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)

RESPONSE OF THE OFFICE OF RATEPAYER ADVOCATES TO ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING COMMENTS REGARDING REGIONAL ENERGY NETWORKS

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I. INTRODUCTION

Pursuant to Rule 7.2 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure and the *Administrative Law Judge's Email Ruling Regarding Regional Energy Networks ("RENs")* issued on January 12, 2016 ("ALJ Ruling"), Office of Ratepayer Advocates ("ORA") submits this response to the ALJ Ruling.

ORA's comments include responses to the questions raised in the ALJ Ruling as well as recommendations for upcoming studies on REN program activities. In the comments ORA makes the following recommendations:

- The Commission should terminate some of the least cost-effective pilot programs such as the SoCalREN and BayREN's Single Family Home Upgrade Programs and SoCalREN's Multi-Family Home Upgrade Program.
- The Commission should not authorize the funding of additional pilots by the RENs at this time.
- The Commission should continue funding BayREN's multifamily pilot program while further studies are pending.

- The Commission should continue funding the RENs' non-resource pilot programs at this time and re-evaluate that decision when upcoming evaluations are complete.
- The RENs should remain Program Administrators ("PAs") for the programs that they continue to manage.
- The Commission should direct Commission Staff ("Staff") to consult with stakeholders and revise the scope of its upcoming evaluations in order to have a clear and complete record upon which to base its decision by Summer 2017.

II. BACKGROUND

The Commission authorized local governments to submit program implementation plans and budgets to administer regional energy efficiency pilots in the 2013-2014 energy efficiency ("EE") guidance decision (D.) 12-05-015, inviting local governments to submit program implementation plans and budgets for regional pilots in applications for the 2013-2014 funding cycle.[1]

The Commission noted in D.12-05-015 that local governments had built up a substantial capacity as EE program implementers and administrators through funding received under the American Recovery and Reinvestment Act ("ARRA").[2] The Commission anticipated that approved pilots in 2013-2014 period would "lead to a series of lessons learned on the appropriate level of local government administration of ratepayer-funded energy efficiency programs"[3] and directed Commission Staff ("Staff") to "conduct and/or oversee the evaluation of any pilots selected, consistent with the process set forth for evaluation of IOU programs."[4]

The key objective of the regional pilots was "to determine if local governments are in a position to plan and administer energy efficiency programs absent utility support or

[1] D.12-05-015 at 149.

[2] *Ibid* at 147.

[3] *Ibid* at 148.

[4] *Ibid* at 150.

intervention."[5] Additionally, local governments were directed to create pilots that would demonstrate the ability of regional pilots to:

- Leverage additional state and federal resources so that energy efficiency programs are offered at lower costs to ratepayers;
- Address the water/energy nexus;
- Develop and deploy new and existing technologies;
- Address workforce training issues; and
- Address hard-to-reach customer segments such as low to moderate residential households and small to medium sized businesses.[6]

The Commission approved two Regional Energy Network ("REN") proposals in the subsequent 2013-2014 budget decision.[7] In that decision, the Commission further elaborated the justification for the RENs and the areas in which they should administer their pilots. The RENs were to design programs addressing:

- Activities that the four IOUs cannot or do not intend to undertake;
- Pilot activities for which there is no current utility program offering and where there is potential for scalability to a broader geographic reach, if successful; and
- Pilot activities in hard-to-reach markets, whether or not there is a current a utility program that may overlap.[8]

Allowing the RENs to address these challenging areas gives the RENs an opportunity to demonstrate that they are more innovative and/or effective than the current PAs and can succeed at these problematic markets.

However, D.14-10-046 noted that many REN programs were not cost-effectively delivering savings. The Commission noted that BayREN's single family program had a TRC ("Total Resource Cost") ratio and PAC ("Program Administrator Cost") ratio of just

[5] *Ibid* at 149.

[6] *Ibid* at 150.

[7] D.12-11-015.

[8] D.12-11-015, P. 17.

.01 for 2013, delivering virtually no impact for the $2 million spent.[9] However, the Commission also cited mitigating circumstances:

> There are a variety of reasons why these numbers may not represent expected future performance. The EUC Home Upgrade Program did not start until late in 2013, and this was BayREN's first year running the program. Start-up costs may have been significant (though there were similar programs under ARRA), and it would be understandable if the project pipeline did not fill rapidly.[10]

Despite the low cost-effectiveness, the Commission decided to continue funding at the same level for 2015.

Likewise, BayREN's Multifamily Program was cited in Decision (D.)14-10-146 for having spent "$1.6 million, while issuing $43,500 in incentives and rebates for the program,"[11] which amounts to an effective TRC of just 0.06.[12] However, in the case of Multifamily, the decision noted that the program was over-subscribed and that participation seemed to be increasing.

D.14-10-046 also reviews the 2013 performance of several SoCalREN programs (SoCal REC, Residential, Financing, Single Family Loan Loss Reserve Program, Non-Residential PACE Promotion and Public Agency Promotion programs) as well as setting 2015 budgets.[13] The decision noted that:

- SoCal REC, a mixed resource and non-resource program, had spent $5.9 million for savings that were so small as to be not measurable.[14]
- That SoCalREN's EUC Home Upgrade Programs and Low Income Single Family Program had returned virtually no savings.[15]

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[9] D.14-10-046, P.130.

[10] Ibid., P. 130-131.

[11] Ibid., P.131-132.

[12] Ibid., P.132.

[13] Ibid., P 135-146.

[14] Ibid., P.136.

[15] Ibid., P.137-139.

D.14-10-046 stated that, "[i]t may be possible to explain these numbers away as startup or teething costs, as SoCalREN asserts, though such an argument is difficult to credit full in light of SoCalREN having spent several years administering ARRA programs,"[16] but promised, "we will continue to closely monitor program performance."[17] In light of these findings, D.14-10-046 approved funding for SoCal REN's Single Family Loan Loss Reserve Program, Non-residential PACE Promotion, and Public Agency Promotion.

The Reconciliation Report lists the programs run by each REN along with each programs approved and actual budget for 2013-2014, and the proposed and approved budget for 2015 (see Tables 5 and 6 below). The tables show that 70 percent of BayREN's budget is spent on two Energy Upgrade California programs: Single Family and Multi-Family. The remainder of BayREN's budget is spent on a number of non-resource programs such as codes and standards compliance training, and on administering three EE financing programs: Pay as you save, Commercial PACE, and Multi-Family Capital Advance. Approximately 50 percent of SoCalREN's 2013-2014 budget was spent on Energy Upgrade California but that proportion dropped to approximately one-third in its 2015 budget filing. SoCalREN also administers a number of non-resource programs that include: Local Marketing and Outreach, Contractor Outreach and Training, Green Building Labeling, and a Regional Energy Center to encourage local governments to implement energy management programs. SoCalREN also administers a number of EE financing programs. [18]

[16] Ibid, P.140.

[17] Ibid, P.140.

[18] Reconciliation Memo, P.4-5.

Table 5. Summary of 2013-2015 BayREN Program Year Budgets by Program

Programs	2013–2014 Budget - Approved[24]	2013-2014 Actual[25]	Proposed 2015 Budget	Approved 2015 Budget[26]	Total Three Year Approved Budget[27]
Energy Upgrade Programs (2)	$16,293,750	$18,393,644	$11,317,486	$8,146,875	$24,440,625
Single Family	$9,000,000	$6,774,779	$4,840,886	$4,500,000	$13,500,000
Multifamily	$7,293,750	$11,618,865	$6,476,600	$3,646,875	$10,940,625
Codes and Standards (C&S)	$3,349,000	$2,761,418	$1,826,373	$1,274,500	$4,623,500
Single Family Loan Loss Reserve	$3,825,000	$2,633,659	$612,651	$1,550,000	$5,375,000
Multifamily Capital Advance	$2,000,000	$1,605,928	$0	$1,000,000	$3,000,000
PAYS® Water Efficiency Pilot	$650,000	$721,612	$361,146	$325,000	$975,000
Commercial PACE Administration and Marketing	$450,000	$306,119	$251,505	$225,000	$675,000
Total	**$22,742,750**	**$23,788,721**	**$13,756,510**	**$10,971,375**	**$33,714,125**

Table 6. Summary of the 2013-2015 SoCalREN Budgets by Program

SoCalREN Programs	2013–2014 Budgets		Advice Letter 3 Budgets, March 26, 2014	
	2013–2014 Budget	2013-2014 Budget-Advice Letter 3, p. 8	2015 Budgets by Subprogram- from 2014 Advice Letter	Total Three Year Budgets
Energy Upgrade California -6 Programs	$21,155,103	$21,158,104	$13,727,651	$34,885,755
Multifamily	$9,543,801	$9,543,801	$5,342,790	$14,886,591
Single Family	$4,614,308	$4,616,309	$4,038,238	$8,654,547
Local Marketing and Outreach	$3,272,744	$3,273,744	$2,214,848	$5,488,592
Green Building Labeling	$2,010,000	$2,010,000	$1,005,000	$3,015,000
Contractor Training and Outreach	$1,014,250	$1,014,250	$776,906	$1,791,156
Low Income Single Family	$700,000	$700,000	$349,869	$1,049,869
Regional Energy Center	$16,586,726	$14,759,870	$11,612,400	$26,372,270
Financing – 3 programs	$5,558,500	$5,558,499	$3,902,476	$9,460,975
Single Family Loan Loss Reserve	$3,475,000	$3,475,000	$1,639,476	$5,114,476
Non-Residential Property Assessed Clean Energy (PACE)	$1,411,500	$1,411,500	$1,634,000	$3,045,500
Public Agency Financing Assistance	$672,000	$671,999	$629,000	$1,300,999
Water Energy Nexus	NA	$489,714	$265,735	$755,449
CEEPMS	NA	$1,037,141	$1,410,750	$2,447,891
Workforce Development	NA	$300,000	$150,000	$450,000
Total	**$43,300,329**	**$43,303,328**	**$31,069,012**	**$74,372,340**

Absent any decision to change the REN's funding, their budgets remain authorized at 2015 levels until 2025.[19]

III. RESPONSES TO ALJ RULING QUESTIONS

The central issue which the Commission must address is whether the RENs are on a path to deliver programs which further the Commission's statutory mandate, consistent with the loading order, to approve a ratepayer-funded EE portfolio that procures all cost-effective energy efficiency. Consistent with this mandate, the criteria that ORA has used in answering the ALJ's Question Number One is whether the programs in question directly or indirectly contribute to procuring cost-effective EE or whether they are on a path to do so in a reasonable time period.[20]

1a. Does REN program performance warrant continuing REN programs, regardless of whether RENs remain PAs?

As noted above, continuing or terminating REN programs should be based upon evidence of performance and expectations of ratepayer value. The two current REN evaluation reports analyzed only a subset of REN programs. In some instances (such as the multi-family programs), the evaluation reports noted that the programs were merely ramping up during the evaluation period and that the performance might not be indicative of what a fully ramped program would achieve.[21] For programs that have adequate evaluations, ORA makes specific recommendations regarding which programs should be

[19] D.14-10-046 Ordering Paragraph 21 (at 167) extended program administrators existing EE funding "at the 2015 annually spending levels by program administrators as approved in this Decision until the earlier of 2025 or when the Commission issues a superseding decision on funding levels."

[20] ORA informal comments on a draft version of Opinion Dynamic's Value and Effectiveness Study emphasized that some conclusions drawn by the evaluation were not supported by evidence in the report (See Appendix 1 for ORA informal comments). While the report concluded that the RENs are effective, the evidence in the report showed the resource programs run by the RENs to be almost completely ineffective. In stating that the RENs are effective, the Opinion Dynamics authors seemed to suggest that the RENs were effective in dealing with the Commission and formulating program implementation plans. Regulatory capacity, however, is a necessary but not a sufficient condition for judging whether the RENs should continue to administer and implement ratepayer-funded programs.

[21] The Reconciliation Memo, P.3, states "although the CPUC approved the two RENs in D.12 11 015, and authorized the RENs to begin service in January 2013, due to various requirements and requests, the RENs received final CPUC approval to begin offering EE services in July 2013. Most programs rolled out by September 2013.

continued and which should be terminated. For those programs for which evaluations have not been done or only perfunctory data has been provided, we recommend that the Commission await further evaluations before making a final determination.

In addition, the Commission should not authorize the RENs to launch any new programs at this time. The Commission currently needs further evaluation and better information in order to determine whether past programs have been effective. If new programs are created at this time, the Commission will find itself in the same position in a year's time: with too little information to decide whether to continue, expand or discontinue the new programs.[22] Both the RENs and other stakeholders will benefit from a definitive, evidence-based decision as to whether they should continue in their current role, and this will not be possible if the Commission creates a "moving target" for evaluators.[23]

1b. Which programs should continue to receive expanded or reduced funding/ or be terminated?

Although ORA recognizes the value that RENs bring to the EE marketplace, there are some REN programs that have not performed well and should be discontinued. In light of poor cost effectiveness results, the single family programs from BayREN and SoCal REN should be terminated, along with SoCal REN's multi-family programs.

The non-resource programs and EE financing programs should continue until there is better performance data.

Resource Programs (Single- and Multi-Family Programs):

The most informative evidence of program performance available is *the 2013-14 Regional Energy Networks and Community Choice Aggregator Programs Impact Assessment Final Report* by ITRON and Apex Analytics published on January 7th,

[22] D.09-09-047 (at 48) required EE pilots to have specific goals, objectives and end points. Since the RENs are pilots, a definitive end point for evaluation and consideration of permanence is needed.

[23] The need for a definitive end point for the REN pilots may be inconsistent with Commission direction in D.15-10-028 which suggests that all PAs should have flexibility to adjust their spending and program offerings in the Rolling Portfolio context. To the extent necessary, the Commission may wish to clarify whether the RENs, as pilots, have that flexibility while their permanent status is still pending.

2016.[24] Table 6-3 (see below), presented on page 6-3 of the report compares the Projected, Reported and Evaluated TRC (Total Resource Cost test) and PAC (Program Administrator Cost test) Ratios for BayRen's single and multi-family and a combined number for SoCalRen's programs (the table also includes data on Marin Clean Energy's single family and small commercial programs).[25]

Table 6-3: Comparison Between Projected, Reported and Evaluated TRC and PAC Ratios for the 2014 Program Year

Program Name	TRC Ratios			PAC Ratios		
	Projected	Reported	Evaluated	Projected	Reported	Evaluated
BayREN-Multifamily	0.67	0.38	0.27	0.97	0.44	0.30
BayREN-Single Family	0.56	0.05	0.05	1.29	0.06	0.06
MCE-Multifamily	1.06	0.25	0.23	2.42	0.28	0.24
MCE-Small Commercial	1.94	1.52	1.15	9.36	1.95	1.05
SoCalREN-All*	0.74 (elec) 0.51 (gas)	(0.05)	0.03	1.26 (elec) 0.79 (gas)	(0.06)	0.04

*SoCalREN projected separate TRC and PAC Ratios for gas and electric fuels.

The table highlights the very low evaluated values attributed to particular SoCalREN and BayREN programs, when based on either the TRC or the PAC ratios. ORA is especially concerned with the low PAC values, since the PAC does not include the customer's costs. The PAC is based only on program administrator costs and incentives. The low PAC values for BayREN's multi- and single- family programs suggest that either program costs are too high (due to high incentive levels and/or administrative costs) or savings from these programs are near zero. The TRC and PAC reported for SoCalREN do not distinguish between single- and multi-family. A single value is reported for both programs combined. The TRC of .03 and PAC of .04 show that these programs were almost entirely cost-ineffective in procuring EE resource savings.[26]

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[24] 2013-14 Regional Energy Networks and Community Choice Aggregator Programs Impact Assessment Final Report by ITRON and Apex Analytics published on January 7th, 2016 (http://www.calmac.org/warn_dload.asp?id=3214).

[25] Ibid, p.6-3.

[26] 1.0 is the threshold for cost-effectiveness both in the TRC and PAC. The TRC (Total Resource Cost) measures the value of energy savings over the total resources spent. Since incentives are internalized as a transfer payment, they do not affect the TRC. The PRC (Program Administrator Cost test) returns in

Table 6-7 in the ITRON report (see below) shows a comparison of the net lifecycle savings and cost-effectiveness of the RENs and IOU's Single-Family and Multi-Family (or whole building) Home Upgrade programs. Two conclusions can be drawn based on this data. First, neither the IOU nor REN Home Upgrade Programs approach a standard 1.0 cost-effectiveness threshold. BayREN's Multi-Family Program TRC of 0.28 actually compares somewhat favorably to the IOU run programs (see Orange highlight on 6-7 below). However, the PAC ratio of .30 is less than half of that of PG&E's Home Upgrade and Multi-family Whole Building program. SoCalREN's very low Net Life Cycle Savings, low TRC and low PAC indicate that these programs were entirely cost-ineffective as resource programs.

Table 6-7: Comparison of 2013-14 Savings and Cost Effectiveness among REN and IOU Home Upgrade and Multifamily Whole Building Programs

Program Name	Number of Participants	Net Lifecycle Savings			Cost Effectiveness	
		MW	GWh	MMTherms	TRC	PAC
BayREN-Multifamily	95	2.1	16.6	1.8	0.28	0.30
BayREN-Single Family	684	5.7	1.8	0.7	0.05	0.06
SoCalREN-Multifamily	2	0.4	2.6	(0.0)	0.02*	0.03*
SoCalREN - Single Family	120	1.4	0.9	0.2	0.02*	0.03*
PGE-Home Upgrade and MF Whole Building	4,931	86.7	66.7	15.3	0.23	0.83
SCE-Home Upgrade and MF Whole Building	1,700	29.9	22.8	2.0	0.21	0.35
SCG-Home Upgrade and MF Whole Building	2,669	0.0	11.6	4.7	0.24	0.48
SDGE-Home Upgrade and MF Whole Building	642	5.6	4.0	0.6	0.08	0.14

*The SoCalREN TRC and PAC is for their MFM and SFM claims combined. The program costs are not reported by multifamily versus single family in the tracking data, so calculating an individual TRC and PAC was not possible.

terms of energy savings over the costs to Program Administrators. This includes incentives since these are one aspect of program administration costs.

BayREN spent $6,774,779 on single-family and $11,618,865 on multi-family, for a total of **$18,393,644** on home upgrade programs in 2013-2014. Their energy savings can be calculated using the PAC values of .06 and .30 respectively as ($6,774,779 x .06) + (11,618,865 x .30) = **$3,892,146**, which is a net loss to ratepayers of **$14,501,498** over this two year period.[27]

SoCalREN spent $4,614,308 on single-family and $9,543,801 on multi-family for a total of **$14,158,109** in 2103-2014. Using the PAC value of 0.03 for the two programs (these were not calculated separately in the case of SoCAlREN), the energy savings produced by this investment was approximately $14,158,109 x .03= **$424,743**, which is a net loss to ratepayers of **$13,733,366** over two years.[28]

Performance evaluations for 2014 indicate that the following programs should be terminated: the single-family programs for BayREN and SoCalREN, and SoCal REN's multi-family home upgrade programs. The low PAC Ratios (from .03-.06) mean that ratepayers were losing from $.94-$.97 for every dollar spent on these programs in 2013-2014.

The evidence on BayREN's multi-family program is nuanced and deserves a closer look. The relatively similar TRC and PAC indicate high incentive levels may be one factor contributing to its high level of customer participation. This can be inferred from the fact that PAC contains program incentives, so when incentive levels are set lower, all else equal, the PAC should be relatively higher. The high level of customer participation may indicate that BayREN has a particular competence in outreach and marketing to the owner's of multi-unit buildings

The commission should continue to fund BayREN's Multi-Family Program while performance studies are pending. Future evaluations should investigate the reasons for relatively high enrollment, and depending on those findings, the Commission should consider focusing BayREN’s activities in the areas of demonstrated expertise.

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[27] Reconciliation Memo, Table 5, P. 6.

[28] Reconciliation Memo, Table 6, P. 7.

Non-Resource Programs

The evaluation reports for the REN's non-resource programs do not have substantial data. Opinion Dynamic's *Value and Effectiveness Study* provides a limited evaluation of BayREN's PAYS Water Efficiency Pilot and provides a summary of the accomplishments of the Codes and Standard's enforcement program that includes the of numbers of workshops held and number of attendees, but does not evaluate the effectiveness of the workshops.[29] The Value and Effectiveness Study also lists the accomplishments of SoCalREN's Public Agency Financing Program.[30]

The performance evaluations for non-resource programs showed diverse results, with some evaluations showing effectiveness, while others did not. For example, BayREN's Policy Support and Advocacy forum (Table 21, Page 32) showed participation well in excess of goals, and from that perspective, could be deemed "effective". On the other hand, The Code Enforcement Program met goals in terms of numbers of trainings, but fell short on the targeted number of inspectors that were actually trained (28 percent).[31]

Table 21. BayREN Codes and Standards Progress by PPM

Program Performance Metrics	2013 Goal	2014 Goal	Accomplished as of December 2014	Percent of 2013–2014 Goal Accomplished
Compliance Baseline and Tracking (number of counties)[a]	All Nine Bay Area Counties		n/a[a]	n/a[a]
Code Enforcement Education and Training (number of trainings)	33	38	72	101%
Code Enforcement Education and Training (number of trainees)	750	900	469	28%
Policy Support and Advocacy (number of forum participants)	150	200	413	118%

[a] Fifteen city and county building departments participated in the Permit Resource Opportunity Program (PROP). BayREN used the results of these activities to prioritize compliance improvement efforts for each jurisdiction and to develop a regional energy code compliance baseline.

On the other hand, the Financing Program (Table 22, page 33) did not serve a single project. Programs that are not performing need to be discontinued.

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[29] Value and Effectiveness Study by Opinion Dynamics, Jan 6, 2016, P. 31 (http://www.calmac.org/warn_dload.asp?id=3212).

[30] Ibid, P. 32.

[31] Ibid, P. 31.

Table 22. BayREN Financing Progress by PPM

Program Performance Metrics	2013 Goal	2014 Goal	Accomplished as of December 2014	Percent of 2013–2014 Goal Accomplished
Number of multifamily projects served by the Multifamily Capital Advance Financing Pilot	10	30	0	0%
Number of multifamily units served by the Multifamily Capital Advance Financing Pilot	400	800	0	0%
Number of projects forecast under the PAYS program	0[a]	2,000	0	0%
Percentage of Home Upgrade Projects facilitated through the Financing Portfolio Subprogram	16%	22%	n/a: The Single-Family LLR was not approved by the CPUC.	
Percentage of PG&E Home Upgrade projects facilitated through the Financing Portfolio Subprogram	25%	36%		

[a] While PAYS programs supported with CPUC funds did not result in installed projects as of December 2014, the initial Windsor Efficiency PAYS pilot supported with Better Buildings Program funding administered by the Sonoma County Regional Climate Protection Agency had installed PAYS projects in 231 single family homes and 233 multifamily units as of December, 2014.

Non-resource programs such as codes and standards training or providing assistance to local governments that want to improve the EE of its building stock appear to be a good fit for local government organizations. These kinds of programs build on existing local government functions and competences. Given the lack of substantive evaluation data, the RENs non-resource programs should continue with the same budget until a more comprehensive evaluation is completed, but BayREN's unsuccessful financing programs should be discontinued. At that point, a more-informed decision on the fate of the REN non-resource programs can be made.

2.Should RENs remain PAs in connection with whatever portfolio of programs they oversee?

The RENs should remain PAs in connection with the portfolio they oversee. However, as specified in response to question 1b), above, the REN Multi-Family and Single-Family Home Upgrade programs should be eliminated. This would leave the RENs in charge of a portfolio of non-resource and EE financing programs.

While the evaluation data on the RENs effectiveness in delivering non-resource programs is still limited, the RENs are well situated to provide value in the administration of the non-resource programs, such as code-enforcement training and local marketing and outreach. These programs meet the definition of valuable provided by D.12-11-015: the REN non-resource programs are not duplicative of IOU efforts and are potentially scalable if proven successful.

In addition, the REN non-resource programs draw on the competences and roles that are appropriate for local governments. Since code enforcement is a responsibility that falls to local government, it makes sense that RENs would run trainings to improve code enforcement. Local governments also have unique advantages in marketing, outreach and education because local governments are inherently trusted by residents and have no incentive to use education and outreach for corporate branding purposes. Nevertheless as specified above, the Commission should re-evaluate the RENs oversight of non-resource and EE financing programs when the additional performance studies have been completed.

IV. FUTURE REN EVALUATIONS SHOULD BE SCOPED TO PROVIDE ACTIONABLE INTELLIGENCE ON THE FUTURE OF THE RENS

In D.12-11-015, the Commission directed Staff to conduct process and impact evaluations of REN programs "to determine if certain piloted activities were successful and should be scaled up in 2015 and beyond, or discontinued altogether" and to "consider early evaluation activities prior to the end of 2014, in order to have more information going into the 2015 portfolio design process."[32] In D.14-10-046, the Commission noted that Staff had yet to complete evaluations of the RENs 2013-2014 program performance[33] and generally declined to expand REN pilot activities and budgets until obtaining evaluation results.

Staff published two evaluation reports in January 2016 covering program years 2013 and 2014 as well as a Reconciliation Memo summarizing the results of both reports. These evaluations did not cover the full range of REN activities and in the estimation of Staff consultant Katherine Johnson "neither study can provide a clear answer to the question now before the CPUC: *What's next for the RENs*?"[34]

[32] D.12-11-015 at 20.

[33] D.14-10-046 at 127.

[34] Reconciliation Memo, P. 2.

The Reconciliation Memo notes that several Staff-led studies are either underway or slated to begin in 2016, including a comprehensive impact evaluation of the RENs as well as a second phase of the RENs Value and Effectiveness Study.[35] The scope and timing of these studies are not sufficient to develop the data the Commission needs to evaluate the REN pilots and make decisions on the questions raised in the ALJ Ruling.[36] Though program year 2015 has already ended, the impact evaluation due in 2016 is only scoped to add the first two quarters of 2015 to the 2013-2014 data included in the current impact assessment. In addition, there is currently no timeline available for the study's completion.[37]

If the Commission concludes in its upcoming decision – as it did in D.14-10-046 – that there is not enough evidence to determine whether the RENs should continue, the Commission should direct Staff to consult with stakeholders and revise the scope of its upcoming evaluations in order to have the information necessary to determine which REN programs should be expanded or eliminated. The Commission should further direct staff to use 2015 full-year program results as the key test year and to complete the studies in a timely manner such that the Commission can decide this issue in Summer 2017.

Given the Commission's direction to Staff as early as D.12-11-015 to conduct evaluation activities that would allow the Commission decide on the success and scalability of the REN pilots, any further delay must be avoided.

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[35] *Ibid*, P. 2.

[36] Discussion during the January 22nd, 2016 workshop on the RENs indicates that evaluation timelines may be too optimistic and that the 2015 program year data may not be evaluated until 2017. ORA is concerned that a delay of these studies could draw out any further REN evaluation period.

[37] A more detailed description of this study in the ED-PA Joint EM&V Plan is at odds with what was presented in the Reconciliation Memo. The work plan shows the impact evaluation covering the full 2013-2015 period, with a completion date of Q2 2017. See *2013-2016 Energy Division & Program Administrator Energy Efficiency Evaluation, Measurement and Verifications Plan Version 6*, January 2016, P. 172-173.

V. CONCLUSION

ORA appreciates the opportunity to file comments in this matter and recommends that the Commission continue the RENs current roles and activities with the limited changes to program offerings suggested above.

Respectfully submitted,

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APPENDIX I

ORA Informal Comments PY2013-2014 Regional Energy Networks Value and Effectiveness Study Volume I of II prepared by Opinion Dynamics Corporation (Oct 11, 2015 Draft)[1]

1. Subject: Definition of Effectiveness

Section/Page: Executive Summary/Pages 2-3

Comment:

The report gives a definition of effectiveness that is based on "organizational competence": sufficient staffing, adjusting to necessary changes, and managing implementation. But this is not the 'effectiveness' that should interest the Commission. The evaluation should be based on the RENs' effectiveness at achieving their stated public-policy goals; in short their effectiveness at providing innovative resource and non-resource programs or devising innovative strategies to address hard-to-reach populations. For a non-resource program this would generally mean that the targeted population was reached, that this population found the program useful, and that this useful service was delivered at a reasonable cost. For a resource program, the criteria are well understood: meeting energy efficiency savings goals cost-effectively.

The evidence contained in the report does not support the conclusion that the RENs have met this more reasonable definition of effectiveness. Instead, the evidence presented shows the RENs failing to even achieve 10% of their Commission-approved savings goals, while the 2015 Itron REN impact report shows REN cost-effectiveness figures are substantially lower than comparable IOU programs.

Overall, a determination that the RENs are effective is not supported by the available evidence.

[1] These comments were filed on Dec 12, 2015 and can be found on the Comment area of EnergyDataWeb website (http://www.energydataweb.com/cpuc/comment.aspx?did=1396).

2. **Subject: The methodology used in this study is inappropriate for a value and effectiveness study**
Section/Page: Study Methodology/Pages 15

Comment:

The REN's are pilots and the Commission needs information on whether to continue them or not. The almost exclusive use of survey and long-form interviews is a poor methodological choice for determining either value or effectiveness. Such qualitative research methods are excellent for understanding processes and for discovering both positive and negative outcomes of a program that might not be evidenced through more codified metrics. They would also be useful in informing program change and in guiding organizational adaptation as they might reveal 'weak signals' that don't show up in the metrics. However, they are a poor basis for making an evaluation of the value or effectiveness of the RENs as alternate program administrators. Established metrics such as energy savings and cost-effectiveness tests tell us whether an organization is meeting key Commission goals. Survey data might be useful to understand issues such as customer satisfaction, but tell us nothing about the cost-effectiveness with which services were delivered. Therefore, on their own, they form an inadequate basis for judging the value or effectiveness of the REN's. The report should be altered to reflect the limited scope of the conclusions on value and effectiveness given the study design and data.

3. **Subject: The conclusion that the RENs are valuable and effective is not substantiated by the evidence when using a reasonable definition of 'effective.'**
Section/Page: Conclusions and Summary/Pages 77-79

Comment:

The study has based its conclusions on criteria that are either irrelevant or of only secondary relevance when drawing conclusions about whether the Commission should continue to fund organizations that have spent $75 million in ratepayer money over the course of two years. When evaluated in terms of their effectiveness in running programs that meet Commission goals, more differentiated conclusions are merited. Specifically, some of the programs designed by the RENs were effective while others were not. For example, BayREN's Policy Support and Advocacy forum (Table 21, Page 32) showed participation well in excess of goals. Therefore it can be considered effective. On the other hand, the Financing program (Table 22, page 33) did not serve a single project. Similarly, SoCalREN's Multifamily program (Table 25, page 36) achieved less than 10 percent of its savings goals whether measured by Energy Savings, Peak Demand Savings, or Gas Savings.

The report should replace its overall Conclusion that the RENs were 'effective' with a more nuanced and meaningful conclusion informing readers where they were effective and where they were not. This would be much more useful for parties as they consider the appropriate role for RENs in California's EE ecosystem.