

## PUBLIC UTILITIES COMMISSION

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SAN FRANCISCO, CA 94102-3298



Minh Le  
Energy and Environmental Services General Manager  
Los Angeles County  
Southern California Regional Energy Network  
1100 North Eastern Avenue  
Los Angeles, CA 90063

December 20, 2019

Dear Mr. Le:

Energy Division approves Southern California Regional Network's (SoCalREN) Annual Budget Advice Letter (ABAL) 10-E/10-G, 10-E-A/10-G-A and 10-E-B/10-G-B pursuant to the ABAL review criteria laid out in Decision (D.) 18-05-041. Accordingly, the SoCalREN budget spending request of \$21,420,431<sup>1</sup> to administer energy efficiency (EE) programs for 2020 is approved, effective January 1, 2020.

## 1. Background

On September 3, 2019, SoCalREN filed its ABAL 10-E/10-G. On September 23, 2019, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed its protest of SoCalREN's ABAL 10-E/10-G. On September 27, 2019, Energy Division suspended SoCalREN's ABAL 10-E/10-G for 120 days for further review. On September 30, 2019, SoCalREN filed its reply to Cal Advocates' protest of ABAL 10-E/10-G. On October 16, 2019, SoCalREN submitted Supplemental ABAL 10-E-A/10-G-A. On November 5, 2019, Cal Advocates submitted a protest to SoCalREN's Supplemental ABAL 10-E-A/10-G-A. On November 13, 2019, SoCalREN submitted a reply to the Cal Advocates protest, in which it stated that would submit an additional supplemental ABAL to make corrections to ABAL 10-E-A/10-G-A, which was filed as ABAL 10-E-B/10-G-B on November 21, 2019.<sup>2</sup> On December 4, 2019, SoCalREN filed a substitution sheet that extended the effective date of the ABAL until December 31, 2019. On December 5, 2019, SoCalREN filed a substitution sheet that corrected errors to their budget and specifically their unspent and uncommitted funds from pre 2019 to offset their 2020 budget request.

## 2. Cal Advocates Protest and SoCalREN Reply Comments

Cal Advocates' protest included 16 "*recommendations*" for the California Public Utilities Commission (CPUC) regarding program administrators' (PAs) 2020 ABALs. These recommendations include an overarching theme that the entire statewide energy efficiency portfolio, including the portfolio of Regional Energy Networks (RENs), should be cost-effective. Of these 16 recommendations, the 7 recommendations relevant to SoCalREN are addressed in 3 sections below.

<sup>1</sup> SoCalREN's budget spending request of \$21,420,431, is approved, as is SoCalREN's budget recovery request of \$17,526,322.

<sup>2</sup> On November 22, 2019, SoCalREN resubmitted AL 1-E-B/10-G-B to make a correction and request that the protest period not be reopened.

## 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*

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>3</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, SoCalREN states that Cal Advocates' recommendations are not aligned with current CPUC guidance for ABAL filings per D.18-05-041 and that the ABAL filing is not the appropriate venue to introduce policy changes.<sup>10</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

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<sup>3</sup> *The Public Advocates Office Protest of Energy Efficiency Annual Budget Advice Letters for Program year 2020 (September 23, 2019)*, p. 3. (hereafter referred to as “Cal Advocates Protest”).

<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 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> *SoCalREN Response to The Public Advocates Office's Protest of Energy Efficiency Annual Budget Advice Letters for Program Year 2020 (September 30, 2019)* p. 4 (hereafter referred to as “SoCalREN Reply”).

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 ABALs. 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 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.

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 Annual Budget Advice Letter 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 PA ABALs would be evaluated on their respective abilities to meet energy savings goals, be cost-effective, and stay within an authorized budget cap.<sup>11</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>12</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 ensure that at the conclusion of the ramp years, IOU portfolios are cost-effective.

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<sup>11</sup> See D. 18-05-041, p. 71.

<sup>12</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).

In summary, Energy Division approves SoCalREN's annual budget advice letter 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.

## 2.2. Issues Related to SoCalREN budgets and accounting

This section addresses the following recommendations from Cal Advocates:

- *The Commission should direct SoCalREN to return unspent and uncommitted funds to ratepayers*
- *The Commission should examine whether SoCalREN has properly accounted for its spending in previous years*

Cal Advocates claims SoCalREN's budget appendix shows that SoCalREN should have at least \$17.4 million available in unspent and uncommitted funds.<sup>13</sup> Cal Advocates points out that unspent and uncommitted funds belong to ratepayers and must be returned to them.<sup>14</sup> Cal Advocates requests that the CPUC direct SoCalREN to file a supplemental ABAL that explains or corrects the identified budget discrepancies.<sup>15</sup>

In its reply, SoCalREN claims that since 2015, it has utilized its unspent and uncommitted funds from prior years to offset portfolio funding in subsequent years.<sup>16</sup> SoCalREN adds that, in coordination with its partner IOUs, SoCalREN has ensured that any unspent or uncommitted funds were flagged for the IOUs to either offset collections for SoCalREN's portfolio budget or be returned to customers.<sup>17</sup>

However, SoCalREN stated that their ABAL included "a correctable error", that it would fix by filing a supplemental AL to reflect all prior years' budgets and offsets that were inadvertently omitted in their 2020 ABAL.<sup>18</sup> On October 16, 2019, SoCalREN submitted supplemental AL 10-E-A/10-G-A to correct the error.

On November 5, 2019, Cal Advocates submitted a protest to SoCalREN's Supplemental AL 10-E-A/10-G-A. In this protest, Cal Advocates states that SoCalREN's updated budget filing appendix continues to show inexplicable discrepancies.<sup>19</sup> Cal Advocates concludes that, depending on which budget figure is accurate, SoCalREN either overspent its budget by \$1.73 million in 2018 or has \$6.43 million in unspent and uncommitted funds, whereas SoCalREN states that it had only \$4.85 million of such funds available to offset its 2019 collections from ratepayers.<sup>20</sup>

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<sup>13</sup> Cal Advocates Protest, p. 41.

<sup>14</sup> D.12-11-015, p. 92-93, p. 128 (Conclusion of Law 78), and p. 140 (Ordering Paragraph 38); D.14-10-046, p. 167 (Ordering Paragraph 21)

<sup>15</sup> Cal Advocates Protest, p. 43.

<sup>16</sup> SoCalREN Reply, p. 2.

<sup>17</sup> Ibid

<sup>18</sup> Ibid.

<sup>19</sup> *The Public Advocates Office's Protest of the Southern California Regional Energy Network's Advice Letter 10-E-A/10-G-A (Supplemental 2020 Energy Efficiency Annual Budget Advice Letter, October 16, 2019)*, p. 2. (hereafter "Cal Advocates Protest of SoCalREN Supplemental").

<sup>20</sup> Ibid.

Cal Advocates requests the CPUC examine SoCalREN's spending and accounting from 2013 through 2018.<sup>21</sup> Furthermore, Cal Advocates asks that the CPUC direct SoCalREN to provide a detailed, verified accounting of its spending since 2013.<sup>22</sup> Cal Advocates argue that SoCalREN should be required to demonstrate that it has appropriately managed its budgets, stayed within budget limits, properly tracked all funds at its disposal, and correctly recorded its expenditures.

SoCalREN submitted a reply to the protest by Cal Advocates, stating its intent to submit a second supplemental to correct AL 10-E-A/10-G-A. On November 21, 2019, SoCalREN filed AL 10-E-B/10-G-B in which SoCalREN claimed to have made changes to ensure a proper accounting of the amount of unspent and uncommitted funds from 2013 through 2019, which totaled \$4,146,242.<sup>23</sup>

SoCalREN later informed Energy Division staff that the unspent and uncommitted funds from 2013 through 2019 as submitted in AL 10-E-B/10-G-B was incorrect. On December 5, 2019, SoCalREN submitted a substitute sheet showing that that it had \$3,651,678 unspent and uncommitted funds from 2013 through 2019 that SoCalREN would carry over to offset their budget request for 2020.

## Discussion

In its substitute sheet and budget filing appendix filed on December 5, 2019,<sup>24</sup> SoCalREN detailed its unspent and uncommitted funds from 2013 through 2019 and demonstrated that these funds were used to offset its budget requests during 2013-2019 and for its 2020 budget request. Energy Division has examined whether SoCalREN's budget filing appendix and finds that SoCalREN has properly accounted for its unspent and uncommitted funds in previous years.

However, Energy Division is concerned that SoCalREN required an initial filing, two supplementals and a substitute sheet, which took three months, to finally properly account for its budget since 2013. In the 2020 program year, Energy Division will oversee that SoCalREN takes meaningful steps to ensure accurate tracking and accounting for ratepayer funds. If SoCalREN's ABAL filing for program year 2021 doesn't demonstrate significant improvement in accounting practices CPUC may utilize D.15-10-028, OP 2, to call for SoCalREN to file a new Business Plan. SoCalREN may also be audited by the CPUC's Utility Audits, Risk and Compliance Division.

## **2.3. Issues Related to Perceived SoCalREN 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

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<sup>21</sup> Cal Advocates Protest of SoCalREN Supplemental, p. 5.

<sup>22</sup> Ibid.

<sup>23</sup> *Response of Southern California REN to the Public Advocates Office's protest to Advice Letter 10-E-A/10-G-A (Supplemental 2020 Energy Efficiency Annual Budget Advice Letter, October 16, 2019)*, p. 2. (hereafter "SoCalREN Reply Cal Advocates Protest of Supplemental").

<sup>24</sup> See SoCalREN's attachment "budget\_filing\_appendix v 4." Located at: <https://cedars.sound-data.com/filings/dashboard/SCR/2020/>.

respective budgets from 2019.<sup>25</sup> Cal Advocates points out that SoCalREN requests an increase in its total spending budget from \$20.98 million in 2019 to \$21.42 million in 2020.<sup>26</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 SoCalREN's cost effectiveness.<sup>27</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>28</sup>

SoCalREN replies that its 2020 ABAL funding request reflects the budget as authorized in D.18-05-041 for 2020 and not an increase from what has already been authorized.<sup>29</sup> Additionally, SoCalREN states that Cal Advocates' argument regarding a cost-effective statewide portfolio is not aligned with current CPUC guidance for ABAL filings per D.18-05-041. Finally, SoCalREN argues that the ABAL filing is not the appropriate venue to introduce policy changes.<sup>30</sup>

## Discussion

SoCalREN's budget was approved in D.18-05-041 with a total cap of \$173,570,000 for program activities through 2025. In SoCalREN's Program Year 2019 ABAL, the 2020 Program Year budget projected was \$21,178,000. The budget spend requested in their Program Year 2020 ABAL, \$21,420,431, exceeds the projection.<sup>31</sup> However, SoCalREN is only collecting \$17,526,322 in 2020 due to the use of carry-over funds to offset their 2020 request.

SoCalREN 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>32</sup>

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

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)).

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<sup>25</sup> Cal Advocates Protest, p. 43.

<sup>26</sup> SoCalREN's ABAL, p. 6 (Table 2).

<sup>27</sup> Cal Advocates Protest, p. 44.

<sup>28</sup> Ibid.

<sup>29</sup> SoCalREN Reply Cal Advocates Protest of Supplemental

<sup>30</sup> Ibid

<sup>31</sup> See SoCalREN's attachment “budget\_filing\_appendix v 4, Table 5 Budget Request.” Located at: <https://cedars.sound-data.com/filings/dashboard/SCR/2020/>.

<sup>32</sup> D.18-05-41, p. 134.

Sincerely,

A handwritten signature in dark ink, appearing to read "ERandolph (F...)", is written above the typed name.

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  
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