

**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 14, 2003)

**COMMENTS OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902 M)  
ON THE PRESIDING ADMINISTRATIVE LAW JUDGE'S MARCH 27, 2019 RULING  
REGARDING THE FUTURE OF REGIONAL ENERGY NETWORKS**

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April 16, 2019

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Pursuant to the March 27, 2019 *Administrative Law Judge’s Ruling Seeking Comment on Future of Regional Energy Networks* (“ALJ Ruling”), San Diego Gas & Electric Company (“SDG&E”) respectfully submits these comments. SDG&E appreciates this opportunity to address the future policy of regional energy networks (“REN”), both existing and newly-proposed.

**I. OVERVIEW**

SDG&E believes that RENs have a role in California’s goal to double energy efficiency (“EE”) by 2030. In Decision (“D.”)12-11-015, the Commission established criteria for approving RENs and portfolio programs. Following that decision, BayREN and SoCalREN commenced operations. A third REN, Tri-County REN, was approved by the Commission in D.18-05-041.

In light of the changing landscape of EE program administration and implementation, the Commission should pause before continuing existing RENs or approving new RENs as program administrators after the first solicitation cycle 2019-2021. A pause is desirable because the EE landscape is changing, particularly due to the potential increase in CCA EE administrators, the

significant shift from utility to third-party-program design and implementation, and market-transformation programs.

SDG&E recommends the Commission assess the utility portfolios in 2021, to determine: (1) if RENs should continue as program administrators, (2) what needs RENs should address, and (3) the appropriate selection and evaluation criteria. SDG&E provides more details to its recommendations in the next section.

To the extent the Commission continues to promote RENs, it is important for the Commission to treat RENs just like other program administrators, by applying consistent cost-effectiveness thresholds, portfolio-administration caps, and implementation targets.

## **II. RESPONSES TO ALJ RULING**

SDG&E addresses the questions posed by the ALJ Ruling below.

### **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?**

**Response:** With the changing landscape of EE administration and program implementation, the Commission should revisit whether to continue existing RENs or approve new RENs as program administrators after the first solicitation cycle 2019-2021. First, there are at least 20 CCAs that purchase and/or develop power projects on behalf of their residents, businesses, and municipal accounts.<sup>1</sup> At least two CCAs (Marin Clean Energy and the City of Lancaster) are EE administrators for their service territories. Over time, it is likely that there will be more CCAs applying and administering EE programs; these may be the same type of programs that REN programs offer.

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<sup>1</sup> See California Community Choice Association's website at <https://cal-cca.org/>.

Second, as previously noted by the Commission in D.16-08-019, with the emphasis on statewide approaches for certain types of programs, the role of RENs will need to be evaluated.<sup>2</sup> In addition, overlaps between future Market Transformation programs and REN offerings will need to be addressed.

Third, to the extent utilities outsource 60% or more of their program portfolio budgets to third-party-program implementers, these solicitations could result in programs that cover the program gaps that current REN programs seek to address as identified by the criteria for evaluating RENs.<sup>3</sup> These solicitations are open to RENs, local governments, and local-government agencies to bid. The solicitations in each program sector are not necessarily limited to one contract. Several contracts can be entered into by the utility that would enable the sector portfolio to address a variety of sector needs, including services to hard-to-reach and/or disadvantaged community areas.

If a local government, or quasi-governmental entities (as RENs could be classified), is selected as an implementer, the Commission provides, as set forth in Decision (D.) 18-05-041 Ordering Paragraphs (“OP”) 30 and 31, for providing appropriate contract terms and conditions for their program implementation.

Based on the above changes, SDG&E encourages the Commission to reconsider the need to continue RENs or approve new RENs after the completion of the first solicitation cycle at the end of 2021.

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<sup>2</sup> D.16-08-019 at p. 12.

<sup>3</sup> ALJ Ruling at pp. 2-3.

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

**Response:** The Commission, should at the minimum, review each utility's portfolio composition after the first solicitation cycle at the end of 2021, to assess whether gaps exist and, if so, whether the REN structure is the best approach to addressing those gaps. In addition, please refer to response to Question 1 above.

- 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?**

**Response:** See responses to Questions 1 and 2 above.

- 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?**

**Response:** For the purpose of evaluating current RENs, the Commission's existing criteria should be applied to RENs. It would be unfair to change the evaluation criteria after the fact. However, the evaluation of RENs should examine the potential for greater cost-effectiveness. This is an important criterion for any new RENs.

- 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?**

**Response:** The criteria focus primarily on what the utility is or is not undertaking. However, as stated in response to Question 1 above, the make-up of the utility portfolio is significantly changing with the majority of the portfolio implemented and designed by third parties. These parties are expected to improve portfolio cost effectiveness, innovate, and address hard-to-reach and disadvantaged-community needs. Therefore, as SDG&E recommends in response to Question 2 above, the Commission should assess the utility portfolios in 2021 to determine if RENs should continue as program administrators. If so, the Commission should

consider what needs RENS should address and the selection and evaluation criteria that should be applied.

- 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?**

**Response:** See responses to Questions 1 and 2 above.

- 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?**

**Response:** SDG&E believes the Commission should not consider the formation of new RENS at this time. Please see responses to Questions 1, 2, and 5 above.

- 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.**

**Response:** SDG&E believes this issue should be deferred. Please see Responses to Questions 1, 2 and 5 above.

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

**Response:** SDG&E believes this issue should be deferred. Please see Responses to Questions 1, 2 and 5 above.

- 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?**

**Response:** The Commission should treat all program administrators consistently, including requiring all of them to meet the same cost effectiveness thresholds and portfolio-administration caps and implementation targets. The Commission stated in D.18-05-041:

With our renewed emphasis that RENS should focus on filling gaps, piloting different or unique approaches that have 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 the IOUs), argues against holding them to a particular cost-effectiveness standard.<sup>4</sup> Emphasis added.

The Commission recognized the limited scope of activities that RENs undertake, presuming that this limits their ability to meet cost-effectiveness standards. The Commission should reexamine whether it is in the best interest of the ratepayers for REN programs to be incorporated into utility portfolios, and potentially be treated as local-government partnerships. REN programs could become part of a utility's portfolio through the solicitation process described in response to Question 1 above. Under this model, the REN would continue to design and implement their program. But the utility could help ensure cost-effectiveness and could take on the portfolio-administration costs associated with responsibilities such as filing of applications and annual budget advice letters and complying with reporting requirements, etc. Moreover, this would avoid the duplication of administration costs (utility and REN), with RENs focusing on implementation rather than portfolio administration and implementation. It will also reduce the regulatory burden on all parties and the Commission.

**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.**

**Response:** To the extent that a REN program is similar to utility programs subject to EM&V studies, *e.g.*, Multifamily and Advanced Home programs,<sup>5</sup> similar studies should also be conducted for the REN program. Please see response to Question 4.

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<sup>4</sup> D.18-05-041 at p. 95.

<sup>5</sup> Please refer to *2017-2019 Energy Division & Program Administrator Energy Efficiency Evaluation, Measurement and Verification Plan V8., December 31, 2018.*

### III. CONCLUSION

SDG&E respectfully submits these comments for the Commission's consideration.

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