

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (U338E) for Approval of Energy Efficiency Rolling Portfolio Business Plan.	Application 17-01-013 (Filed January 17, 2017)
And Related Matters.	Application 17-01-014 Application 17-01-015 Application 17-01-016 Application 17-01-017 (Consolidated)

SUPPLEMENTAL BUDGET INFORMATION PROVIDED BY THE ASSOCIATION OF
BAY AREA GOVERNMENTS, ON BEHALF OF THE SAN FRANCISCO BAY AREA
REGIONAL ENERGY NETWORK (CPUC # 940) IN SUPPORT OF 2018-2025 BUSINESS
PLAN

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Pursuant to the April 14, 2017 Scoping Memo and Ruling of the Assigned Commissioner and Administrative Law Judges (Scoping Memo), the Association of Bay Area Governments (ABAG), on behalf of the San Francisco Bay Area Regional Energy Network (BayREN), respectfully submits responses to the questions related to budgets. As suggested in the Scoping Memo, the current and proposed Program Administrators met and conferred with the Office of Ratepayer Advocates (ORA) and The Utility Reform Network (TURN). The questions below (in bold) are the result of these meetings.

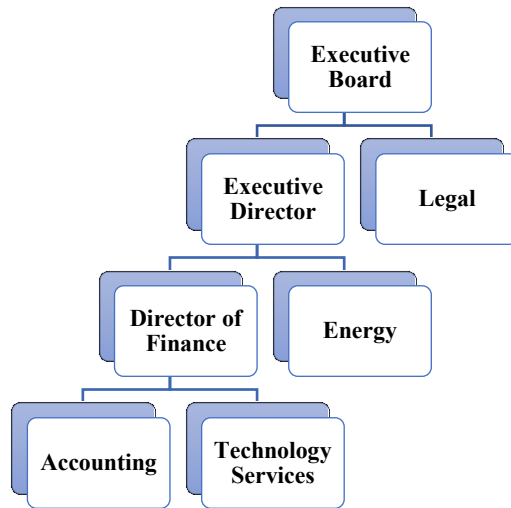
ABAG is the program administrator for BayREN, a portfolio of energy efficiency programs implemented throughout the nine bay area counties. The information provided herein relates to ABAG.

I. DESCRIPTION OF IN-HOUSE EE ORGANIZATIONAL STRUCTURE & ASSOCIATED COSTS

A. Narrative description of in-house departments/organizations supporting the PA’s EE portfolio

The following departments within ABAG work on BayREN: Energy, Accounting, IT, Legal and Executive.

- **Management Structure and Org Chart (within BayREN context)**
- **EE-related Functions Conducted by Each Department**



1. **Executive Board** – policy guidance, procurement review, ultimate decision authority and oversight.
2. **Executive Office** – policy review, approval of contracts and senior staff decision maker
3. **Legal / General Counsel** – review of contracts and other legal documents
4. **Energy** – This department performs the majority of tasks for BayREN. This includes program and portfolio management, regulatory strategy and compliance, contract management, invoice review and approval, coordination with PG&E, MCE, local Energy Watches and other stakeholders, etc.
5. **Finance / Accounting** – invoice review and submittal; preparation of ABAG internal review and budgeting, audit compliance, etc.
6. **Technology Services & IT** - website management

- **Staffing needs by department/organization, including current and forecast for 2018, as well as a description of what changes are expected in the near term (2019-2020) or why it's impossible to predict beyond 2018, if that's the PA's position**

The current staffing by department is as follows:

Energy:	1 FTE and 2 PTE ¹
Accounting:	3 PTE
IT:	1 PTE
Legal:	1 PTE

If the Business Plan is approved, ABAG forecasts to hire one FTE to manage the Codes and Standards program, and one FTE to manage the Water-Energy nexus program.

As of July 1, 2017, ABAG staff will be functionally consolidated with the Metropolitan Transportation Commission (MTC). As part of this consolidation, ABAG staff will become MTC staff. At this juncture, it is difficult to forecast changes that may occur as a direct result of this consolidation. However, since the overall administrative budget requested is not significantly more than what is currently approved, any future administrative staffing changes, if any, will likely be modest.

- **Non-program functions currently performed by contractors (e.g. advisory consultants), as well as a description of what changes are expected in the near term (2019-2020) or why it's impossible to predict beyond 2018, if that's the PA's position**

ABAG currently has no consultants retained solely for the purpose of engaging in 'non-program functions'. Certain consultants have scopes of work that include tasks related to general BayREN communications and regulatory support. It is envisioned that ABAG will continue to engage consultants to support these tasks in the near term.

- **Anticipated drivers of in-house cost changes by department/organization**

We interpret 'in-house cost' to be any BayREN-associated cost (including labor) paid directly by ABAG. Based on this interpretation, these costs are driven primarily by the number of programs being implemented and the expected customer participation in each program. (Please also see answer to question D, below.)

¹ Part Time Employee (PTE) refers to staff that work part time on BayREN and the rest of the time on other ABAG programs and/or activities.

Explanation of method for forecasting costs

Costs are estimated by using a ‘bottoms-up’ approach at the program level. That is, each sector BayREN lead estimates the required Administration, Marketing, Implementation and Incentives needed based on the expected scope and participation in the program.

B. Table showing PA EE “Full Time Equivalent” headcount by department/organization

Department	2016 EE Portfolio FTE	2018 EE Portfolio FTE
Executive Director	0.00	0.00
Legal	0.01	0.01
Energy	1.83	3.83
Finance/Accounting	0.11	0.11
IT	0.01	0.01
Total	1.96	3.96

C. Table showing costs by functional area of management structure

Department	Aggregated Category - Functional Group	2016 EE Costs	2018 EE Costs
Executive Director	Any	\$0	\$0
Legal	Policy, Strategy, and Regulatory Reporting Compliance	\$2,492	\$2,700
Legal	Program Management	\$2,492	\$2,700
Energy	Policy, Strategy, and Regulatory Reporting Compliance	\$246,434	\$320,000
Energy	Program Management	\$159,022	\$470,730
Energy	Portfolio Analytics	\$20,521	\$45,000
Energy	ME&O	\$30,537	\$45,000
Finance / Acct	Program Management – Contract Management	\$21,731	\$32,000
IT	IT – Project Specific & Regular O&M	\$2,207	\$7,870
Total:		\$485,436	\$926,000

- **Identify any capital costs**

ABAG does not have any relevant capital costs; therefore, this question is not applicable.

D. Table showing cost drivers across the EE organization

BayREN provided this information in RESPONSE OF THE ASSOCIATION OF BAY AREA GOVERNMENTS, ON BEHALF OF THE SAN FRANCISCO BAY AREA REGIONAL ENERGY NETWORK (CPUC # 940) TO APRIL 14, 2017 SCOPING MEMO AND RULING OF ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGES REGARDING 2018-2025, filed on May 15, 2017 in response to Question B.3. For ease to the reviewer, this information is copied herein.

B. Management and administrative strategies

3. Please justify administrative budgets, and describe primary determinants of budget. What are the drivers of administrative and implementation (non-incentive) cost categories?

Upon approval of the Business Plan and starting in 2018, the BayREN proposes to follow the Energy Efficiency Policy Manual protocols and reallocate administrative costs by sector programs to the overall BayREN Portfolio budget. This revised approach is consistent with the discussion of allowable costs in the Energy Efficiency Policy Manual and the BayREN's experience for how administrative activities impacted BayREN agency members' staff during implementation of the BayREN's programs from 2013-2016. Implementation and marketing tasks are more unique to the individual program, and will continue to be budgeted on the program level. This approach will help BayREN continue to maintain budget allocations under the CPUC's 10% cap on administrative costs². In the Business Plan Budget, all administrative allocations have been removed from sector program budgets.

The BayREN's administrative budget includes costs associated with the general functioning of the approved programs, as well as activities required for overall management of the portfolio. These tasks are typically standardized across all programs in the portfolio and include: accounting, reporting, legal, regulatory compliance, regular Coordinating Circle and program subcommittee meetings, and procurement/contracting. Given the relative small size of staff working on BayREN, many activities are split between administration and implementation, resulting in efficiencies and lower administrative costs.

² D.12.11.015 did not limit BayREN's administrative budget as prior decisions have done for the IOUs. However, the BayREN's Business Plan sets forth an administrative budget below 10%.

The Energy Efficiency Policy Manual, at Appendix F lists discrete activities under the recognized budget categories for administration and implementation. The level of need for each of these activities will impact the budget. Some additional factors are highlighted.

The overall drivers of administrative costs include:

- The number of programs in the portfolio
- The number of participating agencies
- Procurement and contracting with expansion of portfolio and natural timeline for current programs
- Increased regulatory participation
- Reporting requirements
- IT services

The drivers of implementation costs include:

- The number of participants in a program
- Processing of rebate applications
- Inspecting rebated/incentive measures
- Engineering related activities
- Measurement development
- Education and training of contractors/partners/customers
- Project management activities (i.e. Planning Scope of Work, working with contractors and customers, setting goals, reviewing goals, reacting to market conditions, and responding to customer inquiries (i.e. calls, emails, letters))
- Program planning, development and design
- Customer support
- Energy audits and continuous energy improvement
- Market transformation and long-term strategic plan support
- Compiling and maintaining information (i.e., data, customer records) for projects
- Licensing fees or IT development cost for program specific applications for implementation (e.g., benchmarking tool or project management tool);

- Direct-implementation specific IT costs (e.g., licensing fees or IT development cost for program-specific applications)
- Staff travel to undertake direct implementation-specific work activities (excluding conference participation)
- Program planning/design/project management and information gathering costs related to specific Strategic Plan related non-resource and resource programs
- Whether the program is new or existing
- The amount of technical assistance provided both in terms of customers and effort³
- If the program target is a “hard-to-reach” market since this typically requires more interaction/education/marketing to get the customer to act

E. Explanation of allocation of labor and O&M costs between EE-functions and GRC-functions or other non-EE functions

- **When an employee spends less than 100% of her/his time on EE, how are costs tracked and recovered (e.g., on a pro rata basis between EE rates and GRC rates; when time exceeds a certain threshold, all to EE; etc.)**

While ABAG is not engaged in ‘GRC-functions’, all staff time is tracked on an hourly basis by program. ABAG staff time spent on BayREN activities is tracked on time sheets that are submitted bi-weekly.⁴ On a monthly basis, ABAG staff time spent on BayREN is reported and broken down by program and budget category (Administration, Marketing, and Implementation.)

- **Describe the method used to determine the proportion charged to EE balancing accounts for all employees who also do non-EE work**

All staff time is tracked on an hourly basis by program. ABAG staff time spent on BayREN activities is tracked on time sheets that are submitted bi-weekly. On a monthly basis, ABAG staff time spent on BayREN is reported and broken down by program and budget category (Administration, Marketing, and Implementation.)

- **Identify the EE functions that are most likely to be performed by employees who also do non-EE work (e.g. Customer Account Representatives?)**

³ Technical assistance (for at least the multifamily program) is planned to decline over time and shift to implementation activities that leverage other market drivers.

⁴ Time sheets are reviewed by the BayREN program manager and accounting.

As described in the responses to the questions posed in section I(A) above, the functions performed by employees who do non-EE work are: accounting, IT, Legal and Executive management.

- **Are labor costs charged to EE fully loaded?**

Yes. Labor rates are inclusive of overhead and fringe benefits.

- **How are burden benefit-related administrative and general (A&G) expenses for employees who work on EE programs recovered (EE rates or GRC rates)? **PG&E allocates these costs to EE pursuant to a settlement agreement with MCE and TURN, which was adopted in D.14-08-032**

Not applicable.

- **When EE and non-EE activities are supported by the same non-labor resources, how are the costs of those resources or systems allocated to EE and non-EE activities?**

General administrative resources are allocated via the overhead rate included in all labor rates. As noted previously, labor costs are charged to individual programs (BayREN or non-BayREN) as appropriate, and thus the overhead costs are spread appropriately to the individual programs.

- **Identify the EE O&M costs that are most likely to be spread to non-EE functions as well as EE, if any**

Please see response above.

II. BUDGET TABLES INCLUDING INFORMATION IDENTIFIED IN THE SCOPING MEMO

A. Attachment-A, Question C.8

“Present a single table summarizing energy savings targets, and expenditures by sector (for the six specified sectors). This table should enable / facilitate assessment of relative contributions of the sectors to savings targets, and relative cost-effectiveness.”

ABAG responded to this question in the comments filed on May 15, 2016. For the sake of clarity, this response is copied below.

Consistent with the Evaluation and Benefits Framework discussion presented in the BayREN Business Plan (page 1.19) and further discussion in response to Question 31 below, BayREN believes that RENs provide ratepayers, their communities, and the State with measureable value inclusive of energy and non-energy benefits. In addition to net energy savings from Resource

Programs, BayREN believes there is significant value in all of its identified activities including carbon emissions/GHG reductions, increased participation, technical assistance, job development and training, and energy savings, including activities currently identified as Non-Resource. Furthermore, recognizing that RENs are specifically charged with working with hard-to-reach and underserved communities and filling gaps in the IOU portfolios, BayREN believes that its Resource Programs provide relatively cost-effective energy savings compared to similar IOU programs, especially for whole building upgrades.

		2018-2025 Energy Savings Targets and Expenditures			
		kWh	kW	therms	Expenditures
Residential ¹	Gross	33,893,454	21,162	6,628,966	125,430,000
	Net	26,756,591	16,005	5,105,374	
Commercial ¹	Gross	58,968,000	22,680	567,000	47,713,000
	Net	53,071,200	20,412	510,300	
Public ²	Gross	7,201,505	1,495	81,905	13,469,000
Codes & Standards	N/A	N/A	N/A	N/A	16,332,000
Water-Energy Nexus ²	Gross	789,400	N/A	558,500	7,240,000
TOTAL³	Gross	100,852,359	60,668	7,836,371	225,437,701

¹Residential and Commercial include savings from programs currently proposed as Resource.

²Public and Water-Energy Nexus include savings from programs currently proposed as Non-resource.

³Total expenditures include Sector budgets plus BayREN Portfolio budgets for Administration and EM&V.

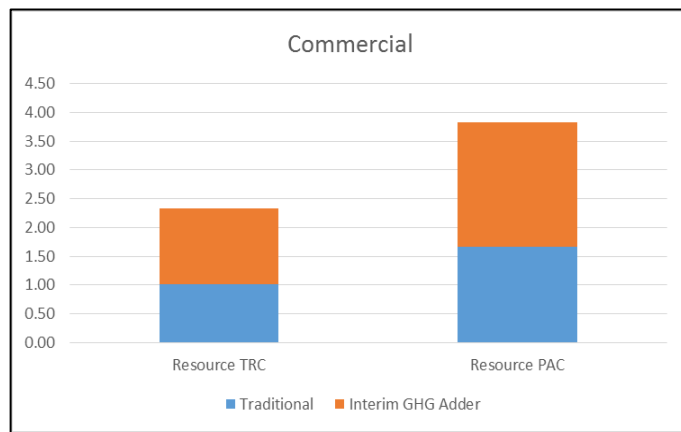
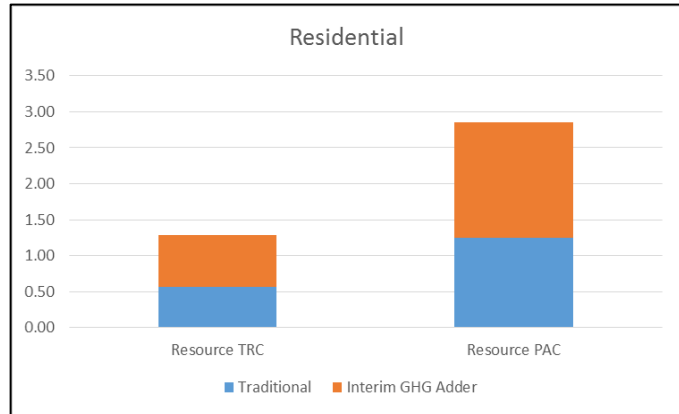
As discussed further in response to Question 31, the BayREN will work with Energy Division as alternatives to the traditional cost-effectiveness metrics are developed. Specific to the Societal Cost Test proposals outlined by Staff, BayREN offers the following TRC/PAC and modified TRC/PAC calculations for its Resource Programs in the Residential and Commercial Sectors.

	2018-2025 Resource Program TRC and PAC			
	TRC	PAC	TRC – GHG Interim Adder ¹	PAC – GHG Interim Adder ¹
Residential	0.56	1.25	1.28	2.86
Commercial	1.02	1.67	2.33	3.83

¹Interim GHG Adder per values presented in “Energy Division Staff Proposal Addendum: Interim GHG adder” from ALJ April 4, 2017 Ruling Seeking Comment. Developed based on consultation with E3.

Consistent with the methodology suggested by Commission Energy Division Staff and discussed by the ALJ Kelly Hymes as a potential interim approach, BayREN’s modified TRC/PAC calculation was developed using;⁵

- Cost-effectiveness tool inputs and outputs consistent with those used for BayREN’s traditional TRC/PAC metrics
- The Proposed Interim GHG Adder Values through 2030, the \$250/tonne value maintained for 2031-2042, a discount rate of 0%, and no values for air quality
- With these GHG Adders, the net present value for the cumulative Net CO2 Electric and Gas savings achieved over the EUL for each Resource Program



B. Attachment-A, Question C.9

“Using a common budget template developed in consultation with interested stakeholders (hopefully agreed upon at a “meet and confer” session), display how much of each year’s budget each PA anticipates spending “in-house” (e.g., for administration, non-outsourced direct implementation, other non-incentive costs, marketing), by sector and by cross-cutting program.”

Please see Exhibit A, attached hereto. Additional information is provided in ABAG’s budget template, filed concurrently herewith.

C. Attachment-A, Question C.10

“Present a table akin to PG&E’s Figure 1.9 (Portfolio Overview, p 37) or SDG&E’s Figure 1.10 (p. 23) that not only shows anticipated solicitation schedule of “statewide programs” by calendar year and quarter, but also expected solicitation schedule of local third-party solicitations, by sector, and program area

⁵ R-14-10-003, “Administrative Law Judge’s Ruling Requesting Comment on an Interim Greenhouse Gas Adder”, 4/ 3/2017.


(latter to extent known, and/or by intervention strategy if that is more applicable). For both tables, and for each program entry on the calendar, give an approximate size of budget likely to be available for each solicitation (can be a range).”

ABAG responded to this question in the comments filed on May 15, 2016. For the sake of clarity, this response is copied below.

This is not applicable to BayREN.

Based on the foregoing, the Association of Bay Area Governments respectfully requests that the Commission approve the BayREN Business Plan.

Respectfully submitted,

A handwritten signature in black ink that reads "Gerald Lahr". The signature is written in a cursive, flowing style.

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Dated: June 12, 2017

EXHIBIT A

Bay Area Regional Energy Network (BayREN) Supplemental 2018 EE Budget Information Portfolio Summary

Sector	2016 EE Portfolio Expenditures				2018 EE Portfolio Budget ⁽²⁾				2016 EE Portfolio Savings			2018 EE Portfolio Forecasted Savings		
	Labor	Non-Labor (excl.)	Incentives	Total	Labor	Non-Labor (excl. Incentives)	Incentives	Total	KWH	KW	M THERMS	KWH	KW	M THERMS
Residential	\$ 334,357	\$ 4,860,526	\$ 9,303,147	\$ 14,498,030	\$ 342,000	\$ 6,471,000	\$ 9,790,000	\$ 16,603,000	2,916,844	1,537,812	0.37	3,000,000	1,650	0.45
Commercial	\$ 10,605	\$ 111,826	\$ -	\$ 122,431	\$ 34,000	\$ 2,509,000	\$ 500,000	\$ 3,043,000	0	0	0	2,600,000	945	0.30
Agricultural														
Industrial														
Public (GP)	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 480,000	\$ -	\$ 500,000	0	0	0	1,300,000	270	0.11
Cross Cutting*	\$ 140,474	\$ 1,724,090	\$ -	\$ 1,864,564	\$ 530,000	\$ 2,551,000	\$ -	\$ 3,081,000	0	0	0	0	0	0.00
Total	\$ 485,436	\$ 6,696,442	\$ 9,303,147	\$ 16,485,025	\$ 926,000	\$ 12,011,000	\$ 10,290,000	\$ 23,227,000	2,916,844	1,537,812	0.37	6,900,000	2,865.00	0.86
EM&V-PA				\$ -		\$ 400,950		\$ 400,950						
EM&V-ED				\$ -				\$ -						
OBF - Loan Pool**		\$ 380,000		\$ 380,000		\$ 830,000		\$ 830,000						
REN				\$ -				\$ -						
CCA				\$ -				\$ -						
EE Total	\$ 485,436	\$ 7,076,442	\$ 9,303,147	\$ 16,865,025	\$ 926,000	\$ 13,241,950	\$ 10,290,000	\$ 24,457,950	2,916,844	1,537,812	0.37	6,900,000	2,865.00	0.86