

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking Concerning
Energy Efficiency Rolling Portfolios,
Policies, Programs, Evaluation and
Related Issues.

Rulemaking 13-11-005
(Filed November 21, 2013)

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

Jennifer K. Berg
Assistant Director
Association of Bay Area Governments
375 Beale Street, 7th Floor
San Francisco, CA 94105
(415) 820-7947
jberg@bayareametro.gov

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

Dated: April 26, 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 this Reply to parties' Opening Comments. Overall, the comments were supportive of the RENs, particularly on their abilities to provide services to underserved markets, and the impacts on local communities. At least one Community Choice Aggregator (CCA), Sonoma Clean Power, voiced strong support for BayREN and illustrated the value of partnerships. While there has been a "proliferation" of CCAs in the Bay Area, there is no indication that there will be any new requests for ratepayer funds. Sonoma Clean Power's comments are indicative of how BayREN has partnered with CCAs to best serve our mutual customers. The perception that CCAs have made the role of RENs irrelevant holds no water and is not borne in reality.

Similarly, there was no evidence provided in the Opening Comments about negative impacts of the RENs on Local Government Partnerships (LGP). To the contrary: several Bay

Area LGPs (i.e. East Bay Energy Watch¹ and County of San Mateo²) commented on how their programs have benefited from BayREN. Comments from Bay Area parties establish that despite changes in the energy landscape, BayREN, CCAs and LGPs work collaboratively and leverage each other's programs to offer more holistic offerings to our shared customers. These efforts have also resulted in partnering to obtain additional funding sources, such as the BayREN BAAQMD grant, that is designed in partnership with several Bay Area CCAs. The Comments make clear that while the energy efficiency (EE) landscape relating to third party procurement, cost-effectiveness and a reduction in local government partnerships has changed since 2012, the RENs are more relevant now than they were then, and the CCAs have not replaced the RENs, but rather have added value.

This Reply will focus primarily on the comments of the Public Advocates Office (PAO), San Diego Gas & Electric (SDG&E), and Pacific Gas & Electric Company (PG&E). Specifically,

- The REN Business Plans were approved *after* D.18-01-004 (Decision Addressing Third Party Solicitation Process for Energy Efficiency Programs), and D.18-05-041 did not require the RENs to wait until the IOU solicitations were complete
- It is not in the best interests of ratepayers to “pause” REN programs after a six-year investment
- The “potential profitability of third-party bidders” should not outweigh the needs of underserved ratepayers

¹ Comments of the East Bay Energy Watch Strategic Advisory Committee on Administrative Law Judge's Ruling Seeking Comment on Future of Regional Energy Networks, at page 4: “Local governments in the San Francisco Bay Area, including those within the East Bay Energy Watch Local Government Partnership jurisdictions of Alameda and Contra Costa Counties represented in these comments, are actively engaged in BayREN as a parallel, supportive, wrap-around and critical forum for delivery of rate-payer funded energy efficiency programs within the nine counties... BayREN coordinates with [East Bay Energy Watch] to leverage programs in the Multifamily Sector, Municipal Sector, and Small and Medium Business (SMB) commercial sector.”

² Opening Comments of the County of San Mateo on Administrative Law Judge's Ruling Seeking Comment on Future of Regional Energy Networks, at page 5: “[I]n San Mateo County, the local REN program, LGP and CCA coordinate with little or no overlap in programs, as a result of funding sources, program priorities, and successful coordination and collaboration.”

- RENS are more relevant now in the new energy efficiency landscape
- RENS are separate Program Administrators, and should not have to compete with private market actors for IOU programs
- The Commission should maintain the current approach to evaluating the RENS and not require the RENS to meet a specific cost-effectiveness standard

BayREN agrees with PG&E that the RENS and IOUs should be allowed to jointly determine payment terms; we also support PG&E's request to consider the administrative costs to perform the fiscal manager role in the IOU cost-effective evaluations.

II. Reply to Party Comments

1. SDG&E and the PAO's Comments that the RENS should be discontinued pending the IOUs solicitation is not in the interests of ratepayers.

In its Opening Comments, SDG&E³ requests a "pause before continuing existing RENS ... program administrators after the first solicitation cycle in 2019-2021."⁴ PAO also recommends the discontinuation of REN programs because of the changes in the EE landscape.⁵ No consideration is given to the impact halting existing programs would have on ratepayers, market actors (i.e. contractors that invested years in BayREN programs), contractual relationships with third party vendors, etc., or how gaps in the market will be filled during the third party procurement. There is also no mention of how these arguments would reconcile with the approved REN Business Plans, and the approved Joint Cooperation Memos (JCM). The lack of logistical detail or effort to address the impact on the marketplace due to a sudden "pause" of REN programs makes these recommendations untenable.

³ Comments of San Diego Gas & Electric Company on the Presiding Administrative Law Judge's March 27, 2019 Ruling Regarding the Future of Regional Energy Networks, page 1-2 and Response to Question 1, page 2 (SDG&E Comments).

⁴ Southern California Edison makes this same argument but to a lesser degree since they do not recommend that the RENS be "paused" pending the third-party procurement. To the extent that they do advocate that the RENS discontinue offering programs pending the third-party procurement, BayREN incorporates this Reply to SCE's comments.

⁵ Comments of the Public Advocates Office on Administrative Law Judge's Ruling Seeking Comments on the Future of Regional Energy Networks (PAO Comments), page 9.

2. The PAO's proposal regarding modifications to the RENs is contrary to Commission Decisions.

The PAO proposes a sweeping redesign of the RENs as Program Administrators that does not account for existing Commission decisions and provides a narrow and incomplete analysis of the role of REN programs. BayREN does not dispute that the “current procurement structure for energy efficiency is quite different” than it was in 2012;⁶ however, the arguments raised by PAO are not supported by Commission directives. Each point raised will be discussed in turn.

a. The RENs were approved for reasons in addition to filling gaps in IOU EE portfolios.

PAO notes that the RENs were formed to provide local governments with more control over program design and implementation than was afforded with local government partnerships, and to fill gaps in the IOU portfolios.⁷ Yet this only tells part of the story. As stated in ABAG's Opening Comments, the Commission noted that the REN concept invitation “represents the culmination of a number of events from over the past several years, including provisions of the federal American Recovery and Reinvestment Act (ARRA) funding for EE purposes to local governments, which built local capacity.”⁸ RENs are charged with serving the ratepayers that have been, and would likely continue to be left out of traditional IOU programs. The changes in the EE landscape have not altered the need for the RENs. Indeed, with the increase in the TRC, the move towards third party implementation and the significant reductions in local government partnerships, the role of the RENs to provide programs to underserved markets is even more relevant now than it was in 2012. The annual JCM provides a check on ensuring that REN programs are consistent with the mandates of D.12-11-005, including no duplicative programs.

⁶ PAO Comments, page 9.

⁷ PAO Comments, pages 8-9.

⁸ D.12-11-015, page 8.

b. The Non-IOU Program Administrators were considered by the Commission when making decisions about the EE portfolio.

PAO correctly points out that the Commission has directed changes to the procurement of the IOU EE portfolios. The Commission declined, however, to extend this requirement to the non-IOU program administrators: “Third-party program requirements should not apply to non-utility administrators, though we encourage them to utilize the same approach as much as possible.”⁹

The PAO proposal fails to present Commission directives around the REN proposals, as well as the many opportunities offered to stakeholders to comment and provide feedback on the role of the RENs and their Business Plans during the Rolling Portfolio. In short summary:

- D.16-08-019 allowed the RENs to submit Business Plan proposals, noting they would be considered alongside proposals from other program administrators during the rolling portfolio business plan process.¹⁰ Of note, this same decision also established the utility third party implementation requirement.
- BayREN presented draft chapters, the draft business plan, and the draft Annual Budget Advice Letter (ABAL) to the California Energy Efficiency Coordinating Committee (CAEECC) for stakeholder input (both in person and written). Concern was never raised with BayREN about how the proposed programs might potentially interfere with PG&E’s¹¹ third party solicitation/program implementation. Indeed, few parties provided any feedback to the BayREN draft Business Plan.¹²

⁹ D.16-08-019, Conclusion of Law 53, page 105.

¹⁰ D.16-08-019, pages 10-11.

¹¹ BayREN operates in a small portion of PG&E’s territory and does not overlap with any of the other IOUs.

¹² See Issue Tracking Spreadsheet, including Aggregated PA Resolution Summaries, viewable at <https://www.caeccc.org/tracking-documents>.

- BayREN filed in A.17-01-013, et. al. Motion for Approval of 2018-2025 Rolling Portfolio Energy Efficiency Business Plan and Budgets on January 23, 2017. Parties were again offered an opportunity to submit comments to the Business Plan. PAO did not object to the Business Plan because of the new third-party framework.
- The BayREN Business Plan was approved in D.18-05-041 with slight modifications. The Commission also directed that the RENs and the IOUs file annually a JCM to ensure among other things, that the D.12-11-015 mandates relating to the RENs are met.
- In October 2018, BayREN timely uploaded Implementation Plans (IPs), Program Manuals and revised Program Implementation Plans (PIPs) to the California Energy Data and Reporting System (CEDARS), a publicly available platform. No stakeholder feedback was provided to BayREN about these submissions.
- BayREN has completed several procurements since the Business Plan was approved. The Request for Proposals were posted on public web sites, including the CAEECC site.
- The BayREN - PG&E JCM was filed and served in August 2018. There were no protests or other comments to the JCM.

Despite all these opportunities for comment, to date, there have been no known objections to the BayREN Business Plan or programs for the reasons now articulated by PAO. The proposal, if granted, would result in large service gaps, wasting of ratepayer dollars invested over the past six+ years in the implementation of programs with significant uptake, and the inability to continue utilizing alternative funding sources that have been used as an add-on to BayREN programs; it would also be a back-door modification to D.18-05-041. This would not serve Bay Area ratepayers.

c. BayREN procurement is conducted in an open and competitive manner.

PAO asserts that since the IOUs portfolios “will largely be determined by what market actors in a competitive environment determine are economically viable ways

of providing the benefits of energy efficiency....allowing RENs to continue to propose and implement programs outside of this market structure will reduce transparency, fragment the market, and may reduce participation in solicitations.”¹³ This statement is based on incorrect assumptions.

Prior to D.18-01-004, an ad hoc committee of CAEECC was formed to develop a proposal for what became the Peer Review Group (PCG) for the IOU procurements. As part of that process, the non-IOU local government PAs¹⁴ submitted a letter to the subcommittee asking to be excluded from the PCG proposal, in part because:

- As local governments, our procurement processes are open and transparent, and all contracts must be reviewed and executed by our Boards, comprised of elected officials from our respective jurisdictions. Contract approvals are agendaized and discussed at our public Board meetings that are subject to the Brown Act. We have built into our procurement, compliance with state requirements found in statute, and local rules and procedures related to competitive solicitations. Also, as local governments we are subject to the Public Records Act, so documents and correspondence related to procurement are available to the public, suggesting less need for oversight than the IOUs.
- Our budgets are significantly smaller than the IOUs – as is our internal capacity, therefore the administrative burden already associated with CPUC authorized energy efficiency programs are particularly challenging for small organizations. If there is any directive to add another layer of oversight to the competitive solicitations of the Collective Parties, we request this exploration be done through a separate process.

¹³ PAO Comments, page 10.

¹⁴ This included MCE, BayREN, SoCalREN and 3-C REN.

ABAG's procurement policy also requires that there be members of the reviewing committee that are from outside of the agency, and that the panel is diverse. BayREN's procurement is open and transparent and any assertion to the contrary is misplaced.

PAO's comments also suggest a lack of understanding of BayREN operations. While the vast majority of our program outreach is done by our public agency members (which we attribute to the success of our programs as local governments are seen as trusted messengers), as is most of the program design, our programs are implemented by third parties that are selected via a competitive – and transparent - procurement process. Many of BayREN's third party implementers are the same “market actors” that have been participating in the IOUs' procurement. Admittedly our contract values are much smaller than that of the IOUs, but BayREN's competitive solicitations have provided opportunities for private EE implementers.

d. Market Actors have readily available information about BayREN programs, as directed by the Commission.

PAO argues that due to overlapping territories of program administrators like the RENs “implementers may be uncertain whether overlapping or competing programs are permissible or excluded”.¹⁵ However, this issue was addressed in D.18-05-041 with the introduction of an annual JCM between the RENs and IOUs (and CCAs and IOUs):

Since we have determined not to require the RENs to meet a specific cost-effectiveness standard, we find it reasonable to require a formal assurance that the RENs will implement their business plans pursuant to D.12-11-015 and D.16-08-019; IOU PAs' active involvement in this formal assurance is integral to ensuring this is a balanced process. Specifically, we will require the PAs (RENs, IOUs and CCA) to develop a joint cooperation memo to demonstrate how they will avoid or minimize duplication for programs that address a common sector (e.g., residential or commercial) but pursue different activities, pilots that are intended to test new or different delivery models for scalability, and/or programs that otherwise exhibit a high

¹⁵ PAO Comments, page 11.

likelihood of overlap or duplication and are not targeted at hard-to-reach customers. For such programs, each PA must explicitly identify and discuss how its activities are complementary and not duplicative of other PAs' planned activities. Staff will utilize these memos in their reviews of the PAs' ABALs and may disapprove funding for specific activities or programs that do not conform with the memos, or more broadly with D.12-11-015 and D.16-08-019.¹⁶

- RENs must include a summary of the programs they intend to run; **if the IOU(s) who shares territory with a REN offers a similar program**, the IOU(s) must also provide the same summary of their program. The summary for each PA's program must include eligible measures, budgets, and target audiences. The RENs and IOUs must describe how they will offer their corresponding portfolios and avoid duplication.
- RENs must also include a discussion section for each program, summarizing how the program meets at least one of the criteria outlined in D.12-11-015, i.e., aimed at hard-to-reach customers (which can overlap with an IOU offering); programs that IOUs do not offer; and pilots not offered by IOUs but with the possibility of scaling.¹⁷

Since the JCM is required on an annual basis, the IOUs provide updated information about their portfolio of programs and any potential overlaps of programing will be addressed in accordance with D.18-05-041 directives. It is also noteworthy that D.18-01-004 requires that all utility PAs include a contract term that requires third parties to coordinate with other PAs in the same geographic area. The Commission anticipated the situation raised by PAO and has developed mechanisms to minimize any negative consequences.

In addition to the annual JCM compliance filing, information about BayREN programs is readily available at CPUC.gov (i.e. the dockets for A.17-01-014, et. al., R.13-11-005); via the CEDARS and EE Stats platforms; BayREN's website, and the Bay Area county websites. There is a dearth of publicly available information about

¹⁶ D.18-05-041, page 97.

¹⁷ D.18-05-041, page 122.

the activities of non-IOU energy efficiency implementers that potential proposers would find in the course of their due diligence. Further, given the limitations on the programs RENs can offer, it is unlikely that proposers will seek to offer programs in our hard to reach areas.

In short, there are mechanisms in place to ensure there is no overlap in the marketplace. PAO has provided no evidence that the existence of the RENs has limited the number of, or the quality of proposals received in response to the IOUs solicitations.

e. Ratepayers are best served with numerous EE programs since the needs are not “one size fits all”.

PAO’s argument that allowing RENs to offer a particular type of program may reduce the “potential profitability of third-party bidders” and that the RENs should not “preempt the market”¹⁸ is offered without support. First, as a collaboration of local governments, the BayREN is not motivated by profit or shareholder incentives, which is distinguishable from most other “market actors”. As local governments, we have responsibilities to our constituents beyond energy efficiency; we are typically the first line of defense; and we are charged with acting in the furtherance of the public good. This was recognized by the Commission in approving the REN pilots. Second, PAO’s argument that the RENs have the ability to pre-empt the market is factually inaccurate. The RENs are only allowed to offer certain types of programs, and given the difficulty in the markets we serve, there is no exclusivity, since traditionally the IOUs have not served those populations. The RENs are charged with implementing programs to underserved markets. There are reasons why these markets have not been served: they are neither cost-effective nor profitable, which is why they have been tasked to the (not-for profit) RENs. We are hard pressed to believe that under the new paradigm of third-party implementation, that these not profitable sectors will now be served, especially given the consideration of “potential

¹⁸ PAO Comments, page 11.

profitability of third-party bidders”. Indeed, not-for profit entities like the RENs are even more relevant under the new paradigm, especially considering that central to BayREN’s mission is to serve members of urban communities that have been historically underserved by IOU efficiency programs, including low to moderate households, minority populations and small businesses, groups that will likely continue to be underserved by third party implementers.

In BayREN’s territory, ratepayers can participate in BayREN programs and PG&E’s programs; they can also participate in local CCA and local government partnership programs within their jurisdictions. PAO’s argument that the RENs’ presence in the energy efficiency marketplace may limit the number of customers available to third-party implementers (as well as may reduce their profitability),¹⁹ is simply not correct. Allowing ratepayers to select the most appropriate EE program for where they are on the EE journey should be encouraged. BayREN, PG&E, and MCE work behind the scenes to ensure that the customer experience is seamless and that there is no outward facing confusion created by the different programs. Through this collaboration, our shared customers are better served.

f. BayREN has already submitted a Business Plan and it has been approved.

PAO’s request that the “RENs should submit a business plan to the Commission to seek approval for the activities they propose to directly administer”²⁰ is confusing since BayREN already has submitted a Business Plan that was approved in D18-05-045. Also, in that Decision, the Commission directed that the RENs and IOUs submit a JCM that requires disclosure of much of the information requested by PAO. Finally, as discussed above, the Commission did not require the non-IOU PAs to be part of the PRG and there has been no articulated reason by PAO why a modification to that Decision is justified.

¹⁹ PAO Comments, page 11.

²⁰ PAO Comments, page 12 and page 14, Response to Question 2. At page 3 of their Comments, PAO correctly states that BayREN had an approved Business Plan which further confuses this request.

3. The RENs are separate PAs and should not be required to bid on IOU proposals.

PAO argues that the RENs should be required to bid as many of their proposed programs into the utilities procurement. This fails for several reasons. First, as noted above, D.16-08-019 excluded non-IOU PAs from the definition of third party: “To be designated as ‘third-party,’ the program must be proposed, designed, implemented, and delivered by non-utility personnel under contract to a utility program administrator. **Though not stated in this ruling, this definition was not intended to apply to non-utility program administrators.**”²¹ Second, participating in a competitive solicitation with for profit entities with significant resources, would put local government implementers at a disadvantage, and it is questionable if this is an allowable use of tax dollars. Third, the RENs already have approved business plans. Fourth, the JCM shows the unique value of REN programs and identifies the programs. Fifth, BayREN operates in only a small portion of PG&E’s territory, so it would be nonsensical to be required to bid outside our territory especially since our outreach is done by our local government agency members. Finally, the Commission does not have the resources to assign programs to the different program administrators, nor should this be a role they assume. Indeed, this was the policy behind the creation of the Rolling Portfolio, CAEECC, and the Business Plans.

4. It is well established that the RENs are distinguishable from LGPs and SDG&E’s suggestion that RENs become part of the IOUs for Program Administration should be disregarded.

In response to Question 10, SDG&E argues that RENs should become part of the IOU portfolio (assuming they were selected via the competitive procurement) and the REN could be treated as a local government partnership, with the IOU taking on the administration and regulatory function.²² This recommendation is contrary to R.12-11-015 that expressly distinguished RENs from LGPs.²³ It is ironic that SDG&E recommends that the RENs come under the portfolio of the IOUs as an LGP when all of the IOUs across the state have

²¹ D.16-08-019, page 67. (Emphasis added.)

²² SDG&E Comments, pages 5-6, Response to Question 10.

²³ R.12-11-015, page 14-15.

significantly cut LGP programs, and others, like SDG&E, will require Local Governments to be part of the third party solicitation for resource programs, and compete against private actors. The Commission expressly stated in R.12-11-015 that the RENs are not LGPs. SDG&E has not articulated why that Decision should be modified.

5. The Commission should not adopt a cost-effectiveness threshold at this time for the RENs.

BayREN recommends the Commission maintain the current approach to evaluating the RENs and not adopt a 5% annual increase of portfolio cost-effectiveness for the RENs as suggested by SoCalREN.²⁴ There is no evidence or analysis to support this value, and adopting a new policy at this stage would conflict with D.18-05-041, which approved BayREN's Business Plan through 2025 and reaffirmed that the RENs are not held to a specific cost-effectiveness standard. Instead, the Commission should explore alternative policies and tests that could measure REN (and all PAs) progress towards meeting state energy efficiency *and* GHG reduction goals, as it is as part of the Societal Cost Test rulemaking, or in a separate proceeding specifically focused on RENs. The Commission should facilitate workshops to determine which policies and tests are the most appropriate for the RENs given the established criteria for REN programs. This should include the ability of those policies and tests to hold the RENs accountable for running programs effectively without undermining their purpose, while fitting into the larger cost-effectiveness framework. BayREN would like to work with the Commission and stakeholders to develop an appropriate methodology for determining the RENs value as it relates to cost-effectiveness.

BayREN also believes that it is appropriate for the RENs to be evaluated using metrics that weigh their success in meeting state and local policy goals as well as CPUC goals that the IOUs alone cannot meet. The evaluation of resource effectiveness should include a metric that is specific to those policy goals, which could be calculated per public goods dollar spent. The

²⁴ Comments of the County of Los Angeles, on behalf of the Southern California Regional Energy Network, on Administrator Law Judge's Ruling Seeking Comment on Future of Regional Energy Networks, Response to Question 4, pages 13-14.

TRC is not the appropriate metric and is the reason why many policy goals, particularly as it relates to underserved ratepayers, are unattainable solely by the IOUs.

A 5% annual increase of portfolio cost-effectiveness would have little measurable impact nor benefit to the CPUC's overall Portfolio. There are several mechanisms that may be viable options to: (a) secure the long-term ability for RENs to innovate while delivering services that by default fill gaps; and (b) to do it in a way that benefits the localized or regional ratepayer.

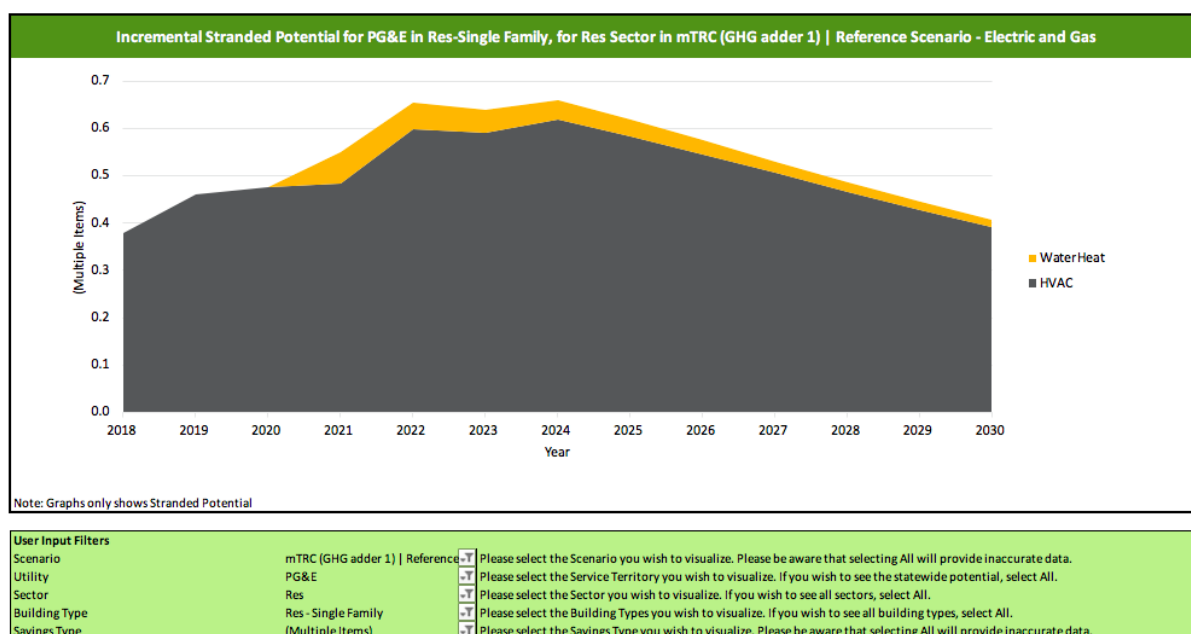
The State's goals for energy efficiency set forth in AB 758 (and its discussion of existing buildings) and SB 350 (and its discussion of energy efficiency for low income customers and in disadvantaged communities) present significant tensions for cost-effectiveness calculations, particularly as the TRC is currently calculated. The RENs are a mechanism for the CPUC to meet these policy goals while also meeting its legislative requirements.

Critically, it is not clear that any current measurement accurately provides a value to serving those who have been historically underserved. This is not just for disadvantaged communities, but also for small and medium businesses, middle income households and tenants, rural and semi-rural communities. This is illustrated effectively in the current 2018 Potential and Goals Study, which demonstrates that *a large proportion of potential energy efficiency or technical potential cannot be achieved utilizing current TRC tests*. Further, even with the addition of the GHG adder, there is a still large gap in meeting potential. As noted in the Navigant 2018 Potential and Goals Study: "The large gap between the economic and technical potential on the graphs for Scenario 1 (TRC Reference) reflects that a significant number of measures are not cost-effective."²⁵

The 2018 Potential and Goals Study also evaluates Stranded Potential, which is defined as "the opportunities for energy efficiency that are not currently captured by either PA rebate programs or codes and standards. Stranded Potential is below-code savings that is not

²⁵ CPUC, "Energy Efficiency Potential and Goals Study for 2018 and Beyond, Errata to the Final Public Report", prepared by Navigant, Reference No.: 174655, January 19, 2018.

materializing in the market because there is no incentive for the customer to upgrade their existing equipment given current program rebate policy. Under AB802, PAs could start offering rebates for bringing existing equipment up to code thus motivating a whole new subset of customers to install energy efficiency and capturing the Stranded Potential.”²⁶ Using the 2018 PG Study Results Viewer²⁷ and choosing PG&E’s territory for the residential single family market, the level of stranded potential is substantial for HVAC systems. BayREN is in fact addressing this market segment and can help to address the stranded potential illustrated by the Study. The Commission should consider: how can a new evaluation approach utilize this data rich information to achieve deeper energy savings in the State?



PG&E suggests that there be some cost-effectiveness criteria for the RENs. Yet the RENs deliver several benefits that are not accounted for by the TRC test, including progress towards meeting environmental and energy goals, reaching underserved program participants

²⁶ 2018 Goals and Potential Study, Page xiii.

²⁷ ftp://ftp.cpuc.ca.gov/gopher-data/energy_division/EnergyEfficiency/DAWG/2018_PG%20Study%20Results%20Viewer%20Final%20Public_010318.xlsx

and geographies, contributing distribution-level value, catalyzing innovation, and establishing long-term, localized, capacity and commitment to energy management efforts. Before developing any additional criteria, the Commission should determine what is the true value of serving underserved communities, and how the RENs contribute to the statewide goals established by the Legislature in SB 350 and AB 758.

BayREN believes comparing the TRC of similar IOU and REN resource programs which use the same avoided costs²⁸ is reasonable but should be done so with evaluated savings and not claimed savings. Additionally, the Commission should clearly define what characteristics make a program “similar”, and those should go beyond the sector and market segment and include program mechanisms such as the Savings Platform (Deemed, Custom, Meter-Base, etc.), the Delivery Channel (Upstream, downstream, midstream, etc.), the Measure Application Type, and so forth.

Generally, BayREN agrees that a reasonable cost-effectiveness threshold could be established for REN resource programs, separately from the whole REN portfolio, once the work outlined above can be conducted, including the proposed REN workshops, application of the evolving cost-effectiveness framework and SCT to the EE portfolio, and collaborative steps to define how “similar” programs are taken.

BayREN appreciates PAO’s comments related to cost-effectiveness to the extent they recognized that cost-effectiveness is measured across the entire portfolio of EE activities, and not a program by program assessment tool.²⁹ BayREN is eager to work with the CPUC to ensure that BayREN offers a complementary role to the IOUs and other PAs in meeting state and Commission goals.

BayREN disagrees with PAO’s assertion that since the existing IOU programs are not achieving the TRC of 1, the Commission should consider not funding low TRC programs

²⁸ The avoided costs inputs vary across the state and are geographically dependent. BayREN’s avoided costs map to PG&Es. The Commission should be careful when comparing TRC values of similar IOU/CCA and REN programs across the state that use different avoided cost inputs.

²⁹ PAO Comments, pages 4-5.

such as the RENS³⁰. This argument does not address the fact that removing the RENS would not improve the IOUs TRC; it would, however, ensure that large swaths of California's ratepayers would continue to be underserved. At the heart of this issue is the value we as a state put on energy efficiency **and** on serving those who have not been effectively served (as illustrated clearly in the 2018 Potential and Goals Study). Equity and affordability are central to California's goals and cannot be ignored in the pursuit of a TRC designed for a different time and a different market.

6. BayREN Supports PG&E's Request that the IOUs and the RENS be permitted to jointly determine payment terms.

BayREN joins in PG&E's request that the Commission allow the RENS and the IOUs to jointly determine payment **terms and** submit that there is existing authority to allow for this. Specifically, in D.12-11-015, the Commission denied a request to *mandate* the IOUs provide quarterly advance payments to the **RENS but** went on to say that "[t]his may be an attractive approach, and we are open to it if utilities and RENS can mutually agree on such an approach."³¹

There is precedent for the IOUs to provide lump sum payments to other program administrators. For example, the Commission approved MCE's request to receive quarterly advances of their approved EE budget in D.14-10-046³² ("[PG&E] shall transfer \$1,002 million in electric purpose funds...into quarterly payments...to fund its energy efficiency programs approved in this decision."). Thereafter, in D.18-05-041:

"In MCE's business plan, they address an issue related to the mechanics with which MCE is granted natural gas energy efficiency funding, as previously authorized by the Commission in D.14-10-046 and D.15-10-028. MCE requests that its natural gas budget be treated similarly to its electric budget, which involves quarterly transfers of its annual budget in advance of program expenditures, rather than monthly billing after expenditure, as is done now in the case of natural gas funds.

We agree with MCE that this is a sensible mechanism that is working for the electricity funding and should be replicated for the natural gas funding. This

³⁰ PAO Comments, page 6.

³¹ D.12-11-015, page 10.

³² D.14-10-046, at Ordering Paragraphs 24, pages 167-68.

finding does not modify any other requirement related to natural gas funding for MCE.”³³

We request that the Commission allow the IOUs and RENs to *mutually agree* on the payment terms for their contracts. This will result in a reduced administrative burden (and cost), as a more efficient payment process can be developed. There will be appropriate safeguards in place including the continuation of the fiscal agent role of the IOUs.

7. BayREN Supports PG&E’s Request that the IOUs Administrative Costs associated with being a fiscal agent be considered in Cost-Effective Evaluations.

BayREN does not dispute PG&E’s representation that there are administrative costs associated with the role of fiscal agent (although the costs will be reduced if the request to allow for the negotiation of payment terms is granted). We support PG&E’s request that the time spent on the administrative tasks associated with being a fiscal agent should be considered in the IOU cost-effective evaluations.

³³ D.18-05-041, page 115. See also Finding of Fact 67, Conclusion of Law 62, and Ordering Paragraph 36.

III. Conclusion

ABAG appreciates the opportunity to provide these Reply Comments and renew our request for a staff led workshop on the topic of the RENs.

Respectfully submitted,

A handwritten signature in black ink that reads "Jennifer Berg". The signature is written in a cursive, flowing style.

Jennifer K. Berg
Assistant Director
Association of Bay Area Governments
375 Beale Street, 7th Floor
San Francisco, CA 94105
(415) 820-7947
jberg@bayareametro.gov

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

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