue to allow RENs to implement both resource and non-resource strategies.

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

Yes, SoCalREN does believe that RENs should strive to follow a path to cost-effectiveness. However, SoCalREN does acknowledge that RENs differ in many ways from their partner IOU PAs and are not afforded the same attributes that would allow them to meet comparable cost-effectiveness thresholds. Nonetheless and as previously stated, SoCalREN is confident that RENs can successfully advance increasing program cost-effectiveness. SoCalREN believes this can be achieved through an integrated action plan over short-, mid- and long-term timeframes that includes: increased administrative efficiencies (reduction in costs), increased savings (resulting in lower costs per kWh saved), streamlining of program implementation and pay for performance contracting, and outcome-driven pilots ranked for savings potential, replicability, and nexus to under-performing markets. SoCalREN recommends that the Commission adopt a 5% annual increase of portfolio cost-effectiveness for RENs. This value would be required to be filed with the RENs annual budget advice letter filings which are due September 1st of the preceding year. This will allow for Commission staff oversight and public transparency. In addition, SoCalREN recommends the Commission adopt a policy that would allow permanent PA status for a regional energy network if it met a 5% annual increase of portfolio cost-effectiveness over the 8-year business plan time period. This will encourage further accountability of regional energy networks and would foster more innovative approaches to REN strategies.

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

SoCalREN does not recommend any additional studies at this time. However, it is fully supportive of the Commission's current EM&V study that is intended to examine the benefits of the non-resource activities arising from the programs offered by RENs and the RENs effectiveness at achieving the Commission's stated program design goals. The RENs non-resource portfolio strategies have historically provided significant claimable savings to its IOU partners, however there has been no mechanism put in place to appropriately quantify this attribution. It is SoCalREN's hope that through the current REN impact evaluation study, these values can be identified and classified so that a recommended methodology for non-resource program attribution can be provided to the Commission for adoption.

IV. CONCLUSION

The SoCalREN appreciates the opportunity to provide these comments and responses and respectfully requests that the Commission consider SoCalREN's recommendations regarding the future of Regional Energy Networks.

April 16, 2019 Respectfully Submitted,

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For the Southern California Regional Energy Network