Comments on SoCalGas's Draft Business Plan

Submitted by: Center for Sustainable Energy

RULEMAKING R.13-11-005, Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs, Evaluation, and Related Issues.

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Prepared for

California Energy Efficiency Coordinating Committee (CAEECC)

Prepared by

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Center for Sustainable Energy®

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I. Introduction

As a mission-driven nonprofit organization, the Center for Sustainable Energy works with policymakers, regulators, public agencies and business as an expert implementation parter and trusted information resource. We help drive the adoption of clean, sustainable energy solutions.

Energy Programs
CSE designs and implements market development programs and provides policy guidance on future investments.

Public Sector Services
CSE provides sustainable energy planning assistance for local/ regional/ national governments, agencies and organizations.

Workforce Training
CSE provides community education, professional training on energy codes, standards and best practices.

II. Commercial Sector

Overarching Commercial Sector Feedback:

- While the commercial sector includes large, medium, and small commercial buildings, CSE encourages all PAs to empower building owners, of all sizes, to more effectively manage the energy of their buildings. CSE feels there are complementary roles to play among the PAs serving owners in the same territory, specific to building size and customized tools for a specific building subset (e.g., if BayREN and MCE are to focus on the smaller buildings, then how can PG&E's offerings support medium and larger buildings).
    - In particular, large commercial building owners (and large portfolio owners) are already quite sophisticated when it comes to energy management, so the focus becomes how to continue to engage with them effectively to: 1) get persistent savings; and 2) share their stories of success with medium and small business owners.

- As much as PAs are equipped to do so, and CSE would argue that PAs are uniquely equipped (the IOUs in particular), business plans should align with the market as it relates to energy efficiency in the commercial sector. The commercial sector craves standardization and continuity. As such, the business plans play an integral role in laying the groundwork for and enabling continued participation by the commercial sector in improving energy efficiency in their buildings.
    - CSE encourages all of the PAs to engage CRE stakeholders (BOMA, IREM, USGBC) more regularly and uniformly, so as to better understand the needs and opportunities of the commercial sector in improving building performance.

- While numerous business plans touched on AB 802 specific to efficiency standards, few plans elevated the importance of and opportunity in the state's new benchmarking program.
    - The forthcoming statewide benchmarking program has an unprecedented opportunity to weave together building-level information with business plan goals for the commercial and multifamily sectors.
    - The IOUs should create online benchmarking portals allowing them to provide and collect building information; an even more robust data set can be accessed when using Portfolio Manager Web Services as utilities can pull building profile information back from Portfolio Manager submissions.
    - The implementation of the new benchmarking program will require commercial and multifamily buildings (larger than 50,000 sq. ft. according to current draft regulations) to benchmark their buildings. This act, to happen annually, will foster an already growing industry practice to track building performance. Business plans can best serve the commercial sector by not duplicating program offerings, but rather making sure key services (i.e., audits) can be accessed statewide.

- While there will be statewide programs for the commercial sector specific to HVAC (up/midstream) and Savings by Design, CSE strongly encourages PAs and the Commission to consider additional statewide coordination in working with commercial buildings. CSE feels that PG&E included several excellent ideas for engaging commercial owners [e.g., complementing energy audits with project development assistance and partnering with large customers to develop long-term strategic energy management plans. (Pg. 26)], and CSE would like to see those offerings implemented throughout the state. CSE is disappointed that PAs did not choose downstream pilots, such as the Commercial Energy Advisor, as suggested in D.16-08-019.

- CSE was encouraged that several business plans incorporated ideas for elevating the tie between energy efficiency in buildings and grid reliability. In particular, SCE wrote about its IDSM Grid Reliability Rapid Response Pilot, where "this pilot will supply a rapid response set of EE, DR, Solar, and IDSM solutions to help alleviate grid restraints" (Pg. 24). Given the recently published Phase III scoping memo and mention of "locational targeting or sourcing of energy efficiency", it certainly seems that business plans looking to incorporate and emphasize this strategy are correctly anticipating the strength of these pilots and the potential for scalability.

Specific Comments:

1. **Pg. 6**, "The commercial sector is trending towards more leased properties creating a larger split incentive barrier between owners and tenants".

    - CSE encourages SoCalGas to refer to DOE's Green Lease Library as well as the newly launched Landlord-Tenant partnership for more information on addressing the split incentive.

2. Overall, the plan is not particularly specific to gas efficiency. The commercial sector objectives are quite vague.

3. **Pg. 21**, "Due to the limited natural gas usage within this segment and the need to simplify customer engagement in the delivery of DSM programs, SoCalGas proposes to coordinate program delivery with local utilities (electric, water), where practicable. This will allow for a single customer engagement and will empower the customer to implement a complete energy (and water) efficiency plan."

    - Please provide more specificity on the coordinate program delivery in the final plan.

III. Residential Sector

CSE does not have comments to provide on the SoCalGas Residential Sector chapter.

IV. Codes and Standards Sector

Please refer to CSE comments on the PG&E Codes & Standards Sector chapter, as PG&E is the overall assigned statewide lead for Codes & Standards.

V. Finance Sector

Overarching Finance Sector Feedback:

1. CSE wants to underscore the importance of a concierge or coach when it comes to financing. Regardless of the quantity of financial product offerings, if there are not consistent resources or points of contact to help customers learn about and understand how different financial offerings are best suited for their needs, then uptake of energy efficiency financing (regardless of quality) may suffer.

2. CSE encourages all PAs to include more information on how they will plan to integrate financing into their portfolios broadly and on how they intend to allocate money to better fund marketing, education, and outreach. Furthermore, CSE encourages all PAs to pair with that information regarding how energy savings associated with financing can be tracked and claimed toward goals.

3. CSE wonders why there is no mention of leveraging Go Green Financing resources. Moreover, CSE finds it problematic that there is no mention of the REEL Financing Program or integrating a financing message into overal program design. Market research has shown that financing cannot be successfully promoted as a stand alone effort; rather, it must be part of the consumer engagement strategy for energy efficiency program participation. States that have had successful uptake in financing have had an interwoven strategy promoting energy efficiency concept benefits with incentives and financing solutions in a way that customers could best achieve their obejctives for accessing energy efficiency improvements.

Specific Comments:

1. **Pg. 33** (256 of full document), "In recognition of the unique characteristics in the public sector including their permanency with the communities they serve, an enhanced on-bill financing strategy will be offered to public customers to encourage deeper EE installations sooner. The public OnBill financing strategy will enhance the standard OBF offering by extending the loan period to reduce the re-payment burden. This will allow public customers to incorporate into their plans to finance EE projects throughout their facilities. Where applicable, other financing strategies will be offered."

    - SoCalGas presents the OBF program with expanded terms as the solution to the barrier. The CHEEF's forthcoming non-residential program with OBR will solve the same problems, but without many of the IOU requirements tied to the financing. The rules and regulations have still not been confirmed, but the decision states that 70% of the approved EE measures must meet rebate requirements, and 30% can be anything else (distributed generation is allowed in the financing program that does not receive a credit enhancement). Because the barrier for public agencies is more pertaining to the structure of the agency (meaning the department paying the utility bills does not align with the department paying back the loan) utility on-bill repayment/financing is the only way the agency can take on the liability without requiring capital improvement funds. However, in reality, the OBR products will most likely be more attractive to the public agencies and should be presented as a priority in their deployment. The data collection requirements per the decision insinuate that the CPUC will allow the energy saved through financing to be claimable against portfolio goals, so there is no real conflict in SCG or any utility postitioning OBR as the primary focus of their efforts.

2. **Pg. 33** (256 of full document), "The Public Financing Assistance (PFA) strategy will be offered to public customers to encourage self-funding of EE projects and other DSM solutions including clean renewables. The PFA offering will educate customers on how to create a self-funding mechanism including training and support to assist the public customer in obtaining loan assistance from alternate funding sources. The PFA sets aside customer funds created by prior EE project rebates and bill savings into a dedicated fund within customer's annual operating budget. These customer funds will be used in combination with other financing mechanisms (e.g., OBF) as well as other funding sources (e.g., Prop 39, bonds) to install deeper, more comprehensive EE (and other DSM) projects."

    - CSE understands the Public Financing Assistance strategy to be another term for a Revolving Loan Fund, something that has been tried by other PAs during past program years. CSE feels very few public agencies would be able to dedicate budget savings to any one particular program, while other programs experience shortfalls.

3. **Pg. 38** (516 of full document), "SoCalGas will continue its long-term collaboration with CAEATFA to design and promote innovative financing strategies that will encourage greater customer investment in EE. However, the financing for the public sector will rely mostly on an enhanced OBF offering, and engaging various 'grant' opportunities."

    - While OBF always had a limit on how much money could be loaned at 0% interest, OBR will not have that restriction. The CHEEF's involvement will help mitigate risk for the lenders, even without the credit enhancements, which historically only lead to a 1%-1.5% interest rate reduction; this reduction will then trickle down to the public agencies. None of the CHEEF financing programs require IOU rebate program participation, which has been noted to delay or slow down projects from moving forward, costing non-residential projects considerably.

4. **Pg. 5** (519 of full document) “High costs associated with more comprehensive EE projects. The combination of financing and rebates appeared to be more effective than either method alone in both the residential and nonresidential sectors."

    - CSE feels that this statement may not reflect the large majority of projects that occur around California. For example, CHEEF pilots are being design to expand awareness of energy efficiency in both the building industry and financial market sectors.

5. **Pg. 7** (521 of full document), "Create education and outreach partnerships with lenders focused on financing whole building, whole solutions and major EE equipment installations."

    - Besides contractors and lenders, SoCalGas does not identify other trusted messengers (e.g., real estate industry, local government stakeholders, retailers, architects, engineers) who could comprise a strategic partner network helping residential and non-residetial consumers see financing as a solution.

6. While SoCalGas spends two pages (524-525) outlining the proposed financing pilots, there is no information on how the IOUs will integrate the pilots into their overall program management (i.e., how these solutions will be brought to their customers base, how they will be integrated into their portfolio of programs, and how financing will weave between planning and implementation moving forward).

VI. Emerging Technology Sector

Please refer to CSE comments on the SCE ETP chapter, as SCE is the assigned statewide lead for Emerging Technologies (Electric ET).

VII. Public Sector

Overarching Public Sector Feedback:

- There is not enough detail in any of the business plans about how to tackle the hurdle of master meters and submeters or how aggregated data will be able to be broken out for analysis. To effectively benchmark a property today, Portfolio Manager requires the input of monthly, whole-building data. The majority of public sector customers do not have building-specific meters, but rather, they have a master meter with submeters. This meter set-up does not give facility managers a clear picture of where energy intensity is highest. For example, a city property may be metered with the street lights around it. As such, it can be very difficult for these public sector customers to determine where energy efficiency measures would be most useful. To address this situation, PAs can offer intensive Portfolio Manager training as well as offer onsite experts at complex public sector sites. Furthermore, PAs can help public sector customers understand their options for other meter configurations or data analytics.

- All IOUs include the need for more robust energy management systems for the public sector in their business plans. While public sector properties would certainly benefit from access to energy management software and its analysis, there also needs to be a process in place for creating an institutional culture around energy management. The strategy to offer more energy management tools to public sector customers should be thoughtfully considered so as not to have possible stranded benefits in the years to come.

VIII. Workforce Education and Training Sector

Overarching WE&T Sector Feedback:

- While PG&E is the assigned statewide program administrator for WE&T specific to K-12 Connections and Career and Workforce Readiness, local WE&T efforts, as proposed in other plans, do not focus on similar elements for outreach and engagement, making it very difficult to compare and understand how the different WE&T offerings in IOU territories will complement one another.

As a mission-driven nonprofit organization, CSE works with energy policymakers, regulators, public agencies and businesses as an expert implementation partner and trusted information resource. Together, we are the catalysts for sustainable energy market development and transformation.

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