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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 (Filed November 14, 2013)

COMMENTS OF THE EAST BAY ENERGY WATCH STRATEGIC ADVISORY COMMITTEE ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENT ON FUTURE OF REGIONAL ENERGY NETWORKS

Jennifer West
Administrator
EBEW Strategic Advisory Committee (SAC)

East Bay Energy Watch
1537 Webster St.
Oakland, CA 94612
(510) 891-6500
eastbayenergywatch@stopwaste.org

For the East Bay Energy Watch Strategic Advisory Committee

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COMMENTS OF THE East Bay Energy Watch Strategic Advisory Committee ON THE RULING SEEKING COMMENT ON FUTURE OF REGIONAL ENERGY NETWORKS

Pursuant to the March 27, 2019 California Public Utilities Commission's (Commission) issuance of the Order Instituting Rulemaking (OIR), the East Bay Energy Watch Strategic Advisory Committee (EBEW SAC) respectfully submits these comments filed pursuant to the OIR. In this Reply we provide responses to the Commission's specific questions below and also assert that 1) Regional Energy Networks (RENs) are a critical avenue allowing local governments to design and implement programs; 2) RENs compliment LGP and CCA programs; and 3) The Commission could fold some LGP funding into REN portfolios for certain LGP activities (i.e. those that may fall outside of the narrowing definition of Public Sector).

One of the Commission's original intentions when approving the REN model was to add to and not replace LGPs,[1] and specifically to fill gaps and serve hard to reach customers not served by existing programs. In the decision which authorized the RENs, the LGP funding was not reduced, it was maintained consistent from annualized prior year and increased by

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

approximately 5%. In the PG&E territory, LGP activities in 2019 and after have been or may be reduced as a result of two factors in the recent business plan approvals: 1) PG&E's interpretation of the business plan decision means they have asked the LGPs to focus more heavily on the Public Sector, limiting the LGP activities primarily to municipal buildings, and 2) the small commercial programs which historically delivered the primary resource energy savings attributed to the LGPs will be bid out for third party administration. These two policies shrink the number of eligible LGP activities, the budgets, and the sphere of influence for local governments. We encourage the Commission to keep local governments actively participating in energy efficiency work and through more than one channel, retaining access to rate-payer funding, without cutting funding, either through an LGP, the BayREN or a CCA electing to administer energy efficiency (EE) funds. These funds are critical for communities to not only continue but to increase efforts to reduce energy use and greenhouse gas emissions. Just when the state is asking for more local leadership, we cannot afford reductions in funding or programs.

East Bay jurisdictions asked for the formation of the RENs, in addition to their Local Government Partnerships and the formation of their CCAs, to address the following aspects of program delivery:

- **Operating at a Regional** multi-county/multi-jurisdictional level is necessary to achieve impacts, minimize administrative redundancies and fragmented contractor/ supplier market conditions associated with running individual city or county-level initiatives.

- **Piloting, Replicating and Scaling** city and county-level initiatives such as those previously developed under LGP Innovator Pilot program funding, or Strategic Energy Resources (SER) funding, can be expanded via the BayREN.
- **Leverage LGPS, CCAs, Muni programs & other public funding** as the REN provides a framework to streamline multi-delivery of ratepayer funding and other public funding.

EBEW SAC recommends that the CPUC hold a workshop to allow additional input from local governments on the value of RENs. Most of the individual local governments throughout the state are not able to engage directly on CPUC proceedings given the amount of time and staff effort required to file formal comments within short deadlines which do not allow adequate time for city councils or boards of supervisors to weigh in. Providing additional opportunities for input from those who are directly supported by the programs BayREN offers, and who would be most impacted by the changes or termination of those programs, would be advisable.

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?**

RENs are appropriate and increasingly necessary, in light of the changing circumstances in the energy efficiency field, with the proliferation of CCAs and the reduced scope of the LGPs. The REN geographies are larger than the CCAs or LGPs. They operate at a scale better suited to certain programs. Broader regional consistency affords improved customer experience, contractor and supply chain engagement, and economies of scale.

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 the BayREN as a parallel, supportive, wrap-around and critical forum for delivery of rate-payer funded energy efficiency programs within the nine counties (which is comprised of 101 local jurisdictions, six active CCAs, and four municipal utilities). BayREN coordinates with EBEW to leverage programs in the Multifamily Sector, Municipal Sector, and Small and Medium Business (SMB) commercial sector. Local governments are increasingly concerned that resources are not flexible enough to provide these services in the future, especially as the LGPs are narrowing their focus to Public Sector municipal only services, and the small-commercial programs are being contracted out. Local government control over LGP programs and funding is diminishing in the pursuit of cost-effectiveness. BayREN continues to provide an essential role for local governments. Without BayREN, EBEW members fear that our communities will not be served by programs into which our members have the opportunity to provide input or even assume a role of coordination.

Multifamily Coordination Example: Alameda County's BayREN representative, Energy Council (StopWaste), leads the BayREN's regional multifamily incentive program called the Bay Area Multifamily Building Enhancement (BAMBE) program. In 2012 the Energy Council wanted to scale their multifamily program approaches which had been finetuned over the years.[2] Launching a multifamily incentive program was not an eligible activity through their LGP, and BayREN provided a more flexible vehicle to design and launch the BAMBE program. Since the BAMBE program launched at a regional scale, StopWaste Energy Council and BayREN leveraged EBEW Strategic Energy Resource (SER) funding to offer stipends to local jurisdictions to conduct local outreach at the two-county scale, hosting property owner workshops at city locations in Alameda and Contra Costa County. In 2018, the American Council for an Energy-Efficient Economy recognized BayREN's multifamily program (managed by StopWaste) with an Exemplary Program Award as one of America's outstanding energy efficiency programs. This program may not continue if BayREN ceases to exist.

Municipal Sector Program Coordination Example: The BayREN Codes and Standards program directly coordinated with EBEW jurisdictions on the development of their Municipal ZNE pilot program. "In-house engineering capacity for ZNE design" was a service requested by local jurisdictions (initially cities of Berkeley, Oakland, Hayward and Fremont which later scaled to include Richmond, Walnut Creek and other jurisdictions through the BayREN region), and this was discussed at EBEW program design forums and determined to be a better fit to BayREN than through the LGP. This is another example of how coordinated and multi-layered programs can bring greater effectiveness and efficiencies of scale.

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[2] Example multifamily program experience which informed the Energy Council staff design of the BAMBE program:

- Alameda County Green Building Grants to Non-profit Housing Program
- Development of the statewide GreenPoint Rated Existing Home Multifamily program in partnership with the Energy Foundation
- Stimulus funded Alameda County Wide Multifamily Green Building Incentive program
- Stimulus funded convening of energy stakeholders via the Statewide Multifamily Home Energy Retrofit Coordinating Committee (MF HERCC).

Small Medium Business Sector Program Coordination Example: BayREN actively coordinated their SMB business plan development with EBEW's small commercial program consultants and engaged Marin Clean Energy (MCE) (which now serves 14 jurisdictions in Contra Costa Counties with energy efficiency programs) to ensure that the proposed BayREN offerings in their business plan complemented rather than competed with EBEW offerings.

Codes and Standards: As local governments consider adopting reach codes to deepen energy savings in their jurisdictions, the RENs provide valuable coordination that goes beyond what the IOUs and the CCAs can offer. For CCAs, reach codes that emphasize electrification have direct value to revenue. RENs can support reach codes on energy efficiency and green building efforts as well. By having consistent code compliance support and coordination across the region, there is an ease in implementation and reduced confusion for other stakeholders, such as developers or manufacturers, and suppliers of efficient equipment. The market is not confined by county boundaries, but covers multiple jurisdictions, just like the RENs. This is evident and essential in work developing the heat pump water heater (HPWH) market, for which BayREN received funding from the Bay Area Air Quality Management District (BAAQMD). Doing market transformation at a level below the regional scale would not make sense.

EBEW jurisdictions support the BayREN as a viable framework for this kind of programmatic coordination. Coordination and leveraging will be increasingly important to ensure seamless program delivery as East Bay Community Energy (EBCE) and other CCA entities offer a potential patch-work of energy efficiency programs across the region. Local jurisdictions and counties are supportive of BayREN's governance protocols for selfadministration that are transparent, value equity and do not have a profit incentive.

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 programs to 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. Furthermore, 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. Consideration of the future of REN programs would be more relevant toward the end of the business plan period.

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?**

The Commission should consider new REN proposals so that regions that do not currently have RENs could also benefit from the scale of programs that we in the Bay Area benefit from.

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?**

New criteria should be considered. The CPUC has given policy goals to the investor owned utilities (IOUs) that directly conflict with achieving a high Total Resource Cost (TRC) (see PG&E presentation at CAEECC on 8/2/2018). It appears that the top priority policy direction for now is TRC, which will create programs that sacrifice other goals, and may result in other policy goals going unaddressed. The program mixes are already showing the necessity to skim cost effective savings, leaving deeper saving potential unrealized due to TRC constraints.

The RENs should be tasked with filling the gap and meeting those non-TRC policy goals. Of these additional policy goals, the existing criteria only addresses hard-to-reach (HTR). Others include serving SMB and achieving deep energy savings. Therefore, additional or alternative criteria should be added to reflect these priorities. This would also require clear direction that the REN cost-effectiveness be measured by PAC or another non-TRC measure (see question 10). EBEW also supports the BayREN request for careful re-consideration of application of the definition of hard-to-reach.

EBEW jurisdictions consider their pilot programs a good fit to be run through BayREN instead of through an LGP, when they meet specific criteria such as:

- If the program would be more effective on a multi-jurisdictional scale, e.g. three to nine counties, instead of one or two counties

- If it leverages other local government activities such as codes and standards implementation, that are not authorized as part of the LGPs allowed offerings

The CPUC might consider these additional criteria when determining if programs would best be delivered through a REN, LGP or a CCA.

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?**

The requirement should continue to be meeting one criteria, unless additional criteria are added to reflect the RENs' potential (see question 4). Taken in combination, the three current criteria are too restrictive. Requiring all three current criteria would result in program gaps that the utilities will not fill, and create more underserved sectors or segments of the population.

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?**

The commission should consider new REN proposals, however there should be careful consideration of new RENs which overlap with existing RENs. If new RENs are formed there should be a specific logic to the geography they serve. In the case of the BayREN, the nine county region has a history of collective governance through the Association of Bay Area Governments (ABAG). While there should not be overlapping RENs, the commission should consider the current REN Program Administrators as eligible to serve as the statewide lead for specific program offerings beyond their regional geography, as the commissions assigns statewide lead Program Administrators to various market sectors in the energy efficiency proceeding.

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?**

No Response

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.**

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. In particular, the shift to third party administration of programs in IOU portfolios beginning in 2020, will change the goals and design of programs, and therefore also could change the gaps between those programs.

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

No, they should not be limited to either resource or non-resource.

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?**

RENs should not be held to a cost-effectiveness threshold like IOU portfolios are, or they will not be able to accomplish energy savings where other programs do not reach customers.

IOU's energy savings portfolios are made cost-effective in part by two dominating factors of which the RENs do not share the benefit: 1) their core programs capture the decidedly "low-hanging fruit" sectors and measures and 2) they claim the savings from ALL Building Energy Codes and Standards activities (including those resulting from the implementation and enforcement of the codes which local governments fund). If local government programs offered through the RENs or LGPs are going to be pushed to increase resource savings and cost-effectiveness, the Commission should consider shifting attribution of certain high TRC activities such as Codes and Standards or Small-Commercial retrofits into the domain of local government REN and LGP portfolios.

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 and includes those policy goals. The TRC is not the appropriate metric. It 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.

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.**

Requiring cost-effectiveness within the overall REN portfolio is not appropriate, however monitoring the cost-effectiveness of their individual resource sub-programs as compared to similar resource programs offered by the other PAs is warranted. For example, evaluating the BayREN's Bay Area Multifamily Building Enhancements (BAMBE) incentive program's cost-effectiveness as compared to the other Energy Upgrade CA multifamily programs run throughout the state is a useful exercise. Similarly, evaluating SoCALREN's Public Sector Incentive program against LGP Municipal Technical Assistance programs is appropriate to gauge relative effectiveness in the specific cases when the REN is claiming savings through a resource program offering.

Another study could analyze which Codes and Standards related activities the Commission is funding, and the appropriate roles between IOUs and Local Governments in supporting the advancement of building energy codes and standards development & implementation.

Conclusion

The local government jurisdictions which participate in the PG&E funded East Bay Energy Watch Strategic Advisory Committee see the RENs as a critical means to scaling local government impacts, priming the market and building demand for long-term solutions. The RENs have demonstrated approaches that allow for innovation, flexibility, and rapid deployment of public funds. We fully support the RENs as a regional local government governance structure that can coordinate and leverage the programs of the IOU Local Government Partnerships, CCAs, and local municipal utility programs.

Respectfully submitted,

By: ____/s/Jennifer West______

Jennifer West
EBEW Strategic Advisory Committee
Administrator

East Bay Energy Watch
1537 Webster St.
Oakland, CA 94612
(510) 891-6500
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