RESPONSE: Statewide Local Government Partnership Energy Efficiency Business Plan Proposal

November 21, 2016

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

Summary

The LGSEC proposal is opposed by the Rural Hard to Reach Working Group (RHTR). Its members present the following opposition perspective on the LGSEC proposal:

1. We believe that the proposal will lead to an unintended consequence of increasing the marginalization of the most rural communities and hardest to serve local governments.
2. LGSEC did not adequately capture the complexity of energy savings attribution and influence when determining program effectiveness.
3. The proposed logic regarding specific implementation structures limiting Local Government Partnership (LGP) success and the challenges with evaluating LGPs are in conflict.
4. RHTR does not agree that the language in Table 1.1 adequately capture the situation and over-simplifies the presented barriers.
5. The LGSEC objective statement on page 10 assumes a disaggregated LGP purpose without a consistent framework. RHTR believes that the current PAs are best situated to address LGP implementation challenges.
6. The Public sector pulled from the PAs of commercial, residential, agricultural and industrial will increase the likelihood that services are increasingly less consistent and cost effective.
7. The proposed statewide energy use database may increase the likelihood of significantly reduced data availability.
8. The challenges noted in section 1.d are relevant. However, the section content does not illustrate why a wholesale change in administration that increases the likelihood of program production setbacks is appropriate.
9. The LGSEC's focus on Program Administrator costs are not likely to offset the loss of implementation efficiencies within the current models.
10. We do not understand how the LGSEC integrated funding concept will break the often-siloed implementation approach internal to local government agencies. In fact, we see the LGSEC as increasing the likelihood of a siloed effect both internal to LGPs and between LGPs and IOUs/PAs.
11. We reject that all IOUs across all aspects of LGP programs display persistent tolerance to structural barriers.
12. The LGSEC suggests that LGPs are not empowered to develop "strategic and holistic intervention strategies." This is not a fair generalization across all IOUs and is not true statewide.
13. The cost effectiveness argument is not compelling compared to the potential risks.
14. RHTR does not believe the LGSEC proposal is the answer to multi-IOU LGPs.
15. On-Bill financing should be maximized in the current environment and expanded to On-Bill Repayment. Additional financing tools should be encouraged at the local level.

16. Streamlined procurement through Job Order Contracting, the California Uniform Public Construction Accounting Cost Act and Public Resource Code 4217.10 and Utilities Code 388 are currently being used and advanced.
17. LGPs already participate in statewide program development and policy. We do not need the LGSEC to increase engagement, we need the CPUC to support LGP engagement by the continued approval of funding through existing PA structures.
18. We do not see the LGSEC's proposal as effectively addressing the challenges tied to Codes and Standards.
19. LGSEC's proposal overly simplifies LGP offerings and inaccurately assumes LGPs do not currently work in a cross-cutting fashion.
20. *The LGSEC proposal did not find consensus through the California Energy Efficiency Coordinating Committee* (*CAEECC) process.*

We do not agree with LGSEC's proposed for Statewide Local Government Partnerships.

Section 1.A Feedback

We challenge the logic of the following statement:

"We assert that LGP performance and effectiveness challenges are grounded in the fundamental structure of LGPs, and not the nature of their programs or the capacity of LGs to implement them." (pg.9).

We see conflict with LGSEC's statement on page 16 that reads:

"Although the studies have provided greater understanding of LGP operations, functionality with other implementers, resource and non-resource characteristics, geographic outcomes, and other matters, the 2016-2017 Draft EM&V Update Plan acknowledges persistent difficulties with fundamental aspects, including but not limited to assessing performance, comparative analyses, and defining the value of LGP processes. We observe that it is difficult to gather a full overview of LGP savings performance and cost-effectiveness attributes from the IOU September 1, 20116 Advice Letters for the Proposed 2017 Budgets."

The LGSEC proposal's logic is misaligned. The LGSEC presents concrete statements regarding performance limitations based on current LGP structures while later noting that a full understanding of the structures, performance and cost-effectiveness attributes of past activities and future activities are difficult to ascertain.

In addition, we do not agree with the language in table 1.1 as it is currently written. We do not think that the LGSEC:

- Adequately captures the complexity of implementing programs across diverse geographies and communities.
- Adequately captures the regulatory environment's impact to Program Administrator's design choices or reactions to negative resource based portfolio findings.

- Has a deep understanding of resource based implementation challenges across the diverse set of LGP program offerings.

We recommend that existing PAs work towards the creation of consistent key performance metrics while maintaining localized solutions and intervention tactics.

Section 1.B Feedback

The proposed phased-implementation model increases the likelihood of significant long term programmatic setbacks. Multiple items throughout the 10-year plan are occurring now. For example, the building of public-private partnerships, PACE, expansion of additional financing apparatuses, the implementation of preferred resource programs and pursuit of additional funding mechanisms. The proposal will introduce uncertainty into the marketplace and slow progress.

- It is unlikely that high level launch year implementation objectives can be achieved.
- Scaling of resource programs can be achieved much more rapidly through existing PAs.
- The phasing does not recognize or address the interactions and complexities necessary to deliver solutions to the public sector. Follow-up intervention strategies in section 2 do not adequately address procurement challenges. The LGSEC does not recognize the innovation and advancement of specific procurement solutions already in place tied to job order contracting, the use of the California Uniform Public Construction Accounting Cost Act and Public Resource Code 4217 and Public Utilities Code 388.
- Our experience has been that to be effective in delivering program savings, the Public sector, as a long lead opportunity, must be balanced at a portfolio level with sectors that offer more effective and likely to be delivered short and medium term energy efficiency projects.
- The likelihood that Phase 2 can effectively expand financing as a solution while reducing incentives within 5-7 years and maintaining program effectiveness is low.
- Current On-Bill Financing programs are reasonably effective. We do not believe a wholesale transition away from current solutions is necessary. IOUs have the existing infrastructure to deliver a greater portfolio of financing options in a shorter timeline. We believe that IOUs should be directed to simplify and increase On-bill financing and repayment options.
- The vision of effective low/no incentive programs in 8 to 10 years is counter to general experiences related to decision making processes in the public sector within those Governments represented by RHTR. Although this may be interpreted as the beginning to a programmatic/market-based exit strategy, we must question whether this is a realistic expectation over a realistic timeline

The high level phased implementation strategy set forth, including the proposed timelines and content, will increase the likelihood that programs will be set back.

We recommend that IOUs are tasked with effectively expanding and exploring innovative, consistent and localized solutions driven by government and community partners.

Section 1.C Feedback

The proposed statewide energy use database may increase the likelihood of reduced data availability. Based on experience, we suspect that the scale, complexity and legal ramifications of the proposed database may make this an unattainable short to medium term goal. In addition, this may make data availability even more challenging for LGPs and be counter-productive to addressing the barriers noted. Instead of inconsistent access, all LGPs will be faced with consistent termed limitations to data.

Section 1.D Feedback

The challenges noted in section 1.d are indeed true. However, the section and content does not illustrate why a wholesale change in administration that increases the likelihood of program production setbacks is appropriate. We do not agree with 1.d as the solution to the challenges we face. We encourage CAEECC and the CPUC to direct IOUs to collaboratively develop and implement consistent reporting processes for both regulatory and program related tracking that continue to support localized interventions and associated tactics.

Section 1.E Feedback

The LGSEC proposal specific to Cost Effectiveness does not capture the complexity of the situation and focuses too heavily on program administration costs as opposed to implementation costs. In addition, there is a significant logic break between section 1 and 2 in regards to cost effectiveness and LGPs as cross-cutting across all sectors. **LGSEC does not present the challenges associated with savings attribution and influence and how resource-based implementation fits into non-resource based activities across regions and partnerships**. We do not see the Public sector as "cost-effective" without a balanced portfolio including multiple service channels across multiple sectors.

Section 1.F Feedback

Integration Catalyzes; Segregation Inhibits: We do not understand how the LGSEC will break the often-siloed implementation approach internal to local government agencies. Departmentalization of activities is often a function of normal divisions of labor across specific content areas. Simply stating that an "easy" to access application process will address this barrier does not adequately address the challenges faced by local governments: ranging from staffing and capacity to implement to compartmentalization.

In addition, the LGSEC proposal will increase the siloed approach of program implementation where utility-based resources tied to critical infrastructure will be more challenging to access.

Barriers to Success Should be Acknowledged and Corrected, not Tolerated: We reject that all IOUs across all aspects of LGP programs display persistent internal tolerance to structural barriers. We acknowledge that a one size fits all model rarely works for anyone yet individualized solutions are complex and expensive. The complexity of program design necessary to satisfy a wide variety of localized needs creates unique administrative challenges. To address IOU administrative challenges, LGPs are moving towards requesting negotiated solutions from the bottom up to ensure local priorities are met while balancing administrative requirements.

We reject the assumption that IOUs presume marginal performance across all LGPs. We assert that if LGPs are marginal under current EM&V practices, LGPs would **not be** considered marginal if effective and consistent performance metrics were used in parallel with current cost effectiveness tests. We see no reason why this particular challenge can't be addressed by IOUs and the CPUC and does not warrant a wholesale rejection of the current model.

Develop Strategic and Holistic Intervention Strategies: The LGSEC suggests that LGPs are not empowered to develop "strategic and holistic intervention strategies. **This is not a fair generalization** across all IOUs. For example, during an 11/09/16 PG&E partner meeting, attended by a CPUC Energy Division representative, PG&E sought feedback on what they were doing well and what they were not doing well. A clear trend emerged that partners in PG&E's service territory felt that their programs were supported and encouraged to innovate. Support of localized innovation is critical and needs to be nurtured. We are concerned the LGSEC proposal will have an unintended consequence of reducing the ability to innovate at local levels in the pursuit of more robust EM&V and standardized program administration. We are concerned that the LGSEC proposal was not based in comprehensive investigative research into what LGPs are doing and how innovations are being supported by current PAs. IOUs can support and promote localized and standardized innovation strategies in collaboration with LGPs. We recommend not using this particular point to inform the advancement of the proposal as IOUs and existing PAs can be directed to better support LGP innovation within the current implementation structures.

Recognize Multi-IOU Administration Conflicts, Duplication, and Inconsistencies and a Cautionary tale: LGPs operating in multi-IOU territories are facing significant challenges that must be addressed. In the areas where there are multiple PAs, **the Energy Division, in theory, could require a single administrator**—much like the currently identified statewide programs framework. In addition, a simple grievance process (complaint process) requesting resolution with the Energy Division could be developed to address these challenges. There is no reason to systematically reject the current model to address this challenge.

We do not believe that we need to significantly alter program administration to address these identified challenges. These challenges can be addressed by existing PAs. However, we must be clear that the Energy Division should empower the IOUs and the IOUs must work with LGPs as partners and collaborators. In addition, we strongly encourage the Energy Division to understand that regulatory decisions often directly impact LGPs even if they believe they are ensuring an IOU is in compliance—we see many structural challenges emerging because of CPUC regulation not IOU mismanagement. The CPUC must be **proactive in engaging LGPs as government partners not sub-contractors of IOUs**. We issue caution in that structural challenges abound and they do not all exist solely with IOUs.

Issuing comments and engaging the CPUC regarding over-arching program barriers created as a direct result of specific regulatory decisions is not in the CAEECC scope but should not go un-discussed in the context of the Business Plan process and the LGSEC's specific proposal. We propose that the CPUC work closely with the IOUs and LGPs to address these issues. We also encourage the CPUC to increase and support LGPs fiscal capacity to collaborate and communicate with the applicable public, private and regulatory stakeholders. This will be much cheaper, more effective and offer quicker implementation timelines then a wholesale rejection of the current model.

Section 2 Feedback

The leading and concluding sentence suggests that the LGSEC sees the Public sector as encompassing all sectors but does not expand, at a high level, what this means nor how this can be accomplished while not creating a challenging EM&V environment. In fact, the disaggregation of Public from those PAs and LGPs implementing within other sectors may increase the challenges in evaluating the true cross-cutting impacts while fragmenting on the ground implementation in a way that negatively impacts all served community sectors. We assert the IOUs are in fact supporting the development of the cross-cutting model and must be encouraged and supported.

We do not see the LGSEC's proposal as the best vehicle for maximizing the cross-cutting nature of LGPs to drive deep energy savings. IOUs like P&GE, who explore innovative ideas that drive cross-cutting and deep reaching savings should be rewarded and supported within the current structures. Best practices from these activities should be shared. Increasing a siloed approach by disaggregating the public-sector administration from IOUs who implement other sectors will be counterproductive.

Many of the problem statements and intervention strategies are either not a consistent experience, or duplicative to current activities.

- Standardized, easy to understand metrics are attractive. However, the proposal and the simplicity of the answer is concerning as program design may be dictated by reporting rather than reporting being dictated by program design. We commend PG&E for trying to find the balance between letting program design dictate reporting as opposed to pursuing standardized reporting at the cost of innovative program design. We assert the pursuit of perfectly consistent reporting increases the likelihood that program innovation will be depressed. Incremental adjustments to key performance metrics by the CPUC and PAs could make reporting and EM&V more effective while acknowledging implementation is a complex web of programs.
- Many LGPs may not feel limited to the Public space, code enforcement, and Direct Install projects. Others feel that this space could be easily addressed by the existing PAs through existing administration models.
- On-Bill financing is currently effective and it should be maximized in the current environment and expanded to On-Bill Repayment. Streamlined procurement through Job Order Contracting, the California Uniform Public Construction Accounting Cost Act and Pubic Resource Code 4217.10 and Utilities Code 388 are being used and advanced.
- IOUs have become much more sensitive and willing to collaborate on policy and program development. There is room for growth but this challenge and associated interventions could be readily addressed by IOUs and would not warrant a wholesale change in program management.
- Codes and standards are a problem, but from many perspectives the solution is to fund building officials so they can staff appropriately. So long as local staffing is minimal building officials will have to focus on structural safety, fire life safety and access. Energy efficiency becomes a luxury improvement when compared to human health and safety issues. Specific focus should be put on the unlikely realization of shared enforcement resources. Although this is a reasonable approach from afar, the realities of procurement, contracting and government accountability will create significant barriers. We believe the LGSEC intervention strategies are not appropriate to the specific localized barriers faced by agencies tasked with enforcement. In addition, this is a much more complex solution than simply capitalizing building officials to enforce. To this point, the state could carve out the dollars the LGSEC and SoCal REN could receive for this effort

and allocate them directly to building officials in greatest need and most likely realize much more significant gains than pushing dollars through the LGSEC/SoCal REN proposal.

Conclusion

LGSEC presents a proposal with reasonably accurate and generally well-known depictions of specific challenges but deficient supporting logic as to why the solution presented will be more effective than seeking improvements through the existing and effective strategic local government-IOU partnership model. The proposal, as written, will increase the likelihood of program setbacks, siloed approaches, ineffective program localization, inequity of regional funding and limited access to data. Current IOU implementation models are not perfect. However, we believe IOUs are currently best-equipped to deliver the solutions necessary to advance statewide goals.

In addition, the LGSEC does not adequately capture how the regulatory environment has created inherent barriers that are beyond the control of IOUs. The CPUC can systematically remove barriers by reframing their interactions with IOUs and LGPs. CPUC and the IOUs must also immediately stop looking at LGPs as contractors and begin treating them as equal partners in the development and implementation of innovative and localized interventions and associated tactics.

1. We do not agree that this proposal will harmonize important elements of IOU efficiency programs including data access, contracting and cost-effectiveness. The simpler and more effective path is to mandate IOUs to aggressively address challenges while encouraging the CPUC to remove regulatory barriers while replacing them with collaboratively identified drivers. In fact, we believe that this proposal will deliver exactly the opposite of what the LGSEC desires.

2. The LGSEC may one day be an effective vehicle to move an integrated approach forward but this proposal will not get us there. We think this proposal will, in fact, lead towards a less efficient delivery of localized solutions with a lower overall cost-effectiveness.

3. We reject that the creation of a consolidated system with the LGSEC/LGC will enable governments to access multiple funding pathways to accelerate progress. This concept oversimplifies the vast complications of having to work with multiple State agencies and their reporting requirements. It is simply an over simplification while targeting the wrong audience. We recommend the LGSEC lobby our State Legislators to mandate a statewide, integrated process for accessing funds.

4. Lastly, it should be clearly said that the LGSEC proposal assumes that LGPs are challenged with accessing additional disaggregated funding through agencies like the California Energy Commission, Department of Water Resources, etc. and/or are largely incapable of accessing grants from multiple funding pipelines. **This is not an accurate representation of the barriers.** Writing grants and accessing funds is relatively easy. Administering programs and hiring and managing staff/contractors while growing local capacity is very challenging.

RHTR strongly encourages the CPUC to systematically reject the LGSEC proposal. **We request that CAEECC and the CPUC acknowledge that the barriers and challenges presented are worth examining in greater detail yet best dealt with by administering IOUs at this time**. In addition, we encourage the

CPUC and CAEECC to look inward to assess the very real regulatory barriers created by the Energy Division. And lastly, the CPUC, IOUs and CAEECC must immediately look at **LGPs as partners not contractors.** LGP staff are employees of both government and community groups tasked with serving constituencies (not customers). Our drive is not to generate revenue but to deliver robust solutions to our community while advancing State goals.

The solutions to the identified challenges will require change. RHTR believes the LGSEC proposal will not bring the type of change the CPUC and rural hard to reach ratepayers are looking for.