

## PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



Susan Hughes  
Senior Deputy Executive Director  
Ventura County  
Tri-County Regional Energy Network  
800 S. Victoria Avenue, #L1940  
Ventura, CA 93009

December 20, 2019

Dear Ms. Hughes:

Energy Division approves Tri-County Regional Energy Network's (3C-REN) Annual Budget Advice Letter (ABAL) 4-E/3-G, pursuant to the ABAL review criteria laid out in D.18-05-041, which addressed energy efficiency (EE) business plans. Accordingly, 3C-REN's budget spending request of \$6,334,301<sup>1</sup> to administer energy efficiency (EE) programs in 2020 is approved, effective January 1, 2020.

## Background

On September 3, 2019, 3C-REN filed its Annual Budget Advice Letter (ABAL) 4-E/3-G. On September 23, 2019, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed its protest of 3C-REN's ABAL 4-E/3-G. On September 27, 2019, Energy Division suspended 3C-REN's ABAL 4-E/3-G for 120 days for further review. On September 30, 2019, 3C-REN filed its reply to Cal Advocates' protest of ABAL 4-E/3-G.

## 2. Cal Advocates Protest and 3C-REN Reply Comments

Cal Advocates' protest included 16 "recommendations" for the CPUC regarding program administrators' (PAs) 2020 ABALs, with an overarching theme of the need for the entire statewide energy efficiency portfolio, including the portfolio of Regional Energy Networks (RENs), to be cost-effective. Of those 16 recommendations, the 5 recommendations relevant to 3C-REN are addressed below in 2 sections.

### 2.1 Issues Regarding Cost Effectiveness

This section addresses the following recommendations from Cal Advocates:

- *The Commission must ensure that the statewide EE portfolio is cost-effective*
- *The Commission cannot approve the PAs' proposed budgets because they will not produce a statewide portfolio that is cost-effective*
- *The Commission must adopt remedies to improve the cost-effectiveness of all PAs' EE portfolios*
- *The Commission should require each PA to improve the net benefits of its portfolio*

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<sup>1</sup> 3C-REN's budget spending request of \$6,334,301 is approved, as is 3C-REN's budget recovery request of \$3,472,136.

In its protest filed September 23, 2019, Cal Advocates argues that Public Utilities (PU) Code Section 381 (b)(1) “directs the Commission to allocate public purpose funds to cost-effective energy efficiency and conservation activities.”<sup>23</sup> Cal Advocates also argues that prior CPUC Decisions, including D.09-09-047<sup>4</sup>, D.12-11-015<sup>5</sup>, and D.14-10-046<sup>6</sup>, state that:

- the CPUC may only allocate funds to activities that are cost-effective;
- EE portfolios must be cost-effective on both a forecast and evaluated basis;
- the CPUC may only approve an EE portfolio, including both utility and REN proposals, that is cost-effective overall.<sup>7</sup>

Cal Advocates concludes by stating that, in light of the PU Code as well as prior CPUC decisions, the CPUC may not in this instance approve any of the 2020 ABALs, as doing so would produce a statewide portfolio that is not cost-effective.<sup>8</sup> Instead, Cal Advocates recommends that the CPUC should require all PAs to collectively submit revised supplemental 2020 ABALs that “constitute a cost-effective statewide portfolio.”<sup>9</sup>

In its reply, 3C-REN asserts that multiple decisions since D.12-11-015 have evaluated cost effectiveness as applied only for individual PA portfolios.<sup>10</sup> Furthermore, 3C-REN argues that the CPUC has not directed coordination among PAs on cost effectiveness nor does it set cost-effectiveness requirements for RENs.<sup>11</sup>

## Discussion

In citing D.12-11-015, which states that “the Commission may only approve an EE portfolio, including both utility and REN proposals, that is cost-effective overall.” Cal Advocates relies on general CPUC guidance provided prior to the onset of the Rolling Portfolio, the advent of expanded third-party administration designed to produce higher savings at lower cost, and lower energy efficiency goals reflecting reduced potential. Regardless, D. 18-05-041, which is the more recent decision than D.12-11-015, provided very clear and limited criteria under which Energy Division staff should review a PA’s ABAL. Those limited ABAL review criteria do not include policy considerations from D.12-11-015, as cited by Cal Advocates.

Furthermore, Cal Advocates’ claim that a PA’s ABAL could only be approved if the proposals from all PAs, together, demonstrate cost-effectiveness overall, is out of scope of Energy Division’s ABAL

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<sup>2</sup> *The Public Advocates Office Protest of Energy Efficiency Annual Budget Advice Letters for Program year 2020 (September 3, 2019)*, p. 3. (hereafter referred to as “Cal Advocates Protest”).

<sup>3</sup> *Ibid.*

<sup>4</sup> D.09-09-047 approved 2010 to 2012 Energy Efficiency Portfolios and Budgets.

<sup>5</sup> D.12-11-015 approved 2013-2014 Energy Efficiency Programs and Budgets.

<sup>6</sup> D.14-10-046 Established EE Savings Goals and Approved 2015 EE Programs and Budgets.

<sup>7</sup> Cal Advocates Protest, p. 4.

<sup>8</sup> The 2020 portfolio, including budgets and savings from the IOUs, BayREN, SoCalREN, 3CREN, and Marin Clean Energy, but excluding budgets and savings from ESA programs and Codes and Standards, has a Total Resource Cost (TRC) of 0.89. Portfolio cost-effectiveness information available at <https://cedars.sound-data.com/filings/list/>.

<sup>9</sup> Cal Advocates Protest, p. 46.

<sup>10</sup> *3C-REN Response to The Public Advocates Office’s Protest of Energy Efficiency Annual Budget Advice Letters for Program Year 2020 (September 3, 2019)* p. 2 (hereafter referred to as “3C-REN Reply”).

<sup>11</sup> 3C-REN Reply, p. 3.

review process. Energy Division's review process was conceived as ministerial, in which CPUC staff would narrowly address whether an ABAL meets the review criteria laid out in D.18-05-041, rather than broader policy questions more suited for consideration in a proceeding.<sup>12</sup>

Additionally, while D.12-11-015 stated the CPUC's general intent for portfolio approval *at that time* when energy efficiency was defined by limited-term, multi-year program cycle applications, D. 18-05-041 provided specific guidance for portfolio approval as it exists under the new Rolling Portfolio framework and the ABAL review process. Specifically, in D. 18-05-041, the CPUC acknowledged its concern regarding the cost-effectiveness of the PAs' respective portfolios in 2018, noting the "non-trivial amount of uncertainty regarding third-party programs and, relatedly, the IOUs reorienting their focus toward prudent portfolio management." Therefore, the CPUC opted to treat program years 2018-2022 as "ramp years", i.e. an *interim time* during which individual REN ABALs would be evaluated on their respective abilities to meet their forecasted savings in their 2019 ABAL true-up tables<sup>13</sup> and stay within an authorized budget cap.<sup>14</sup>

Lastly, Energy Division agrees that additional CPUC guidance is needed regarding whether and how all eight PAs would work together to create a single-statewide portfolio that is cost-effective. CPUC staff will review PA ABALs according to the criteria established in D. 18-05-041, which include meeting individual energy savings goals, individual portfolio cost-effectiveness, and staying within the individual authorized budget cap(s). Larger questions related to collective portfolio cost-effectiveness among portfolios administered separately by different administrators, as cited by Cal Advocates in its protest, will be taken up in the rulemaking as the CPUC examines overall cost-effectiveness policy topics.<sup>15</sup>

The CPUC has acknowledged diminished portfolio cost-effectiveness of PA portfolios as well as the need to achieve savings goals. For example, recent CPUC actions set in place the support needed to improve PA portfolio cost-effectiveness, including:

- adopting updated energy efficiency savings goals that reflect changes to measures' cost effectiveness;
- allowing the IOU PAs to pursue greater third-party program administration with the intent to achieve higher savings at lower cost; and,
- opening a discussion on issues related to additional RENs.

The CPUC supports these actions to support more cost-effective IOU portfolios.

In summary, Energy Division approves 3C-REN's ABAL pursuant to the ABAL review criteria identified in D. 18-05-041 which provided a limited scope under which Energy Division staff was to review the ABALs.

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<sup>12</sup> D.15-10-028, p. 62: "The question for Commission Staff in reviewing a budget advice letter should be "does this conform to the approved business plan?"

<sup>13</sup> D.18-05-041, p. 134. Stated that one of the criteria of the approval of a RENs ABAL included the requirement that the RENs "must meet or exceed the annual energy savings targets included in their business plans." However, this was amended in D.19-08-034 p. 28, to state that "instead the RENs shall meet or exceed the annual savings forecasts presented in their true-up tables as submitted in their Program Year 2019 ABALs (and subsequently approved in Energy Division's advice letter dispositions)."

<sup>14</sup> D.18-05-041, p. 134.

<sup>15</sup> See D. 19-12-021, p. 40 ("Decision Regarding Frameworks for Energy Efficiency Regional Energy Networks and Market Transformation," approved by the CPUC on December 5, 2019).

## 2.2 Issues Related to Perceived 3C-REN Budget Increase

This section addresses the following recommendation from Cal Advocates:

- *The Commission should not permit SoCalREN or 3C-REN to increase their budgets*

Cal Advocates claims that to meet the statutory mandate that the statewide EE portfolio be cost-effective, the CPUC should deny the requests of SoCalREN and 3C-REN to increase their respective budgets from 2019.<sup>16</sup> Cal Advocates points out that 3C-REN requests an increase in its total spending budget from \$3.18 million in 2019 to \$6.33 million in 2020.<sup>17</sup> Given the current circumstances associated with portfolio cost-effectiveness, Cal Advocates states that the CPUC would fail in its responsibility to oversee a cost-effective portfolio if it approved the RENs' portfolios without any consideration of 3C-REN's cost effectiveness.<sup>18</sup> Cal Advocates concludes by arguing that the CPUC should not authorize budget increases for PAs with low Total Resource Cost (TRC) portfolios until the statewide portfolio proves to be cost-effective on an evaluated basis.<sup>19</sup>

In its reply, 3C-REN disagrees and claims it is not requesting a budget increase but rather is requesting its 2020 Program Year budget as presented and approved in the 2019 ABAL, and thus is not proposing a budget increase.<sup>20</sup>

### Discussion

Unlike the other PAs, 3C-REN's annual budget trajectory for 2019-2025 were not approved in D.18-05-041 but was instead approved when Energy Division disposed of 3C-REN's Program Year 2019 ABAL (3C-REN AL 2-E/1-G). In 3C-REN's Program Year 2019 ABAL, which requested a total budget of \$47.6 million for program activities through 2025, the 2020 Program Year budget projected was \$6,345,601. The budget spend requested in the Program Year 2020 ABAL, 6,334,301 is less than the projected 2020 budget.<sup>21</sup> 3C-REN is therefore compliant with the direction given to RENs on annual budgeting in Section 7.3 of D.18-05-041, which states:

“Forecasted budget must not exceed the annual budget in the approved business plan, or (if applicable) the revised annual budget in the PA's September 4, 2018 ABAL, for the program year for which the ABAL requests budget authority, plus any unspent funds from previous years in the business plan period.”<sup>22</sup>

In addition, no previous CPUC decision states that RENs with low portfolio TRCs may not increase budgets from year to year. Thus, Energy Division rejects Cal Advocates' protest and approves 3C-REN's requested budget for 2020.

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<sup>16</sup> Cal Advocates Protest, p. 43.

<sup>17</sup> SoCalREN's ABAL, p. 6 (Table 2).

<sup>18</sup> Cal Advocates Protest, p. 44.

<sup>19</sup> Ibid.

<sup>20</sup> 3C-REN AL 2-E/1-G, p. 4.

<sup>21</sup> 3C-REN AL 2-E/1-G, p. 4.

<sup>22</sup> D.18-05-41, p. 134.

Please direct any questions regarding Energy Division's findings in this non-standard disposition to Nils Strindberg ([nils.strindberg@cpuc.ca.gov](mailto:nils.strindberg@cpuc.ca.gov)).

Sincerely,

A handwritten signature in black ink, appearing to read "ERandolph", is written over a faint, larger signature that appears to be "Nils Strindberg".

Edward Randolph,  
Deputy Executive Director for Energy and Climate Policy/  
Director, Energy Division

Cc: Service Lists R. 13-11-005 and A.17-01-013  
Pete Skala, Energy Division  
Jennifer Kalafut, Energy Division  
Alison LaBonte, Energy Division  
Nils Strindberg, Energy Division  
Michael Campbell, The Public Advocates Office  
Daniel Buch, The Public Advocates Office  
Henry Burton, The Public Advocates Office

