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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

**COMMENTS OF PACIFIC GAS AND ELECTRIC
COMPANY (U 39 M) ON THE RULING SEEKING
COMMENT ON THE FUTURE OF REGIONAL ENERGY
NETWORKS**

STEVEN W. FRANK
TESSA CARLBERG
JENNIFER REYES LAGUNERO

Pacific Gas and Electric Company
77 Beale Street, B30A
San Francisco, CA 94105
Telephone: (415) 973-2361
Facsimile: (415) 973-0522
E-Mail: Jennifer.ReyesLagunero@pge.com

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Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

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Pacific Gas and Electric Company (PG&E) submits these comments in accordance with the *Administrative Law Judge's Ruling Seeking Comment on Future of Regional Energy Networks in the Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs, Evaluation, and Related Issues*, issued March 27, 2019 (Ruling).

The Ruling seeks input on whether the existing policy for current and new Regional Energy Networks (RENs) is appropriate considering current trends in energy efficiency policy and program administration.¹ Decision (D.) 12-05-015 initially introduced RENs as a way to supplement local government partnerships (LGPs) with administering certain energy efficiency programs.² The Ruling points out that one major emerging trend is the recent proliferation of new Community Choice Aggregators (CCAs) serving customers throughout the state within the service territories of the investor-owned utilities (IOUs).³ California Public Utilities Code

¹ Ruling, at 1.

² *Id.*

³ Ruling at 5.

Section 381.1 allows CCAs to elect or apply to become administrators for energy efficiency funds, either for their own customers and/or for all customers within the geographic area they serve.⁴ The Ruling states, “RENs and CCA administrators were also required to submit Joint Cooperation Memos with utility program administrators...to minimize overlap and duplication, as well as reduce customer confusion.”⁵ The Ruling states, “[given] the different criteria in place to evaluate LGPs and RENs, in addition to CCAs, the Commission may want to consider modifying and harmonizing the requirements to ensure that consumers are getting cost-effective, not to mention generally effective, programmatic and administrative energy efficiency delivery.”⁶

As such, the Ruling invites response to eleven specific questions regarding RENs. The Ruling also permits parties to offer any other thoughts in their comments in response to the REN policy.⁷ In brief, PG&E recommends that:

1. RENs be required to meet certain cost-effectiveness criteria, understanding that the cost-effectiveness thresholds required of the IOUs may not apply to RENs, and
2. The Commission (a) authorize the IOUs and the RENs to jointly determine payment terms, and (b) permit the administrative costs to perform the fiscal manager role to be considered in the IOUs’ cost-effectiveness evaluations.

PG&E appreciates the opportunity to address these important issues regarding the future of RENs.

⁴ Ruling, at 3 citing Section 381.1, Subsections (a) and (f).

⁵ Ruling, at 4.

⁶ Ruling, at 5.

⁷ Ruling, at 7-8.

I. DISCUSSION

PG&E responds below to Question 10 of the Ruling in Section A. In addition, PG&E discusses the IOU's current role as fiscal managers of RENS in Section B.

PG&E has no comment on Questions 1 through 9, and 11.

A. PG&E Does Not Recommend a Specific Cost-Effective Threshold Requirement for RENS (Question 10).

In Question 10, the Commission requests comments on potential cost-effectiveness requirements for RENS. Specifically, the Ruling states: "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?"⁸

PG&E recommends that RENS be required to meet certain cost-effectiveness criteria, yet the cost-effectiveness thresholds required of the IOUs may not apply to the RENS. D.18-05-041 Finding of Fact 19 states, "D.12-11-015 'requires the dual test for overall portfolio cost effectiveness, taking into consideration passing both the TRC [Total Resource Cost] and PAC [Program Administrator Cost] tests for each service territory and for the entire approved portfolio, including RENS, will continue to govern the CPUC's cost-effectiveness for the energy efficiency programs.'"⁹

D.18-05-041 did not modify the dual test requirements. Rather, the Commission discussed the cost-effectiveness threshold for RENS:

...RENS should focus on filling gaps, piloting different or unique approaches that have the potential to scale, and/or targeting hard-to-reach customers, we do not find it reasonable to impose a minimum cost-effectiveness threshold for REN proposals. As we have maintained in the past, the more limited scope of activities we authorize RENS to undertake, which results in a much lower ability to diversify their portfolios (relative to IOUs), argues against holding them to a

⁸ *Id.*, at 8.

⁹ D.18-05-041, at 161.

particular cost-effectiveness standard...we remain interested in seeing RENs provide value (or the promise of value)...We also remain interested in seeing improving TRC estimates over the long run...¹⁰

PG&E understands that RENs are intended to conduct activities that IOUs cannot, or do not, intend to undertake, and target hard-to-reach markets that can be challenging from a cost-effectiveness perspective. Therefore, PG&E does not recommend a specific threshold cost-effectiveness level at this time. Nonetheless, PG&E suggests that the Commission consider comparing the TRCs of similar IOU and REN resource programs to determine if a reasonable threshold TRC can be informed by this comparison.

B. PG&E Requests that the Commission Clarify the IOU's Role as a Fiscal Agent for the RENs.

Although not one of the enumerated questions in the Ruling, PG&E seeks Commission guidance on the fiscal agent model it originally adopted for the IOUs and RENs, considering the different criteria in place with CCAs and RENs.

Conclusions of Law 4 and Ordering Paragraph 3 of D.12-11-015 provide that utilities should serve as the fiscal managers for RENs.¹¹ A fiscal manager disburses funds to RENs and conducts general management and monitoring activities in compliance with Commission directives. D.12-11-015 states: "RENs will, by necessity, have a contractual relationship with a utility or, in some cases, several utilities."¹² In addition, as part of its fiscal agent role, D.12-11-015 requires the utility to: (1) perform fiscal oversight and monitoring, (2) be responsible for timely advance payments to the RENs for work authorized by the Commission, (3) receive and review of monthly invoices from the RENs to "ensure that activities are in line with the scope of

¹⁰ *Id.*, at 95.

¹¹ D. 12-11-015, at 117 and 130.

¹² *Id.*, at 10.

work and that sufficient budgetary authority exists.”¹³

In authorizing the 2015 portfolios, the Commission again considered the relationship between the IOUs and RENs and maintained the fiscal manager role for the IOUs.¹⁴ Moreover, the Commission clarified, as one means of ongoing customer protections, the “key point to understand is that RENs only get money after they actually spend it. Pursuant to REN contracts with the IOUs, RENs only receive amounts that: (a) we have authorized them to spend; and (b) they have invoiced to an IOU.”¹⁵

PG&E staff currently manage two REN contracts – BayREN and Tri-CountyREN (3C-REN). BayREN comprises the Association of Bay Area Governments and Bay Area Counties. 3C-REN comprises the counties of Ventura, Santa Barbara, and San Luis Obispo.

As part of its future ruling regarding the policy of RENs in energy efficiency portfolios, PG&E requests that the Commission (1) simplify the fiscal manager role and authorize the IOUs and the RENs to jointly determine payment terms, and (2) consider the administrative costs to perform the fiscal manager role in the IOUs’ cost-effectiveness evaluations. These are discussed further below.

1. PG&E Requests that the Commission Authorize the IOUs and RENs to Jointly Determine Payment Terms.

In D.12-11-005 and D.14-10-046, the Commission established the IOUs as a fiscal agent for the RENs which relies on a monthly invoice and payment model. While this was originally established for Marin Clean Energy’s gas savings portion of its portfolio,¹⁶ MCE asked the

¹³ *Id.*

¹⁴ D.14-10-046, at 128.

¹⁵ *Id.*, at 44.

¹⁶ The Commission extended the fiscal agent role to CCA MCE’s gas savings component of its portfolio in D.14-10-046, at 168, Ordering Paragraph 26.

Commission to move to quarterly advance payments of authorized funds and cease the monthly payment and contractual relationship. The Commission granted this request in D.18-05-041.¹⁷

In January 2019, BayREN requested via letter to move to a quarterly advance payment model like MCE. While PG&E is open to this request, PG&E does not believe it has the authority to move to a quarterly payment model without Commission authorization to supersede decisions establishing the fiscal agent role. PG&E requests the Commission simplify the fiscal agent role by authorizing the IOUs and the RENs to jointly determine payment terms. Doing so, as in a quarterly advance payment model, would minimize administrative transaction costs and allow the RENs to receive funding in a more expedited manner.

If the Commission grants the quarterly advance payment model but does not authorize the IOUs and the RENs to jointly determine payment terms, then PG&E requests that the Commission clarify rules regarding the return of any unspent funds.

2. PG&E Requests that the Commission Consider the Administrative Costs for the IOUs.

As part of being a fiscal agent for two RENs, PG&E oversees contracts by: (1) reviewing and paying invoices, (2) managing change orders to contracts when additional funds are authorized, or fund shifts are needed, and (3) coordinating with REN staff on activities in accordance to the Joint Cooperation Memos filed with Annual Budget Advice Letters.

The administrative tasks can take significant staff time. For example, invoice processing usually requires multiple levels of oversight due to the high amounts of funds to be paid. There are many details to track due to multiple subprograms, each one with separate administration, marketing, implementation, and incentive costs. If unique circumstances require additional staff attention, the management of these administrative tasks can take more than 1 full-time equivalent

¹⁷ D.18-05-041, at 115.

employee.

In addition, the 3C-REN contract is unique in that the REN program is fiscally managed by three IOUs – Southern California Gas Company, Southern California Edison, and PG&E. Contract creation has taken considerable staff time between all parties involved because of legal considerations and the high dollar amount on the contract. This requires multiple levels of approval from the three IOUs.

PG&E staff time spent on REN administrative tasks are absorbed in PG&E's portfolio. If the Commission wishes to maintain the fiscal agent role of the IOUs with the RENs, PG&E requests that the Commission consider the administrative costs to perform that role in the IOUs' cost-effectiveness evaluations.

II. CONCLUSION

For the foregoing reasons, PG&E recommends that the Commission do the following:

- Require RENs to meet certain cost-effectiveness criteria, and compare the TRCs of similar IOU and REN resource programs to determine if a reasonable threshold TRC can be informed by this comparison, and
- Authorize the IOUs and the RENs to jointly determine payment terms; and permit fiscal manager administrative costs to be in the IOUs' cost-effectiveness evaluations given the significant time and resources required for IOUs to perform this function.

Respectfully Submitted,

JENNIFER REYES LAGUNERO

By: /s/ Jennifer Reyes Lagunero

JENNIFER REYES LAGUNERO

Pacific Gas and Electric Company

77 Beale Street, B30A

San Francisco, CA 94105

Telephone: (415) 973-2361

Facsimile: (415) 973-0522

E-Mail: Jennifer.ReyesLagunero@pge.com

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