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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 Nov. 14, 2013)

**REPLY COMMENTS OF SMALL BUSINESS UTILITY ADVOCATES ON THE
ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENT ON FUTURE OF
REGIONAL ENERGY NETWORKS**

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I. INTRODUCTION

Pursuant to the Administrative Law Judge’s Ruling Seeking Comment on Future of Regional Energy Networks (“Ruling”), Small Business Utility Advocates (“SBUA”) submits the following Reply Comments.

SBUA generally supports Regional Energy Networks (“RENs”) due to their role in ensuring that hard-to-reach customers, which includes small businesses, also receive energy efficiency (“EE”) services. SBUA’s comments respond to parties’ positions on cost-effectiveness requirements for RENs, criteria for REN evaluation, and the Commission’s policies for new and existing RENs. As detailed below, these reply comments make the following recommendations:

- Adopt SoCalGas’ recommendation that REN Evaluations Be Based on Performance Metrics Such as Customer Participation;
- Reject proposals to require RENs to meet Total Resource Cost (“TRC”) ratios of 1.0 or higher;
- Adopt Public Advocates’ recommendation to require RENs to file new Energy Efficiency Business Plans; and

- Hold workshops as suggested by numerous parties to determine the future of RENs.

II. DISCUSSION

A. The Commission Should Adopt SoCalGas' Suggestion that REN Evaluations Be Based on Performance Metrics Such as Customer Participation

SoCalGas suggests the Commission establish “other metrics for success, for example, ensuring RENs have administrative efficiency within their portfolios or establishing REN outreach and customer participation targets.”¹ Similarly, Rising Sun comments that “[s]o long as RENs are tasked with administering activities that IOUs cannot or will not undertake, piloting new programs, and serving hard-to-reach customers, they should not be held to the same cost-effectiveness requirements as the IOUs (namely, the TRC).”² SBUA agrees with these comments.

Requiring RENs to develop programs establishing strong outreach programs and measuring the resultant participation of small businesses and other hard-to-reach customers will also assist the Commission in evaluating the success of these programs and allow stakeholders to suggest ways the programs can improve. As the Commission recognizes, the evaluation of RENs has been inconclusive with no definitive results,³ possibly due to these entities being fairly new concepts. Even after this cycle ends, evaluation may prove difficult given that RENs were not required to develop similar programs so comparing one REN's programs to another's may not provide insight into whether the programs were cost-effective. By comparison, evaluating

¹ Comments of Southern California Gas Company (U 904 B) on Administrative Law Judge's Ruling Seeking Comment on Future of Regional Energy Networks (Apr. 16, 2019) (“SoCalGas Comments”), p. 2.

² Comments of Rising Sun Center for Opportunity on Administrative Law Judge's Ruling Seeking Comment on Future of Regional Energy Networks (Apr. 16, 2019) (“Rising Sun Comments”), p. 7.

³ The Ruling recognizes that there is an absence of conclusive evaluation results and “it appears that no definitive results will be available in the short term[.]” Ruling, p. 5.

customer participation in programs that target hard-to-reach customers will allow for a comparison of similar programs and determine whether modifications are needed to improve cost-effectiveness.

B. The Commission Should Not Impose Total Resource Cost Requirements on RENS

SBUA disagrees with SDG&E's suggestion that the Commission should apply the same cost-effectiveness thresholds for all program administrators, including RENS.⁴ SCE believes RENS should not be held to the same TRC as other program administrators because of the role they play in filling in program gaps, but nonetheless suggests RENS be held to a TRC of 1.0.⁵ Similarly, Public Advocates questions whether the Commission should continue funding programs with a TRC below 1.0 and states that funding these programs "would be a burden on ratepayers and would not comply with Public Utilities Code section 381(b)(1)."⁶

However, other parties find this approach to be short-sighted and against ratepayer interests. PG&E expresses opposition to imposing TRCs on RENS because "RENS are intended to conduct activities that IOUs cannot, or do not, intend to undertake, and target hard-to-reach markets that can be challenging from a cost-effectiveness perspective."⁷ Likewise, the Rural Hard to Reach Working Group aptly comments that RENS are "particularly well-situated to deliver energy efficiency services to Rural and Geographically Hard-to-Reach California Ratepayers," which

⁴ 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 (Apr. 16, 2019) ("SDG&E Comments"), p. 2.

⁵ Southern California Edison Company's (U 338 E) Comments on Administrative Law Judge's Ruling Seeking Comment on Future of Regional Energy Networks (Apr. 16, 2019), p. 3.

⁶ Comments of the Public Advocates Office on Administrative Law Judge's Ruling Seeking Comments on Future of Regional Energy Networks (Apr. 16, 2019) ("Public Advocates Comments"), p. 6.

⁷ Comments of Pacific Gas and Electric Company (U 39 M) on the Ruling Seeking Comment on the Future of Regional Energy Networks (Apr. 16, 2019) ("PG&E Comments"), p. 4.

includes small businesses, and the value of RENs to ratepayers is “not one that is captured within the present TRC calculation methodology.”⁸

SBUA agrees that REN programs should be expected to have a TRC well below the TRCs achieved by the IOUs. The Commission previously directed RENs to engage in either: activities that utilities cannot, pilot activities that have the potential for statewide scalability, or pilot activities targeting hard-to-reach markets.⁹ Tasking RENs with the most difficult and innovative activities, where costs will be higher, but subjecting them to a similar TRC as to the IOUs would be unfair and may give the impression that RENs are administering their programs poorly.

Public Advocates’ positions on TRCs should not be adopted. Though Public Advocates is correct that Section 381(b)(1) requires the Commission to allocate public purpose funds to “cost-effective energy efficiency” programs, this does not mean that programs that do not meet the TRC ratio should automatically be deemed as cost-ineffective. As the Commission has recognized, and most recently reaffirmed in the decision approving the EE Business Plans, hard-to-reach customers have been underserved because they face significant barriers, making them the hardest customers to reach.¹⁰ This means that program administrators will have to dedicate more resources in order to reach this customer base. By definition, then, providing a service to hard-to-reach customers will never be cost-effective compared to the cost of providing that service to customers that are not hard-to-reach. Comparing these costs without accounting for the different characteristics of these customers would automatically deem programs serving hard-to-reach customers as not being cost-effective. Such a strict approach to cost-effectiveness could

⁸ Opening Comments of the Rural and Hard to Reach (RHTR) Working on Administrative Law Judge’s Ruling Seeking Comments on Future of Regional Energy Networks (Apr. 16, 2019), pp. 3-4.

⁹ D.12-11-015, Decision Approving 2013-2014 Energy Efficiency Programs and Budgets (Nov. 8, 2012), p. 17.

¹⁰ D.18-05-041, Decision Addressing Energy Efficiency Business Plans (May 31, 2018), p. 46; *see also* Rising Sun Comments, p. 7 (noting that serving hard to reach customers “can mean more outreach, more time, more resources on-the-ground – greater cost.”).

further limit the services provided to hard-to-reach customers, perpetuating the low rates of participation in EE programs for these customers.¹¹

Limiting the services provided to hard-to-reach customers would also run contrary to the Commission's obligation to ensure that rates are just and reasonable.¹² Hard-to-reach customers have historically had low participation rates in Commission-approved programs but contribute to public purpose programs. If customers contribute to program funds at comparable rates to other customer groups but do not receive comparable benefits, then their rates do not seem just and reasonable.

For these reasons, SBUA agrees with the various parties that support exempting RENs from having to meet a Total Resource Cost ("TRC") ratio of 1.0.¹³ SBUA would not necessarily be opposed to PG&E's suggestion that the Commission should compare TRCs of similar IOU and REN programs to determine if a reasonable TRC can be implemented.¹⁴ This would allow the Commission to compare apples to apples, programs serving hard-to-reach customers, rather than apples to oranges, programs serving hard-to-reach customers with programs serving other customers. However, comparable programs may not currently exist. Therefore, as articulated above, SBUA suggests that the Commission evaluate RENs based on other performance metrics, such as customer participation.

¹¹ 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, (Apr. 16, 2019) ("ABAG Comments"), p. 13.

¹² Cal. Pub. Util. Code § 451 (requires that all charges be "just and reasonable.").

¹³ ABAG Comments, p. 21; Rising Sun Comments, p. 7; Opening Comments of the Local Government Sustainable Energy Coalition on Administrative Law Judge's Ruling Seeking Comment on Future of Regional Energy Networks (Apr. 16, 2019) ("LGSEC Comments"), p. 4; *see also* PG&E Comments, p. 4 (indicating that PG&E does not recommend a cost-effectiveness threshold at this time).

¹⁴ PG&E Comments, p. 4 (PG&E "suggests that the Commission consider comparing the TRCs of similar IOU and REN resource programs to determine if a reasonable threshold TRC can be informed by this comparison.").

C. The Commission Should Adopt Public Advocates' Recommendation that the RENs File New Business Plans

SBUA agrees with Public Advocates that the Commission should require RENs to file new business plans describing and justifying programs RENs propose to administer, once the Commission adopts a new policy framework.¹⁵ SBUA suggests that the Commission require RENs to propose programs targeting hard-to-reach customers as defined in D.18-05-041.¹⁶ In the decision approving the Bay Area Regional Network (“BayREN”) and the Southern California Regional Energy Network (“SoCalREN”), the Commission indicated that RENs should develop programs that meet one of the following three categories:

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.¹⁷

Focusing on the third category, programs targeting hard-to-reach customers, is appropriate because these customers “need all the help they can get to achieve successful energy efficiency savings.”¹⁸ In addition, if the RENs are required to propose programs targeting similar types of customers, then the Commission can compare REN administered programs with one another. This will assist with the evaluation of the programs’ effectiveness and with the development of a cost-effectiveness threshold, if the Commission decides to develop one. Both of these points are further elaborated below.

¹⁵ Public Advocates Comments, p. 14.

¹⁶ D.18-05-041, p. 42-43.

¹⁷ D.12-11-015, p. 17.

¹⁸ *Id.*

Requiring RENs to target hard-to-reach customers would also address the concern raised by SDG&E, that the Commission should determine what needs RENs should address because third parties are administering an increasing portion of utility programs and overlap may not be productive.¹⁹ The need to serve hard-to-reach customers will continue to exist even if third party administrators propose programs that target hard-to-reach customers because these customers “need all the help they can get.”²⁰ As pointed out by Rising Sun, RENs have had success serving underserved customers because they can leverage local partnerships to better serve these customers, while also providing job training opportunities for community members.²¹ Requiring RENs to target these customers is therefore appropriate.

D. Several Parties Recommend that the Commission Hold Workshops to Determine the Future of RENs

SBUA supports the recommendation made by several parties that the Commission should host a workshop(s) prior to making any determinations on the future of RENs. At this workshop(s), the Commission can determine the appropriateness of measuring program benefits such as environmental goals.²² This will allow stakeholders to provide additional input and present data on existing REN-administered programs, which will allow parties and the Commission to determine what modifications, if any, are needed at this time.²³

III. CONCLUSION

RENs have a role in achieving California’s goal to double energy efficiency by 2030 and are particularly important for reaching hard-to-reach and small business customers. SBUA

¹⁹ SDG&E Comments, p. 4.

²⁰ D.12-11-015, p. 17.

²¹ See Rising Sun Comments.


²² LGSEC Comments, p. 4; ABAG Comments, p. 2; *see also* Rising Sun Comments, p. 4.

²³ See Sonoma County Regional Climate Protection Authority Comments Regarding Administrative Law Judge’s Ruling Seeking Comment on Future of Regional Energy Networks (Apr. 16,2019), p. 3.

therefore requests that the Commission continue to support RENs and incorporate the recommendations made herein into its decision regarding RENs.

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Respectfully Submitted,

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