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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

Rulemaking 13-11-005

**ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENT
ON FUTURE OF REGIONAL ENERGY NETWORKS**

Summary

This ruling seeks comments from parties on future policy on regional energy networks (RENs), both existing and newly-proposed. The Commission has several times expressed an intention to evaluate whether to continue RENs and/or allow the formation of new RENs, but no overall policy or framework has yet been adopted for how to approach these questions.

Parties are invited to comment on this ruling and the questions contained herein by filing and serving comments no later than April 16, 2019, with reply comments invited no later than April 26, 2019.

1. Background

The Commission originally introduced the concept of RENs in Decision (D.) 12-05-015. At the time, local government partnerships (LGPs) were in existence, but the Commission was exploring ways to involve local governments more directly in administering energy efficiency programs. RENs were intended to augment or supplement the LGPs. At the time, the RENs were defined as "pilot" programs. D.12-05-015 stated, in part:

“We find the concept of local government regional pilots to be reasonable. Authorizing pilots in the 2013-2014 transition portfolio would provide local governments the opportunity to develop a track record. We anticipate that the 2013-2014 programs would lead to a series of lessons learned on the appropriate level of local government administration of ratepayer-funded energy efficiency programs....Commission Staff will conduct and/or oversee the evaluation of any pilots selected, consistent with the process set forth for evaluation of IOU [investor-owned utility] programs in D.10-04-029 and other decisions. If we determine that there are desirable proposals for regional local government energy efficiency pilot programs, the utilities will be directed to contract for selected regional pilots.”¹

The first RENs were approved in D.12-11-015. At the time of the approval of the first RENs, many local governments had developed experience administering energy efficiency programs directly because of access to grants and other funding from the American Recovery and Reinvestment Act (ARRA) of 2009. D.12-11-015 sought to capitalize on that experience by continuing successful approaches that had been piloted through ARRA and were deemed appropriate to be continued. D.12-11-015 also introduced specific criteria by which to evaluate the REN proposals. Those criteria were as follows:

1. **Activities that utilities cannot or do not intend to undertake.** The rationale for this should be obvious – if a REN can deliver a service to the market that the utilities cannot, it should be considered.
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.** In this case, the concept would be to test program delivery that is different or unique, for potential to be scaled up to a statewide

¹ D.12-05-015, at 148-151.

approach delivered either by RENs and/or by utilities in the future.

3. **Pilot activities in hard to reach markets, whether or not there is a current utility program that may overlap.** These activities may or may not be intended to be scalable to a larger area. The rationale is that hard-to-reach markets (including multi-family and low- to moderate-income residential, as well as small commercial)⁴ need all the help they can get to achieve successful energy efficiency savings. A piloted approach may work well in a particular geographic region because of its specific characteristics, or it may be appropriate for a wider delivery by RENs and/or utilities elsewhere.²

A cost-effectiveness requirement has never been applied to RENs individually, since the criteria above were designed to allow the REN programs to operate as supplemental to and in conjunction with the existing utility energy efficiency portfolios.

It is important to note that both of these formative REN decisions referred to above were adopted before the current version of Section 381.1 of the Public Utilities Code went into effect, which allows community choice aggregators (CCAs) to elect or apply to become administrators for energy efficiency funds, either for their own customers and/or for all customers within the geographic area they serve.³

D.16-08-019, which gave guidance for the first set of business plan applications under the rolling portfolio structure, further addressed the topic of RENs and whether they should be continued. The decision addressed two

² D.12-11-015, at 17.

³ See Section 381.1, subsections (a) and (f), which became effective on January 1, 2013.

questions that had been raised in a ruling seeking comment at that time in the proceeding:

1. Does REN program performance warrant continuing REN programs, regardless of whether RENs remain program administrators? Which programs should continue, receive expanded or reduced funding, or be terminated?
2. Should RENs remain program administrators in connection with whatever portfolio of programs they oversee?

D.16-08-019 addressed whether the RENs should remain as “pilot” programs, concluding that they should, because not enough evaluation information was available to make a conclusive determination about the success of the pilots at that time.

D.16-08-019 concluded that the REN programs, for purposes of the first business plan applications, should be treated on a case-by-case basis and evaluated alongside the business plan proposals of the other program administrators. The Commission conducted the analysis in Applications (A.) 17-01-013 et al., and approved, in D.18-05-041, a continuation of some programs for the Bay Area REN (BayREN) and the Southern California REN (SoCalREN), as well as funding for some programs for a new REN (the Tri-County or 3C REN).

The RENs and CCA administrators were also required to submit Joint Cooperation Memos with the utility program administrators, detailing how they are coordinating their portfolios and programs to minimize overlap and duplication, as well as reduce customer confusion.

2. Discussion

This ruling seeks party input on whether the policy in place currently for existing and new RENs is appropriate in light of current trends in energy

efficiency policy and program administration. One major emerging trend is the recent proliferation of numerous new CCAs serving customers throughout the state within the territories of the investor-owned utilities (IOUs). Another trend is related to the increasing challenges of the IOU program administrators in developing and maintaining cost-effective portfolios, as increased penetration of energy efficiency becomes more expensive to deliver. This trend has also led to the recent downsizing in the LGP portfolios of the IOUs, as the IOU program administrators seek to continue to achieve balanced and cost-effective portfolios.

Given the different criteria in place to evaluate LGPs and RENs, in addition to CCAs, the Commission may want to consider modifying and harmonizing the requirements to ensure that consumers are getting cost-effective, not to mention generally effective, programmatic and administrative energy efficiency delivery.

In addition, the existing RENs already overlap geographically with multiple CCAs and LGPs. In this overall context, the question of the appropriate continuing role of RENs comes into focus.

It would be ideal if we had an expectation of evaluation results covering the existing RENs that have been in operation for some time (BayREN and SoCalREN). However, it appears that no definitive results will be available in the short term, as several evaluations may touch on REN programs, but none will answer the key question of whether RENs are effectively meeting their Commission-approved roles as program administrators directly.

Despite lacking conclusive evaluation results, the established RENs have had some recent successes. For instance, the American Council for an Energy-Efficient Economy (ACEEE), in a report that identifies the most successful energy efficiency programs offered nationally, included BayREN's program known as

Bay Area Multifamily Building Enhancement (BAMBE) as one of four multi-family programs recognized.⁴

Since 2013, BAMBE has served more than 26,000 household units in 383 buildings. ACEEE attributes the success of BAMBE to a three-pronged approach to overcoming barriers: simplicity, free (no cost), and one-stop shopping.

SoCalREN has also made recent strides in improving the effectiveness of its portfolio, especially in 2017. Comparing 2016 and 2017 claims, SoCalREN's cost-effectiveness improved by a factor a little over six; their electricity savings claims increased by a factor of 9.4; capacity savings claims by about 30%; natural gas savings claims increased by a factor just over four; and 2017 expenditures were only about \$1 million more than 2016.⁵

When improvements in cost-effectiveness and claimed savings from SoCalREN are impressive, it should be noted that the RENs do not have highly cost-effective portfolios overall.⁶

Finally, since we are already more than five years into the operation of the initial RENs, and in light of the recent trends described above, now is an appropriate time to consider whether the Commission should continue its existing criteria for RENs and/or establish new criteria and policies for REN formation and operation.

⁴ ACEEE, "The New Leaders of the Pack: ACEEE's Fourth National Review of Exemplary Energy Efficiency Programs," January 2019, at 50.

⁵ California Energy Data and Reporting System (CEDARS), 2016 yearly claims for SoCalREN, located at: https://cedars.sound-data.com/upload/confirmed-dashboard/SCR/2016/?include_c_n_s=true; 2017 yearly claims for SoCalREN, located at: https://cedars.sound-data.com/upload/confirmed-dashboard/SCR/2017/?include_c_n_s=true.

⁶ According to CEDARS in 2017, SoCalREN had a claimed total resource cost (TRC) test ratio of 0.31 and BayREN had a claimed TRC ratio of 0.4.

3. Questions for Parties

This ruling seeks responses from interested parties on the questions below with respect to RENs. Parties may also offer any other thoughts in their comments in response to this ruling.

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

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

IT IS RULED that:

1. Interested parties may file and serve comments on this ruling, and any of the questions contained herein, by no later than April 16, 2019.
2. Interested parties may file and serve reply comments in response to this ruling by no later than April 26, 2019.

Dated March 27, 2019 at San Francisco, California.

/s/ JULIE A. FITCH
Julie A. Fitch
Administrative Law Judge