Global Challenges Facing All Sectors

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Rural Hard to Reach Working Group

Association of Monterey Bay Area Governments
Community Development Commission of Mendocino County
High Sierra Energy Foundation
Kern County
Redwood Coast Energy Authority
San Luis Obispo County
San Joaquin Valley Clean Energy Organization
Sierra Business Council
Valley Vision

Introduction

The Rural Hard to Reach Working Group (RHTR) has identified global challenges applicable to all the sectors addressed through the California Energy Efficiency Coordinating Committee (CAEECC) business plan process.

These challenges are:

1. Cost effectiveness
2. Program complexity and staffing capacity
3. Interagency consistency and collaboration

We suspect many of the challenges are a result of decisions and guidance issued by the California Public Utilities Commission (CPUC) to Investor-Owned Utilities (IOUs) and PAs. RHTR encourages the CPUC to reflect on its role in unintentionally creating implementation barriers. Structurally, PAs alone may not be afforded the opportunity for growth and innovation without improvements in the regulatory environment.

Global challenges are discussed in detail below.

1. Cost Effectiveness: Geography vs. TRC

Current programmatic models, cost effectiveness criteria, and the internalization of Total Resource Cost (TRC) into program design creates barriers across all sectors in the rural space. Structural barriers tied to cost effectiveness effectively limit rural ratepayers' ability to access services.

Examples of this disparate impact include:

i. Access to Information

   Rural areas and governments do not have the same "access" to information as urban areas. Program cost effectiveness criteria measured by an implementer's ability to generate revenue or deliver on a metric often push dollars to geographic areas that can maximize performance.

   For example, an energy efficiency class may need to be attended by 30 individuals to meet the performance metric and justify the dollars spent on instruction. The class is more likely to be well-attended in urban areas where there is more population per square mile. If TRC continues to be the primary focus, in this example rural communities lose out on educational opportunities and long term economic benefits.

ii. Access to services

Rural communities have limited access to third party contractor (3P) services and technical assistance. Rural small businesses and local government buildings are often physically smaller resulting in lower savings potential. Population and business densities are less than urban areas. Third party contractors must expend more resources to serve rural areas than urban areas while also delivering reduced savings to the ratepayer.

For example, there are three 3Ps authorized to implement Southern California Edison (SCE) direct installation services. All three 3Ps are physically located in the Greater Los Angeles area. Service to Kern, Kings and Tulare counties requires additional staff labor hours, mileage and other administrative investments- hotels, meals, etc. It is thus in these 3Ps' best financial interest to implement services in and immediately around the LA area.

Focus on TRC creates disincentives to serve those who are hardest to reach. A singular cost effectiveness metric does not adequately measure the societal and community impacts in rural areas. Current CPUC metrics also do not adequately measure long-term market transformation through local government Energy Action Plans, GHG inventories, water/energy nexus projects, and regional collaboration efforts.

iii. Access to resources

Utilizing TRC as the primary metric for program effectiveness puts rural communities at a disadvantage also because of the disparate impact of cost increases and resources reduction.

For example, RHTR has not seen PAs present a component within their business plans to address minimum wage increases / cost of living adjustments and the associated cost burden this will place on GCPs. As the California minimum wage increases incrementally to $15.00/hour, implementation costs will increase with diminishing returns in rural areas.

RHTR encourages PAs to provide a high-level strategy relating to wage increases over time. The strategy should account for diminishing returns tied to increased energy efficiency market transformation activities in rural areas. We also encourage PAs to expand further on this in the implementation phase of the CAEECC.

RHTR believes there are alternative and innovative program designs that could assist with this and many challenges identified in this white paper. We look forward to working with the CPUC and IOUs on these issues.

2. Program Complexity and Staffing Capacity

PAs are continuing to structure requirements in a way that incrementally increases program complexity and implementation costs. This will impact cost-effectiveness and the capacity of GCPs to serve their communities. As program complexity increases and the baseline need for specific knowledge, skills, and abilities increases, the need to recruit, retain, and train increases (note this is very expensive as well).

Rural implementers often have a challenging time attracting talented staff due to the lower wages in rural areas, a real or perceived lack of influence, limited promotional opportunities, and the geographical remoteness of rural areas. Cost effectiveness criteria and overall program design at the CPUC and PA level often does not afford GCPs an opportunity to be competitive with urban implementers. Rural governments may not have the population/tax base to provide competitive wages. Couple the assumed low savings potential with high implementation costs and a situation is fostered that depresses wages and increases turnover.

With greater and greater complexity, program costs increase. In rural areas, this can mean a reduction in employee attraction and retention.

Program complexity driven by regulatory requirements PA guidance must be balanced against the ability to drive effective savings. PAs must recognize that the likelihood of driving projects forward drops significantly when there is reduced or minimal local capacity.

3. Interagency Consistency and Collaboration

There appears to be a current lack of collaboration between the CPUC, the PAs and most importantly, local government and regional community partnerships. We believe collaboration and partnership are vital to GCPs' ability to serve their communities.

RHTR has observed a gradual shift from a partnership model between GCPs and the PAs to one where the local government or community partner is a contractor and the IOU is the administrator. RHTR encourages PAs to build in contract language returning this relationship to the partnership model that has worked so well in the past.

Conclusion

Rural California communities face many challenges. Challenges can include but high rates of poverty, environmental justice issues, and lack of resources and education. RHTR suggests PAs and the CPUC support the most challenged communities by addressing structural barriers to energy efficiency. RHTR recommends that the CAEECC calls attention to the issues presented in this document at the highest level while contemplating the following questions:

- Should rural and hard to reach ratepayers have equitable access to public purpose programs? Or should TRC be the primary focus? Alternatively, should additional performance metrics be generated to remove disincentives to serve those hardest to reach?

- Should PA implemented programs continue to differentiate and expand in complexity? Is increased complexity necessary to meet regulatory requirements?

- Are annual calendar contracts, budgets and savings targets appropriate when acknowledging that the decision-making process for many entities may be on a fiscal year and/or span multiple years and contracts?

- Are PAs willing to acknowledge that there will be both positive and negative impacts associated with minimum wage increases that need to be planned for?

RHTR suggests PAs answer the questions above by building four strategies into their business plans:

1. Use the portfolio to balance cost-effectiveness while increasing available services to those hardest to reach. Leverage local community and government partners.
2. Systematically reduce program complexity to maximize the net value of each ratepayer dollar being delivered to a community. Secure the CPUC's support of this effort.
3. Focus on long term investments in staffing capacity.
4. Use RHTR as a stakeholder group vested in advancing rural communities energy futures through effective **collaboration** with partner PAs.

In light of the LGSEC proposal there is need to state that RHTR does not support the statewide LGP administration proposal as set forth by the LGSEC. RHTR sees the IOUs, existing PAS, and the CPUC as the vehicles to drive solutions forward. We look forward to working with you on delivering solutions to our communities.