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04/16/19
04:59 PM

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 21, 2013)

OPENING COMMENTS OF THE ASSOCIATION OF BAY AREA GOVERNMENTS, ON BEHALF OF THE SAN FRANCISCO BAY AREA REGIONAL ENERGY NETWORK (#941) ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENT ON FUTURE OF REGIONAL ENERGY NETWORKS

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For the San Francisco Bay Area
Regional Energy Network (BayREN)

Dated: April 16, 2019

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I. Introduction

Pursuant to the March 27, 2019 Administrative Law Judge's Ruling Seeking Comment on Future of Regional Energy Networks (the Ruling), and in accordance with the Commission's Rules of Practice and Procedure, the Association of Bay Area Governments (ABAG), on behalf of the Bay Area Regional Energy Network (BayREN), submits these opening comments. Led by ABAG, the BayREN implements effective energy saving programs on a regional level and draws on the expertise, experience, and proven track record of San Francisco Bay Area local governments to develop and administer successful climate, resource, and sustainability programs.

Since its inception, the BayREN has been addressing the three areas indicated by D.12-11-015 in in the formation and implementation of programs: filling gaps that the investor-owned utilities (IOUs) are not serving; developing programs for hard-to-reach markets; and piloting new approaches to programs that may have the ability to scale and offer innovative avenues to energy savings. The Regional Energy Network (REN) model uniquely leverages a significant roster of local government stakeholders, including Community Choice Aggregators (CCAs) and Local Government Partnerships (LGPs), to play a key role in supporting AB 32, SB 350, AB 802, and AB 758 mandates; designing and implementing demonstration projects to deliver Integrated Distributed Energy Resources; and provides grid integration support at the regional level.

The effectiveness of a regional approach to addressing challenges facing our state, including greenhouse gas emissions (GHG) reductions has been recognized by the Legislature, in SB 375 (the sustainable communities' strategies) for example; a regional model is equally effective for energy efficiency implementation.

II. Summary of Comments

These comments focus on several key areas:

- The REN programs have and continue to meet the criteria established in Decision 12-11-015, and it is premature to apply different criterion;
- The RENs are getting the results that were proposed to the Commission, including offering innovative programs to underserved markets;
- The RENs and Community Choice Aggregators are not in competition, but rather work together in a collaborative manner thereby offering more holistic programs to their shared customers;
- The Commission-articulated reason for not applying a cost-effectiveness requirement for REN programs continues to apply;
- The third REN criterion should be modified to include underserved markets; and
- We request that there be a Commission (staff) led workshop on the RENs to further address these issues and afford a greater opportunity for stakeholder input. In addition to the questions posed in this Ruling, we recommend that the staff led workshop also consider the following topics:
  - Value of the RENs to the communities they serve outside of cost effectiveness, i.e. achievement of environmental goals, number of underserved program participants;
  - Examples of how the RENs and CCAs have worked together to offer more impactful programs to their shared customers;
  - Modification to the third REN program criteria to "hard-to-reach, **or underserved;** and
  - Potential new role for the RENs in light of changes to the LGPs.

Some of the issues and questions in the Ruling have been presented before in R.13-11-005, i.e. January 12, 2016 Administrative Law Judge's Ruling Requesting Comments Regarding Regional Energy Networks. We acknowledge that parties are resource constrained and many, by their own admission, have not submitted comments on the rulings relating to the RENs. Indeed, during the preparation of the Business Plan (the Plan, or BP) and our presentations to the California Energy Efficiency Coordinating Committee (CAECC), several members and stakeholders conceded that they had not read the BayREN Plan. Others focused solely on a single element, such as the portfolio Total Resource Cost (TRC) and were thereby critical of the RENs without reading the multitude of other benefits provided by REN programs both in performance as well as the value provided to underserved ratepayers. Given the magnitude of the questions posed in this Ruling, we urge at a minimum that a Commission (staff) led workshop be held and the stakeholder input provided therein be considered prior to a Commission Decision regarding the RENs. Further, we ask for the Commission to make a final and resolute commitment to the RENs and their value and benefit to helping to achieve the CPUC's and State's goals. As a Program Administrator (PA) that has an approved Business Plan, that is actively implementing programs, conducting outreach throughout the region, and pursuing new partnerships for funding and program leveraging, having continued uncertainty about our status as an administrator has previously, and will continue to limit our activities and effectiveness.

We provide detailed responses to the questions posed in the Ruling below, but offer additional thoughts, as invited by the Ruling.

III. RENs: What We Are, What we Were Approved to do, and Achieving Results

To answer the questions posed in this Ruling, the history and context of the RENs is worth revisiting. With leave from the Commission in 2012 the Local Government Sustainable Energy Coalition (LGSEC) filed a Motion to Establish and Fund Local Government Regional

Energy Networks.[1] One of the primary arguments presented for the formation of RENs was the shortcomings of the existing energy efficiency (EE) program structures:

> The existing utility local government programs, primarily "partnerships" between the utilities and local government entities, adhere to a program focus that is less integrated and less comprehensive than what is needed both currently and, in the future, and are limited in scope to a small number of "core" programs. Existing partnerships with utilities can result in more cumbersome, and sometimes duplicative, administrative processes that are more expensive for ratepayers than need be. They may also place an undue focus on maximizing short-term utility shareholder returns vs. supporting the holistic and long-term sustainable energy management needs of local communities. The one-size-fits-all approach offered by the utilities frequently does not address the unique energy opportunities and needs of regions, sub-regions, and individual communities.
>
> The Regional Energy Networks will provide the support and impetus for comprehensive local government energy management action which can fill gaps in utility programs, complement and leverage existing utility local government partnerships, and cause much greater reductions in energy use and greenhouse gas emissions. Regional Energy Networks will also access funding and resources from other non-ratepayer sources, work collectively with other State agencies, and develop coordinated, comprehensive regional and local sustainability programs.[2]

In D.12-11-015, the Commission granted the LGSEC motion and approved the first RENs, noting that "[t]he REN concept invitation by the Commission represents the culmination of a number of events over the past several years, including provision of federal American Recovery and Reinvestment Act (ARRA) funding for EE purposes to local

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[1] R.09-11-015 Motion of the Local Government Sustainable Energy Coalition to Establish and Fund Local Government Regional Energy Networks (LGSEC Motion).

[2] LGSEC Motion, pages 4-5.

governments, which built local capacity, as well as several years of hearing increasingly vocal complaints from local governments that utility LGP approaches were not meeting their needs."[3] D.12-11-015 also provided the three criteria upon which REN programs will be evaluated, discussed in response to Question 4 below.

The BayREN, in addition to satisfying these criteria, has also achieved many of the goals set forth in the LGSEC motion.

We have filled gaps and leveraged existing Local Government programs:

- San Francisco Energy Watch leverages the BayREN multifamily program (BAMBE) to offer a more expansive energy retrofit program resulting in greater energy savings.
- Partnered with PG&E, MCE and the Bay Area Air Quality Management District (BAAQMD) on the Advanced Energy Rebuild incentive.
- Marin County received funding from the BAAQMD to incentivize fireplace removal, and combined outreach with the BayREN Home Upgrade program to allow for a more expansive residential offering to its residents, resulting in increased energy efficiency and reduced greenhouse gas emissions.

BayREN has obtained non-ratepayer funds that have been used as an adjunct to our existing programs, including:

- BRICR (BayREN Integrated Commercial Retrofits): U.S. Department of Energy grant used to support innovative approaches to assessing the Small to Medium Commercial Buildings (SMCB) at scale for accelerating, targeting and delivering EE to this sector. This tool will be vital to the BayREN redesigned commercial program.
- City of Berkeley BEAT project: BayREN, as a sub consultant to the City of Berkeley on its CEC funded Microgrid demonstration project, served as a conduit of information about this unique project.
- Heat Pump Water Heater Regional Market Transformation (BAAQMD): BayREN received a grant to address the barriers to greater market adoption of energy efficient

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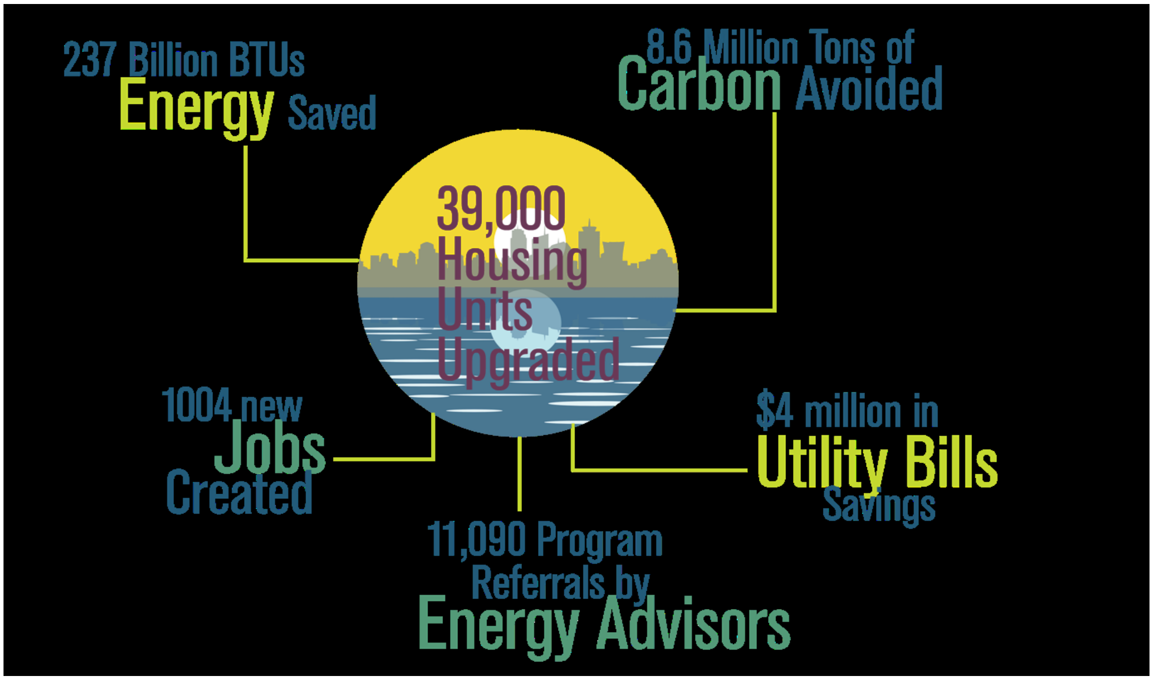
[3] D.12-11-015, at page 8.

Heat Pump Water Heaters. Central to this effort is the leveraging of the BayREN multifamily program, as well as partnerships with Bay Area CCAs.

BayREN's achievements to date, reflected in this graphic, speak for itself[4]:



IV. Answers to Questions for Parties

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?*

a) RENs are of Increasing Importance

The energy efficiency landscape is changing at a fast pace. 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. The RENs, particularly those that

[4] Cited impacts align with BayREN CPUC claimed savings through December 2018 and general BayREN and local government reporting.

have been operating since 2013, are demonstrating in a consistent fashion their ability to address these challenges.

RENs are increasingly appropriate and valuable considering the proliferation of CCAs and the reduced resources and capacity of the LGPs which has thereby reduced LGP reach and agility. The territories of the existing RENs are larger than those of the CCAs and LGPs, which allows RENs to operate at scale – something that is more appropriate for certain program operations. Broader regional consistency affords a more stable customer experience, contractor engagement, and economies of scale. Moreover, the RENs' innate 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 participating contractors, 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.

At the time of D.12-11-005, many Bay Area cities and/or counties had robust local government partnerships with PG&E. The LGP programs were for the most part different than BayREN's portfolio, and if there was overlap in a market, the programs would be combined to offer deeper energy savings and more expansive offerings, such as the San Francisco Energy Watch partnership multifamily offering and BayREN's BAMBE program. Further, these LGP were typically managed and directed by the IOUs with limited opportunity for the local jurisdiction to design, direct or innovate the program resources. One of the Commission's original intentions when approving the REN model was to be additional to and not instead of LGPs[5]. The need to augment and/or supplement LGPs is more relevant now given the significant decrease in the LGP budgets resulting in a decline of programs and in some counties, a discontinuation of all programs. With their approved BPs, and an increased percentage of third party implementation of their portfolios, the IOUs have significantly

[5] D.12-05-015, at page 13.

reduced funding and programs for all LGPs, focusing local governments to non-resource activities in 2020 and beyond. With very limited potential exceptions, the LGPs are unlikely to be involved in future resource program administration nor implementation.

In short, the role of the LGPs across the state has lessened because of the significant reduction of budgets and choices of programs. Accordingly, any perception that the RENs are duplicating the LGPs is misplaced. BayREN requests that the Commission consider an expansion of the RENs to include some or all the activities previously performed by the LGPs in their territories, at the election of the LGP.

b) Most CCAs are not Offering Energy Efficiency Programs

When D.12-05-015 was issued, there was only one CCA in the Bay Area: Marin Clean Energy (MCE).[6] MCE applied to be a program administrator at the same time as ABAG applied on behalf of BayREN and is one of two CCAs in the state that has applied or elected to administer ratepayer funded programs. In BayREN's territory, while there are CCAs now operating in all of the nine counties, none have – or to BayREN's knowledge intend to – apply in the near future for ratepayer funds for administration of EE programs.

CCAs allow local governments to procure power on behalf of their residents, businesses, and municipal accounts from their chosen suppliers while transmission continues to be provided from their existing utility.[7] 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. The mission of the Bay Area CCAs' extends beyond providing competitively priced and a greener form of electricity for their customers and most of the Bay Area CCAs offer some customer programs. The focus of these programs, however, has been primarily on transportation and building electrification, activities that cannot be funded with EE dollars. Many of the Bay Area CCAs are also interested in demand response programs that deliver services that, as noted in the Sonoma Clean Power Integrated Resource Plan, "are designed to provide positive grid impacts

[6] At the time of this Decision, MCE was known as Marin Energy Authority.

[7] See e.g. AB 117, SB 790, and Public Utilities Code Sections 331.1, 366.2.

including renewable integration/system reliability, load reducing, load shifting, and minimal load impact."[8] These programs have been mainly grant or self-funded. The ability for CCAs and RENs to partner and compliment services is important. New approaches to Distributed Energy Resources (DER) and community-scale solutions require a CCA like entity to manage and oversee energy procurement efforts as that is not the RENs' purview. Conversely, a REN may be better suited to address house-by-house or business-by-business efforts, which are more time consuming and unable in most cases to meet the stringent cost-effective thresholds required of CCAs.

BayREN and the Bay Area CCAs are not in competition with one another, but rather have forged valuable partnerships and collaborate regularly. Some examples of BayREN member agencies and Bay Area CCA's efforts include:

- StopWaste (BayREN member for Alameda County) and East Bay Clean Energy (EBCE):
  - Representative of EBCE attends the StopWaste monthly Technical Advisory Group (all 15 jurisdictions in Alameda County); EBCE holds an hour-long monthly meeting with its 12 jurisdictions immediately following the TAG meeting.
  - The two agencies are in the process of executing a data sharing agreement whereby EBCE will provide StopWaste with more detailed customer energy usage information so that they can more effectively target and market the BayREN programs in their shared territory.
  - EBCE is being kept informed of and collaborating on the BayREN Regional Heat Pump Water Heater market development project (with BAAQMD funding) and may consider adding incentive funding from their own internal funds.
- County of Marin and MCE (for Marin):

[8] Viewable at https://sonomacleanpower.org/uploads/documents/SCP-FINAL-IRP-10-04-18.pdf, page 43.

    - Monthly face to face meetings between County (and BayREN) staff and MCE Programs coordinator.
    - Coordination discussions on all energy programs including EE and PACE. On EE, we focus on leveraging each other's programs, filling gaps and avoiding duplication and customer confusion.
- San Mateo County (SMC) and Peninsula Clean Energy (PCE):
    - PCE has been invited to every Single Family and Multifamily workshop hosted by SMC, and PCE often presents about its local programs and organization to attendees.
    - SMC BayREN Single Family outreach team shares PCE outreach collateral at tabling events.
    - The San Mateo Energy Watch (LGP) developed toolkit in SMC libraries has PCE information in handbook alongside BayREN Single Family program information.
    - SMC BayREN staff have shared local outreach best practices with PCE including connecting PCE to community organizations, outreach tools, and to County social media pages.
- Sonoma County Regional Climate Protection Authority (BayREN member for Sonoma County) and Sonoma Clean Power (for Sonoma):
    - Sonoma Clean Power provided funding to the BayREN multifamily program (BAMBE) implementer to provide technical assistance to Sonoma County BAMBE participants regarding EV charging infrastructure and provide referrals to the SCP EV program.
    - BayREN developed and provided trainings and permitting guides to help in the rebuild efforts after the horrific 2017 Tubbs fire.
- BayREN Codes and Standards staff has had multiple separate conversations with PCE, Silicon Valley Clean Energy, and EBCE, and attended a meeting of all CCAs, in which they provided the regional and state context for reach codes and provided background and technical information. In addition, BayREN staff connected CCAs to other reach code efforts: statewide efforts, efforts by advocacy groups in the Bay Area, and efforts occurring in cities in other regions. BayREN

county representatives have also been working closely with CCA staff in Sonoma, Alameda, and San Mateo Counties especially.

The importance of the Bay Area CCA-BayREN partnership – as well as the benefit of a regional approach, is well articulated by the Director of Energy Programs, PCE, in a letter of support to the BAAQMD grant application for the project "BayREN – Heat Pump Water Heater Regional Market Transformation": "BayREN is a highly effective lead on a regional program and we look forward to collaborating with the team to accelerate electrification and transform the regional market….The project leverages existing BayREN programs and CEC grants, along with support from local governments, municipal utilities and CCAs….We support a regional program approach which can catalyze market transformation and address the many persistent barriers that cannot be addressed at a local scale."

We do not minimize the implications of the "proliferation of CCAs" and their statutory authority to elect or apply to administer energy efficiency programs; however, the above illustrates the existing collaboration between BACCAs and BayREN, and how it has resulted in more expansive offerings to our shared constituents and addressing needs beyond energy efficiency. Even if all BACCAs wanted to seek ratepayer funds, the investment to do so is significant and the process is long, not to mention the time it takes to design a program and start implementation.

c) The RENs Provide Value that is not Offered Elsewhere.

The RENs bring the following unique values:

- RENs have a unique opportunity for scalability because they cover a larger territory as compared to most CCAs and LGPs.
- The RENs offer a framework to bring diverse local governments together to share administrative resources and design programs that target customer classes most appropriate for, and in need of, local government intervention.
- By their charter, a primary focus of the RENs is filling gaps in the energy efficiency marketplace. Ensuring these programs filling gaps will consistently be available to customers will be particularly valuable during PG&E's transition to third-party (3P) implementation and the resolution of its bankruptcy.

- The RENs can and have leveraged other utility, CCA and LGP programs, resulting in more comprehensive retrofits.
- RENs can design, develop, and direct funds based on local government priorities, free from IOU constraints as is the case with LGPs.

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

The Commission and Energy Division should work collaboratively with the RENs as they proactively adjust their programs to continuously improve their effectiveness in serving state and local goals. It is premature to decide whether cancelling programs would be appropriate, because the programs will likely have evolved by 2025. Further, the legislative and regulatory context around energy usage will plausibly be drastically different by 2025, and the role of RENs and their programs may be strengthened rather than diminished.

The REN programs and organization have been an important complement to the IOU programs and have demonstrated what a mission-driven entity can do to address some of the most challenging barriers in EE. The REN's requirement to fill gaps, address hard to reach audiences, or provide programs the IOUs will not, is essential to ensuring that ALL Californians have access to affordable EE solutions. Cancelling these efforts after the infrastructure and programs are finally operational and showing results would in our opinion be a waste of ratepayer investment. Canceling the RENs would not only result in the ending of successful EE programs; it would also force the closure of other programs (with different funding sources) that have the RENs as necessary partners.

A central reason for the development of the BayREN is to serve members of urban communities that have been historically underserved by IOU efficiency programs. These communities include low to moderate income households, minority populations, small businesses - especially within minority and ethnic neighborhoods, multifamily housing that serves lower income communities and non-profit and government agencies that provide critical services such as job training, homeless shelters, housing related services, and physical and mental health care clinics. Critical additional barriers include language, education, lack of trust, lack of mobility and inability to afford even some basic daily essentials. All of these populations pay for utility services, either directly or indirectly, yet because they are more difficult to reach and have fewer resources for cost sharing, they are significantly underrepresented in the EE Portfolio.

While some efforts have been made by utilities to reach these historically underserved populations, continued pressure on the IOUs to improve cost effectiveness and meet increased annual kWh savings goals has meant more emphasis on targeted markets that have abundant and scalable cost-effective savings potential, such as commercial lighting, and less emphasis on hard to reach markets with plenty of savings opportunities, but are difficult to reach, potential participants have limited ability to cost share, and the savings opportunities are smaller per customer.

A decision to cancel existing RENs or prevent formation of new RENs would be a significant loss to underserved customer classes, at a time of great risk as the third-party solicitations are just ramping up. The IOUs have not offered programs in these underserved markets and with an increased TRC and third party requirements, it is even less likely that these underserved markets would have any programs in which they could participate. Without the RENs who are designed to serve these markets, the underserved ratepayers would continue to be underserved. Indeed, this is the worst time to cancel programs that are seeing success with innovative programs in sectors where the IOUs chose not to or were unable to successfully do so.

The Commission should hold a workshop on the issues identified in this Ruling, and additional workshop if the Commission decides to further explore how the RENs benefit underserved communities. The Commission should allow time for the RENs to appropriately address identified areas of deficiencies, while amplifying areas of values to the communities.

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

Each region is unique, with a diversity of constituents and energy needs. New REN-applications should be considered, and programs evaluated based on the established criteria in D.12-11-005. With the significant reduction of LGP budgets and the movement to third party contracting and increased TRC requirements, it is likely that underserved customers will be largely ignored. New RENs could fill this gap and ensure an equitable distribution of ratepayer funds across the state. RENs offer a unique opportunity for the CPUC's Energy Efficiency Portfolio to continue to benefit from regional program administration.

To make this process easier for prospective RENs, existing Program Administrators (PAs), and the CPUC to navigate, the Commission could engage with CAEECC to develop a process like the IOU third party solicitations. Drawing from a specified set of existing data (which could include current Joint Cooperation Memos (JCM) for PAs in the prospective REN's territory, templated PA portfolio summary reports to be developed out of CEDARS, the revamped Potential and Goals study, and an annual "Policy and Program Alignment Assessment" within CPUC EM&V efforts as proposed in our response to Question #11 below), a "REN Abstract" could serve as an initial screening tool to ensure that prospective RENs meet a minimum threshold of preparedness and differentiation, and the proposed activities are consistent with approved REN criteria. RENs with successful abstracts could then be invited to develop Business Plans. This would provide a more reasonable initial path forward for prospective RENs while not over burdening the CPUC, PAs and stakeholders with having to invest in the development/review of Business Plans for every prospective REN.

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?*

The first criterion (activities that utilities cannot or do not intend to undertake) and the second criterion (pilot activities where there is no current utility program offering, and where there is potential for scalability to a broader geographic reach) are still appropriate for the RENs.

BayREN does not agree that the third criteria (pilot activities in hard to reach markets, whether or not there is a current utility program that may overlap) is appropriate in light of the new definition of hard-to-reach (HTR) articulated in D.18-05-041, and proposes a modification. Prior to this Decision, three of BayREN's programs met the HTR definition quoted in this Ruling. However, the new HTR definition was changed so that there are added criteria for BayREN's territory; additions that will be difficult if not impossible to meet.

BayREN suggests that the third criteria be modified to say hard-to-reach **or underserved**. If a REN asserts that a program serves an underserved market, it must present "concrete data and analysis" to justify this position[9]. To ensure that the market continues to be underserved, in the annual JCM, the REN shall provide updated data to establish the sector continues to be underserved if relying on this criterion. This suggested change is consistent with prior Decisions:

> The Commission has grappled with defining hard-to-reach, or the closely related and often interchangeably used term "underserved," since as early as the late 1990's.[10] The Commission's primary concern at that time was that the utility programs were not making progress in expanding program reach into the customer segments that had historically not participated in ratepayer-funded energy efficiency programs at the level of their representation as ratepayers. The Commission also recognized that "underserved" or "hard-to-reach" are not static terms, and that a particular customer or market-segment, once targeted for program participation, is no longer underserved relative to others that program administrators have yet to target.[11]

BayREN's single family program is a prime example of a program design that targets an underserved – but not HTR under the current definition - sector. As detailed in the Business Plan, BayREN targets moderate income households, defined as having incomes between $48,000 and $125,000, and includes both homeowners and renters. In the Bay Area, this represents 34% of owner occupied homes and another 30% of all single family rentals. A recent American Council for an Energy-Efficient Economy (ACEEE) study[12] found that of 66 California Energy Efficiency programs analyzed, there was a large gap in in services particularly for the moderate income population. With increased cost-effectiveness requirements for the IOUs, it is unlikely that this large population of ratepayers would be served without the BayREN program.

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[9] D.18-05-041, at page 47.

[10] See, e.g., D.00-07-017, at 79, and D.01-01-060 at 4, 9 and 29; and D.01-11-066, at 3, 6-7.

[11] See D.18-05-041, at page 44.

[12] M. Frank and S. Nowak, "Who's participating and Who's Not? The Unintended Consequences of Untargeted Programs", American Council for an Energy Efficient Economy, 2016.

Separate but related is the insufficiency of the mechanisms currently employed by the CPUC and PAs to establish the status of these criteria. For example, while the JCM is a useful mechanism to articulate how existing or planned programs offered by PAs with overlapping territory are not duplicative, there is no mechanism to identify service gaps within a territory. Most challenging, especially with the evolving third party programs, is that though RENs are approved to undertake "[a]ctivities that utilities cannot or do not intend to undertake", there is no mechanism available to readily identify those activities. We urge the CPUC and stakeholders to focus on better equipping PAs with the tools to fully understand the gaps within their collective service offerings, especially in light of California's policy goals for existing buildings. The "Policy and Programs Alignment Assessment" recommended in response to Question number 11 below, is a start.

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

REN programs should only have to meet one of the three approved REN criteria. Requiring REN programs to meet all three would significantly limit BayREN programs given D.18-05-041 affirmed the definition of HTR adopted in Resolution G-3497 with a slight modification. This not only created additional hurdles to providing effective energy efficiency to disadvantaged and expensive-to-serve customers in urban areas like the San Francisco Bay Area, but also created an unintended adverse effect upon equity.

Requiring all three REN criterion to be met would also significantly reduce the ability of REN programs to help ensure the CPUC EE portfolio has a range of programs and services available to assist all customer classes achieve the energy savings targets established by California state and local governments.

PG&E in its Comments Regarding 2018-2025 Rolling Portfolio Energy Efficiency Business Plan and Budget[13], raised this same question, when asserting that BayREN programs

[13] A.17-01-013, et. al., Pacific Gas and Electric Company's Opening Comments on the Energy Efficiency Business Plans, at page 31.

should not be approved unless a showing was made that all three criteria were met. In BayREN's Reply Comments we note:[14]

> PG&E (again) inaccurately claims that BayREN and 3C-REN programs should not be expanded and approved because they do not meet the objectives of D.12-11-015 and D.16-08-019. To qualify for consideration, a REN program activity must meet one or more of the following criteria to be considered for approval:
>
> 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
>
> The Commission did not direct that all three criteria had to be met prior to approval, especially since some of the criteria, such as one and three, are potentially mutually exclusive. [15]
>
> Nevertheless, PG&E asserts that the "Regional Energy Network (REN) expansion proposals do not meet the objectives for REN proposals in D.12-11-015 and D.16.08-019[]… [because] PG&E does not believe the REN proposals meet criteria (1) and (3)." This is a red herring since only one criterion needs to be met, and by its own admission, the second criteria has been established.

This issue was asked and briefed in A.17-01-013, et. al. and the Commission in D.18-05-041, did not agree with PG&E's position as the Commission did not provide any different direction than what is in the Policy Manual. Indeed, the only change that did occur in that

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[14] A.17-01-013, et. al., filed on October 13, 2017, Reply Comments of the Association of Bay Area Governments, on Behalf of the San Francisco Bay Area Regional Energy Network (CPUC #940), Regarding 2018-2025 Rolling Portfolio Energy Efficiency Business Plan and Budget, at pages 5-6.

[15] D.12-11-015, page 17, and D.16-08-019, page 11; CPUC Energy Efficiency Policy Manual, July 2013 at page 15. *See also* D.12-11-015, at page 14 regarding the applicability of the Policy Manual to the RENs.

Decision relates to the definition of HTR making it nearly impossible for BayREN to satisfy this criterion. Requiring satisfaction of all three current criteria would result in program gaps that the utilities will not fill, leaving underserved sectors and/or segments of the population will be without EE service.

BayREN incorporates our answer to Question Number 4 above, as many of the comments are equally relevant in response herein.

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.*

Please see BayREN's response to Question 3, above. Additionally, when considering approving RENs that overlap with existing RENs, the Commission should require an additional metric in their application/business plan. Specifically, the Commission should require a detailed description on how the new REN's offerings are not duplicative, but also fill gaps between the existing IOU portfolio *and* existing REN programs. Moreover, the Commission should require the new RENs to file an annual JCM between the overlapping REN to prevent market-confusion.

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

In D.14-01-033, the Commission ruled that first-time applicants' proposals are reviewed at any time. As such, new RENs should enjoy equal treatment. If the Commission determines that it is appropriate to consider the formation of new RENs, it should be in advance of the annual regulatory filings such as the Joint Cooperation Memo and the Annual Budget Advice letter (ABAL). Further, any new REN should be required to follow the CAEECC procedures for stakeholder input on a proposed business plan.

8. *REN sector limitations. 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.*

No. The question of sector should be irrelevant, rather the analysis should be: who can best fill the gap and serve the sector? The Business Plan process was designed to vet program ideas and to allow for stakeholder input about the best approach. Accordingly, neither the RENs nor any PA should be limited to a specific sector based on the type of PA they are.

Programs depend on market demand. Segmenting program sectors limits a PAs ability to support and grow a market for energy efficiency services.

REN programs should demonstrate that they fill a gap and help the state achieve its energy related policy goals, particularly those hindered by constraints on IOU program design. Because these gaps may change over time, it is premature to determine specific sector limits for the RENs, especially with the shift to third party administration of programs that will result in changes to the IOU portfolios.

D.12-11-015 chartered the RENs to conduct specific activities that demonstrate value to their communities, and additional restrictions are not only unnecessary, but also are antithetical to the spirit of the RENs. The three REN criteria are appropriate to the unique skills of local government entities as program designers, outreach channels and implementers to these challenging sectors. They are well-designed because they are flexible; REN program opportunities can, and should, vary based on location since the portfolio holes vary widely across the state. If the RENs are meant to fill gaps, by definition they must have flexibility to assess existing programs and their successes to best focus their program design.

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

No, the RENs should not be limited to offering a certain type of program or within a specific Sector. RENs should be allowed to offer and implement a variety of programs, resource and non-resource across all sectors, assuming they meet one of the criteria in D.12-11-015. Limiting the RENs in this manner is akin to requiring General Motors to designing and manufacturing only one type of automobile.

In D.16-08-019, the Commission concluded that REN Business Plans should be treated on a case-by-case basis and evaluated alongside the business plan proposals of the other program administrators. BayREN's Business Plan - which set forth a ten-year vision with clear goals, strategies and tactics to increase the access and availability of energy efficiency services to a broad range of ratepayers and sectors - was approved (with slight modifications) in D.18-05-041. Accordingly, it would seem contrary to the intent of the Commission to now revise that Decision and apply limitations. The established criteria for REN programs is sufficient.

It bears repeating that there are reasons why there are gaps and why the IOUs may not want to or cannot serve a particular audience. Beyond the "hard-to-reach" issue, these reasons include difficulties in meeting stringent cost-effectiveness goals, lack of clear program designs that are scalable and suited for IOU program delivery methods and/or addressing markets that do not value or understand how or why they should work with a utility company, especially after the unfortunate surge in wildfires across the state. If the programs RENs can offer are limited, the gaps would be unfilled, thereby leaving out large swathes of the market and ratepayers.

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?

The RENs are not subject to the same cost-effectiveness test that the IOUs are because of the limitations on the programs that they can offer.[16] Specifically, the RENs are charged with implementing those programs that are the most difficult to design and implement, and programs that the IOUs do not want to offer for these reasons. BayREN agrees with and follows CPUC guidance to have an eye towards cost-effectiveness. BayREN has also followed CPUC guidance to develop programs that meet the approved REN criteria, while prioritizing program areas aligned with state policies and local climate action goals that focus on achieving deep savings in the existing residential and small commercial sectors. Given this, it is not realistic - as recognized by the Commission - to expect REN programs to be cost-effective within the traditional IOU definition.[17] With these restrictions, and far smaller portfolios, RENs do not have the advantage of using high savings programs (such as industrial, agriculture, primary lighting or large commercial) to balance residential and small commercial activities that historically have low cost effectiveness. As indicated in D.12-11-015, "it becomes the responsibility of the Commission to approve a portfolio, including both

[16] *See e.g.* D.12-11-015, COL 14: "There should not be a minimum cost-effectiveness threshold for approval of REN [] proposals. However, the RENS and [] should strive to deliver the most cost-effective programs possible. This does not result in the Commission holding RENs...to a different standard than the utilities. *Similar programs should be considered similarly, regardless of who is delivering the program.*" (emphasis added.)

[17] D.12-11-015, at page 19.

utility and REN proposals that is cost-effective overall."[18] This approach is important, valuable and needs to be carefully operationalized so that proposed activities and subsequent EM&V for approved activities are considered within this context of the entire EE portfolio for the RENs. BayREN sees a role and place for both the large scale, broad reaching programs offered by PG&E and the more targeted and hands-on approaches of the BayREN. Together we reach a larger segment of the population and ratepayers.

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.

The BayREN programs have met their performance metrics as set forth in D.12-11-015. If the performance measure is to try to find ways to break through these tough markets – for which there are many - then the REN programs now and in the future are essential, not necessarily in their current formation, but in concept. If instead, the Commission determines that the REN programs may only exist if they meet the same TRC test as the IOUs, then the result will be a continuance of business as usual and large markets will remain untapped because no one is trying to determine a way to break through. The programs the RENs have taken on traditionally have low TRCs, and have not been offered by the utilities because they have not found a way to make the programs cost effective. By focusing on program designs and other initiatives in existing residential and commercial buildings in support of state policy, the RENs remain one of the only program administrators enabled and encouraged to find these much needed break through.

We believe metrics are essential to measure progress and to ensure that programs are meeting their objectives. However, because RENs have been restricted in the type of

[18] D.12-11-015, at pages 17-18

programs they are allowed to implement, their portfolio of programs (i.e., portfolio TRC) should not be compared to the portfolios of the IOUs. Rather, individual programs should be compared to similar programs from other PAs. We believe it is not appropriate to be held to a specific cost effectiveness threshold given the restrictions on the type of programs allowed. It *is* appropriate to develop a different measurement designed for RENs that balances the unique mission that we have undertaken to reach these hard-to-reach and underserved markets and the co-benefits of our programs. Indeed, the limitation on REN program offerings and the need to be held to a different metrics than the IOUs was recognized in D.12-11-015: "It should be noted 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, because, if successful, their pilot approaches could lead to breakthroughs for more cost-effective solutions in the future. They should, however, be encouraged to find cost savings and additional energy savings and other benefits to the extent possible and improve their cost-effectiveness over time."[19]

It is generally accepted that the multifamily sector is a tough market to penetrate for energy efficiency. The BAMBE program - which requires a minimum of 15% energy savings, while not cost-effective within the traditional definition, has been widely successful in terms of program design (and recognized by ACEEE as such) and the number of units retrofitted. What is more, BayREN, MCE and PG&E have worked closely to develop a referral tree for customers to ensure both that property owners are referred to the most appropriate program that meets their needs, and that the greatest amount of energy savings from the project will result. Discontinuing the BAMBE program because it is not cost-effective within the traditional sense, would leave a huge gap in this already elusive market. Moreover, many of the BAMBE participants undertake more extensive energy efficiency measures long after the first upgrade, in part because of continued engagement by program staff. Discontinuing BayREN programs because they do not meet traditional cost-effectiveness would be short sighted.

[19] D.12-11-015, at p 19.

BayREN is closely monitoring R.14-10-003 and the adoption of a new Cost-Effectiveness Analysis Framework. BayREN is interested in how the proposed Societal Cost Test (SCT) may be used to help evaluate the effectiveness of BayREN programs. As currently proposed for testing through December 2020 in R.16-02-007, the Integrated Resource Plan and Long Term Procurement Plan, BayREN believes the SCT may be a useful metric given its use of a societal discount rate, an avoided social cost of carbon, and an air quality adder value.

The SCT inputs align closely with the priorities of BayREN and its partner agencies, including Bay Area local governments and the BAAQMD. The SCT, as proposed, could be a powerful tool to further demonstrate value to, and unlock potential funding from these and other agencies, which would in turn further amplify the impact of the ratepayer dollars. In part because of this as well as the other arguments set forth above, BayREN believes it prudent to wait for the SCT to be available for use within the EE portfolio before considering any cost-effectiveness threshold for the RENs.

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.

We urge the CPUC to also consider studies and other efforts that would better inform the collective understanding of the value of the RENs. These efforts should focus not on the REN programs themselves, but on what policies and associated customer segments the PAs collectively are - or are not - serving. A "“Policy and Program Alignment Assessment” for example could focus on questions such as:

- What programs are disappearing as the LGPs are defunded or cutback?
- What customer segments are not being served by third party programs?
- What strategic high value state policy goals (e.g., deep retrofits of existing residential buildings) are not being met by PAs?

This type of assessment could provide valuable information not only for the evaluation of REN programs (i.e., what gaps are they successfully filling) but also for the development of new programs that would cleanly fit within the approved REN criteria.

V. Conclusion

We look forward to working with the Commission on these important issues and would be more than willing to assist with the preparation and planning of a staff led workshop on the topic of the RENs.

Respectfully submitted,

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For the San Francisco Bay Area
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Dated: April 16, 2019