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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)

REPLY COMMENTS OF THE COUNTY OF LOS ANGELES, ON BEHALF OF THE SOUTHERN CALIFORNIA REGIONAL ENERGY NETWORK (CPUC #940), ON ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENT ON FUTURE OF REGIONAL ENERGY NETWORKS

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For the Southern California Regional Energy Network

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I. INTRODUCTION

In accordance with the Rules of Practice and Procedure of the California Public Utilities Commission's ("Commission") and in response to the *Administrative Law Judge's Ruling Seeking Comment on the Future of Regional Energy Networks* ("Ruling") dated March 27, 2019, the County of Los Angeles, on behalf of the Southern California Regional Energy Network (SoCalREN), respectfully submits these reply comments on the Ruling opening and reply comments filed by the following parties: Public Advocates Office (Cal Advocates), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), Southern California Gas Company (SoCalGas), Western Riverside Council of Governments (WRCOG), Tri-County Regional Energy Network (3C-REN) and Rural Hard To Reach Working Group (RHTRWG).

II. CONTRARY TO CAL ADVOCATES' CLAIM, SOCALREN IS COMMITTED TO LONG TERM COST EFFICIENCY AND IS IN ALIGNMENT OVERALL WITH CAL ADVOCATES OBJECTIVES REGARDING RATEPAYER FUNDS

The SoCalREN supports Cal Advocates' assertion that all PAs must lessen the burden on ratepayer dollars. SoCalREN incorporated modifications to its portfolio within the last year to reduce the cost burden on ratepayer dollars by reducing incentives cost caps and by increasing non-monetary innovative strategies that drive energy efficiency project conversion. In addition, SoCalREN has advanced its program cost-effectiveness by increasing administrative efficiencies (reduction in costs), streamlining program implementation, pursuing comprehensive third party procurement (similar to the IOUs), and initiating outcome-driven pilots ranked for savings potential, replicability, and nexus to under-performing markets. These adjustments will help move SoCalREN's portfolio to greater administrative cost-efficiency and will also help to meet compliance directives. SoCalREN's portfolio maturation is a clear example of the REN's evolution to a more efficient solution to program administration which SoCalREN believes is in alignment with Cal Advocates overall goals regarding ratepayer funds and energy efficiency portfolio administration.

However, SoCalREN disagrees with Cal Advocates' claim that there is diminishing space in the statewide energy efficiency portfolio for programs or portfolios that do not yield net benefits beyond a cost-efficiency target of a 1.0 TRC. The underserved, specifically hard-to-reach (HTR) and disadvantaged communities are some of the costliest markets to serve yet their market influence help contribute to the overall environmental goals of the state. They also require special assistance that is not being provided by IOU's because IOU PA's typically do not deploy offerings that are not "cost-effective" for fear their overall portfolio will lose cost effectiveness. In addition, it has been established in numerous proceedings and legislation the Commission must ensure that policies and programs allocate resources to underserved and disadvantaged communities. Cal Advocates' claim would be counter to this active policy within the state.

It is imperative, to meet the State's objectives, that the Commission support the REN's so that they can continue to meet the needs of underserved and marginal communities. For this reason, and the others outlined above, SoCalREN urges the Commission to dismiss the Cal Advocates comments regarding REN implementation and to continue to encourage broad regional engagement within existing REN's. SoCalREN will also continue to commit to a path to further cost-efficiency and to continue to identify strategies the lesson the cost burden to ratepayer dollars.

A. Cal Advocates and RHTRWG Prematurely and Incorrectly Cited SoCalREN's 2018 Annual Reported Portfolio TRC[1]

SoCalREN notes that current TRC values as reported in the Commission's California Energy Data and Reporting System (CEDARS) for 2018 only include claims up to Q4 2018 and do not include the "trued-up" values for end of year 2018 SoCalREN results. SoCalREN along with all authorized PAs will be formally filing their annual 2018 claims and expenditures which will include all "trued-up" values. For Commission reference, SoCalREN's anticipated May 1st trued-up TRC will reflect a TRC of .26 and will include all final expenditures and claimed savings for 2018. This of course is still slightly lower than SoCalREN's 2017 TRC value but is attributed to the mid-year strategies to reduce cost-burden on ratepayer dollars within SoCalREN's resource program which resulted in an initial reduction in pipeline activity due to the initial market reaction. SoCalREN is confident that its pipeline has recovered and has seen significant uptake since Q4 2018 despite instituting more cost-efficient strategies into its resource portfolio.

III. THE RURAL HARD TO REACH WORKING GROUP AND 3C REN'S

[1] Cal Advocates Opening Comments on ALJ Ruling Seeking Comment on the Future of the RENs, filed April 16, 2019. p. 7.
RHTRWG Reply Comments on ALJ Ruling Seeking Comment on the Future of the RENs, filed April 26, 2019. p. 7.
Both reflect a TRC for SoCalREN .11.

AVERSION TO A METRIC OF ACCOUNTABILITY IS BOTH IRRESPONSIBLE AND CONTRARY TO LOCAL GOVERNMENT POLICY

The RHTRWG incorrectly misinterprets in their reply comments[2] SoCalREN's recommendation that the Commission adopt an incremental increase of cost efficiency for REN PAs as policy that would result in a 1.0 TRC. SoCalREN has continually asserted that given REN's limitations on the markets that they are required to serve and the available strategies that they are limited to implement, in all practical cases, it is likely they may not achieve a 1.0 TRC. However, that does not in any way justify any PA, IOU PA or non-IOU PA, from being cost-efficient.

Additionally, both RHTRWG and 3C-REN's, reply comments that suggest a metric of accountability (such as an increasing TRC requirement) would undermine the REN framework is not only a careless policy to advocate but is also counter to the inherent fiduciary duty of local governments as administrators of public purpose funds.[3] As representatives of local governments it is their fiduciary duty to continually pursue administrative efficiencies with public funds and to continually identify areas on how those funds can be maximized to benefit the most number of constituents. It is clearly counter to advocate against any suggestion that recommends these same principles be applied to ratepayer funds. As such, these parties must also understand that the Commission also has a fiduciary duty to ensure that the state's goals and objectives are being met while at that same time ensuring that public purpose funds are allocated "to cost-effective energy efficiency and conservation activities."[4]

The Commission should continue to ensure the needs of markets such as "hard-to-reach" and disadvantaged communities are continually met by supporting RENs. However, the Commission should disregard stakeholders' comments or suggestions that do not align with Commission's policies and should continue to encourage non-IOU PAs to pursue a pathway to long-term cost-effectiveness and support those parties who chose to actively pursue this pathway.

IV. CONTRARY TO CAL ADVOCATES'S CLAIM SOCALREN HAS SINCE ITS INCEPTION BEEN MODELING THE CURRENT MARKET BASED

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[2] RHTRWG Reply Comments on ALJ Ruling Seeking Comment on the Future of the RENs, filed April 26, 2019. p. 7-8.;

[3] RHTRWG Reply Comments on ALJ Ruling Seeking Comment on the Future of the RENs, filed April 26, 2019. p. 8.; 3C-REN Reply Comments on ALJ Ruling Seeking Comment on the Future of the RENs, filed April 26, 2019. p. 7;

[4] Public Utilities Code section 381(b)(1).

PROCUREMENT APPROACH

In D.16-08-019 and reaffirmed in D.18-05-041, the Commission adopted a new approach to procuring energy efficiency in which the utilities continue to administer energy efficiency portfolios that comply with Commission goals but are required to competitively solicit for third parties to design and implement programs to meet the goals and targets in their portfolios. The Decisions require that, by the end of 2022, utilities must have at least 60 percent of their energy efficiency portfolio budgets directed to programs that are designed and implemented by third parties. Although the Commission did not mandate that REN PAs adhere to this third-party implementer requirement, the SoCalREN has, in fact, been in compliance with this market-based procurement approach since its inception.

More than 80% of the SoCalREN budget is already directed toward programs that are designed and implemented by third parties, who were selected through a rigorous competitive procurement process managed by the County of Los Angeles, the SoCalREN administrator. In addition, by the end of 2019, SoCalREN will have conducted and completed new market-based competitive solicitations to select third parties to independently propose new design elements and implement all of the programs in SoCalREN's newly approved Business Plan.

The County of Los Angeles follows a rigorous competitive procurement process with long established and legally rigorous policies and procedures. These policies and procedures are modeled after well-regarded federal requisition regulations that provide extensive transparency and due process to ensure that the most qualified and cost-efficient vendors are hired. Based on these facts, it is clear that the contention by Cal Advocates that REN's are currently administering programs that are not market-based and are not in alignment with the Commission's desired transition to third-party design and implementation has no merit.[5] Cal Advocates proposed approach would effectively abolish independent program administration by the REN's and convert them into mere utility sub-contractors, an outcome which would be directly contrary to the Commission's intent in their original actions to establish the REN's.

In summary, SoCalREN not only sees the value in leveraging the market expertise and talent of third parties for program implementation, but has already far exceeded the CPUC's goal to have

[5] Cal Advocates Opening Comments on ALJ Ruling Seeking Comment on the Future of the RENs, filed April 16, 2019. p. 10-11.

60% of EE PA portfolios designed and implemented by third parties, selected through open market competitive bid processes. SoCalREN is proving that this approach, which it is committed to continue, is not only feasible but is the desirable strategy to cost efficiently meet the Commission's energy efficiency goals.

V. CONTRARY TO IOUS' ASSERTIONS, SOCALREN IS COMMITTED TO LONG TERM VALUE FOR RATEPAYERS

Parties continue to argue that REN portfolios should be held to the same TRC and Program Administrator Cost (PAC) cost-effectiveness requirements as their IOU PA partners. However, these same parties have argued historically against allowing REN's to be comparable to IOU PA's. Parties, such as the IOU PA's, cannot request that REN portfolios meet the cost-effective requirements while, at the same time, requesting that REN's be limited and constrained in implementing increasingly cost-effective and innovative "resource" strategies. In addition, REN's differ in many ways from their partner IOU PA's and are not afforded the same attributes that allow them to meet comparable cost-effectiveness thresholds.

Additionally, REN's have actually saved ratepayers funds in avoided costs of ESPI incentives, which last year totaled over $26M[6]. As such, REN's are a long-term solution to EE programs, and can serve a critical function in the State's pathway to SB 350 goals and decarbonization as programs further mature. Furthermore, a recent LBNL Study[7] found that low income programs are on average four times more expensive than all other sectors, and that the MUSH sector (municipal, universities, schools, hospitals) are the most expensive programs to administer.

SCE and SDG&E both recommend that REN's be held to a similar TRC as IOU PA's, specifically a 1.0, but provide no strategy on how this will be achieved given the limitations placed on REN PA portfolios. These limitations include (*but are not limited to*) not duplicating IOU services, which confines REN's to implementing strategies that their partner IOU's choose not to undertake. Historically these have been costly non-resource activities. In addition, REN partner IOUs have historically utilized the REN's non-resource offerings to drive their resource pipeline, thus lessening the cost burden on their portfolio while claiming the savings provided by the direct

[6] E-4979

[7] LBNL. "The Cost of Saving Electricity Through Energy Efficiency Programs Funded by Utility Customers: 2009–2015". June 2018

influence of those REN's activities. This, along with serving hard-to-reach market segments, challenges REN's PAs from achieving high TRC targets. However, as SoCalREN asserted on the record of this proceeding and A.17-01-013 (et al.), REN's should strive to be incrementally more-cost efficient over the life of their portfolio and should be held to some metric of success that is appropriate and applicable to the framework established in D.12-11-015 and reaffirmed in D.18-05-041.

VI. CONTRARY TO WRCOG, SOCALREN BELIEVES THAT EXISTING PA'S CAN SERVE THE INLAND EMPIRE TERRITORY

SoCalREN agrees with WRCOG and other parties that with the end of funding to current LGP programs REN's are well positioned to fill this gap in services. However, SoCalREN disagrees that the formation of an overlapping REN is needed. As a PA that serves the entire SCE/SCG territory, which includes Riverside and San Bernardino Counties, SoCalREN is actively aware of the current services offered by the 19 active LGP's across this same region and the value they provide to the communities they serve. SCE and SCG have stated that it is likely that funding for these programs will end in 2019 and that 3rd party programs will not be immediately available to support a transition of relationships and activities that have been built over ten or more years through LGP's. SoCalREN, through its Public Agency Program, has established working relationships with the LGP's and is able to provide uninterrupted support to public agencies on municipal energy efficiency projects to assure that momentum and savings are not lost through this transition. The SoCalREN understands the vital role local governments and other public agencies play in leading their communities to drive energy efficiency action and SoCalREN is committed to supporting all public agencies across the SCE/SCG territory.

SoCalREN has also expressed interest in working directly with the stakeholders that have been most actively engaged with these communities through the LGP programs to determine what current and potential gaps exist with the hard-to-reach customers in these regions. SoCalREN is proposing to pilot innovative strategies to reach these customers working directly with established stakeholders within that same region. By leveraging the resources of an existing REN and regional stakeholders, the SoCalREN will be able to deliver more cost-effective programs to these hard-to-reach customers than if they were delivered by multiple PA's within the same territory.

There are clear cost efficiencies associated with designing and delivering programs that cover large regions. First, administrative costs are minimized when the number of PA's that cover a given region are minimized. Second, both marketing and direct implementation strategies can be easily scaled to reach larger regions, rather than designing and launching similar yet unique programs that cover a limited population. Ultimately though, the success of programs in achieving savings year over year requires the ongoing efforts from implementers and PA's to actively coordinate with regional stakeholders and adjust program offerings, as needed, to best meet the needs of different regions and communities. In other words, efficiencies are gained by scaling programs as long as they continue to meet the needs of the targeted market segment across their entire service region.

Existing REN's and other PA's have the flexibility and ability to innovate programs over the course of the Rolling Portfolio. REN's can fill gaps left through the elimination of offerings by the IOU's and create stability during times of uncertainty for certain markets. In the case of the public sector market, SoCalREN will continue to offer its services while those offered through the IOU LGP programs are transitioned to third party implementers. As an established PA, SoCalREN has initiated conversations with stakeholders to support communities, ensure they are not left stranded in this transition, and that momentum is not lost. SoCalREN is nimble enough to adapt to the changes in the marketplace and coordinate with impacted parties to minimize any savings reductions as a result. While the new third-party programs are established, SoCalREN can support in the coordination and communication to customers about the new available opportunities.

A. SoCalREN Is Actively Engaged in CVAG, SBCOG and WRCOG Territories

Within the CVAG, WRCOG and SBCOG territories, SoCalREN Project Delivery program has enrolled 29 agencies and completed 40 projects over the last two years. In addition, SoCalREN multifamily program has completed 8 large projects and has 14 in its active pipeline anticipated to be completed by 2019 within the CVAG, WRCOG and SBCOG territories.

Furthermore, SoCalREN within the last two weeks have met with all three represented COGs to increase and expand the necessary support that will meet the needs of their communities and will mitigate any issues of not being properly served. These include marketing, education and outreach activities as well as soliciting ideas on what gap filling strategies can be implemented by the COGs under the administration of the REN's (e.g. single-family tactics, public sector activities, etc.).

SoCalREN believes WRCOG's claim that there governments and communities as being underserved is premature and that there is exists a lack of available support to serve their local governments and communities within existing PA resources.[8] The Commission should disregard their comments and allow market participants and program administrators to first actively fulfill the needs that currently exist within the CVAG, WRCOG and SBCOG territories so that unnecessary cost burdens to ratepayer funds can be avoided and ensure that duplication of services does not occur.

VII. SOCALREN SUPPORTS PARTIES RESPONSE DIRECTING THE COMMISSION ABSTAINING APPROVING ANY NEW REN'S UNTIL THE EVALUATIONS ARE COMPLETE AND THE IOU SOLICITATIONS

The SoCalREN agrees with SDG&E, SoCalGas, and SCE that it is premature to establish any new REN's at this time, and that the Commission should abstain until the REN EM&V study evaluation is complete and the IOU third-party solicitation processes have been completed. It is SoCalREN's belief that the Commission's REN EM&V study evaluation will provide extensive information and findings to inform the Commission's decision to establish new or modified policies that enhance the current established REN framework and also help establish metrics to evaluate the success of existing and or new REN's.

In addition, based on current IOU solicitation efforts and anticipated solicitations, SoCalREN believes that there will be significant gaps within the market given the limitations placed on third party implementers from those solicitations. For instance, in SCE's anticipated public sector solicitation, SCE will only be seeking "resource" proposals that must be cost effective and will not likely include the value-added non-resource activities that public agencies currently rely on. This, along with other possible market gaps, will present unique opportunities for REN's and their ability to provide innovative market solutions.

VIII. SOCALREN SUPPORTS PARTIES REQUEST THAT THE COMMISSION HOST WORKSHOPS REGARDING THE FUTURE OF REN'S POLICY AND FRAMEWORK

The SoCalREN supports the parties request to facilitate more comprehensive stakeholder input through public workshops. The workshops would provide insightful information from stakeholders and public agencies who typically do not have a voice in regulatory proceedings. This

[8] WRCOGS Reply Comments on the REN Ruling Seeking Comment on the Future of REN's, filed April 26, 2019.p. 6.

workshop should be held prior to a Commission decision regarding any future policy or frameworks for REN's and considerations should be made to assure equal participation from parties across the state.

IX. CONCLUSION

The SoCalREN appreciates this opportunity to reply to parties' opening and reply comments. SoCalREN requests that the Commission consider SoCalREN's recommendations as provided in its Opening and Reply Comments.

April 26, 2019 Respectfully Submitted,

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