September 4, 2018

California Public Utilities Commission

Energy Division Tariff Unit

505 Van Ness Ave.

Fourth Floor

San Francisco, CA 94102-3298

**Advice Letter 9-E**

(BayREN ID #941)

**Subject:**

BayREN 2019 Annual Energy Efficiency Program and Portfolio Budget Request

**Purpose**

The purpose of this advice filing is to seek approval for the 2019 Annual Energy Efficiency Program and Portfolio Budget request for the San Francisco Bay Area Regional Energy Network (“BayREN”).

The BayREN is a collaboration of the nine counties that make up the San Francisco Bay Area. Led by the Association of Bay Area Governments[[1]](#footnote-2), the BayREN implements effective energy saving programs on a regional level and draws on the expertise, experience, and proven track record of Bay Area local governments to develop and administer successful climate, resource, and sustainability programs. Since its inception, the BayREN has been addressing the three areas indicated by Decision 12-11-015 in the formation and implementation of programs: filling gaps that the investor-owned utilities (“IOUs”) are not serving; developing programs for hard-to-reach markets; and piloting new approaches to programs that have the potential to scale and offer innovative avenues to energy savings.

**Background**

In D. 14-10-046, the Commission approved the Rolling Portfolio funding, and provided that 2015 is “ʽyear zero’ insofar as we are leaving 2015 programs and funding in place until the earlier of when we provide superseding direction, or 2025.”[[2]](#footnote-3) In addition, funding for various financing programs, including BayREN’s Multifamily Capital Advance Program (“BAMCAP”), was previously approved in D.13-09-044.[[3]](#footnote-4) REN funding for 2018 was articulated in D.16-08-019: “[E]xisting approved activities [of the RENs] may have ongoing funding that was previously approved.” [[4]](#footnote-5) Recently, in D.18-05-041, BayREN’s Business Plan and Budgets for the term of the Rolling Portfolio was approved with slight modifications.

D.15-10-028 established that on the first business day in September, each PA will file a Tier 2 advice letter for continued collection of Energy Efficiency (EE) funding from ratepayers. This filing, which envisions ministerial review, is intended to formalize the Program Administrator’s annualized budget which shall remain in place until superseded by Commission or Commission Staff action on the new budget.[[5]](#footnote-6) D.18-05-041 provided the required components of the Annual Budget Advice Letter (ABAL) and directed Program Administrators to file the 2019 ABAL by September 4, 2018.[[6]](#footnote-7)

As directed by D.18-05-041 and additional guidance provided by Commission staff, BayREN has submitted via CEDARS-FM the 2019 BayREN Budget Filing Detail Report; the confirmation receipt is attached hereto.

**Discussion**

1. **BayREN 2019 Budget Request**

BayREN requests a total portfolio and Evaluation, Measurement and Verification (“EM&V”) budget of $23,021,858.

**Table 1: BayREN 2019 Budget and Savings**



1. **BayREN Portfolio Energy Savings**

BayREN’s portfolio budget forecast true-up is provided in Tables 2 below.

**Table 2: Annual Rolling Portfolio Budget Forecast True-Up**



BayREN’s portfolio savings forecast true-up is provided in Tables 3, 4 and 5 below.

**Table 3: Annual Rolling Portfolio Savings Forecast True-Up (kWh)**



**Table 4: Annual Rolling Portfolio Savings Forecast True-Up (kW)**



**Table 5: Annual Rolling Portfolio Savings Forecast True-Up (therms)**



1. **Discussion of Proposed Program and Portfolio Changes**

Except as discussed below, the BayREN portfolio of programs will remain primarily the same as 2018 offerings with an increase in current activities consistent with the slight increase in program budgets. Two programs, Single Family and Commercial, will be revised to more closely align with the criteria established in D.12-11-005.

Single Family

BayREN will redesign the Single Family program by offering holistic solutions to both homeowners and renters to save energy, while also improving comfort and occupant health. The new program will focus on lower to middle income[[7]](#footnote-8) homeowners and renters in the Bay Area, a population that is consistently under-represented in ratepayer energy efficiency programs in our territory as well as across the state. We will phase out implementation of Home Upgrade starting in Q1 2019. While Home Upgrade has allowed for deeper savings, the average project cost of approximately $15,000 is cost prohibitive for many in our targeted income group. Home Upgrade also does not address the 32% of the Bay Area renter population within the middle income group. The program design will rely on the findings of the BayREN Single Family Moderate Income Market Characterization Study (scheduled to be complete by September 2018), so that the barriers of entry and the identified priorities of this market will be adequately addressed in the revised program.

The key approach to the offering is to fill the gap and to meet the lower to middle-income customer where they are. This will be done by offering incremental and affordable energy efficiency measures that are better aligned with their needs than are current energy efficiency programs. BayREN will offer a wide range of measures to its customers (both homeowners and renters) to achieve deep savings over the multiyear life of the program. The measures will range from low cost/no cost self-install measures to expensive professionally installed measures, allowing customers more flexibility and control over the project. Meter-based performance incentives will also be offered to the customer to facilitate implementation of energy management type measures. These proposed changes will allow for more realized savings with smaller entry-point improvements while also continuing to promote deeper savings through a whole-house approach.

Contractors and Community Based Organizations (CBOs) partnerships will be developed and/or enhanced to scale customer participation. BayREN will offer trainings to contractors on workforce standards (in conjunction with and coordination with the statewide Workforce Education and Training activities). BayREN will also help to expand specialty contractors’ services to full building performance and/or partner with other firms to achieve a better business model that supports deeper whole house upgrades. One key program objective is to get the homeowner on an incremental path to achieve Zero Net Energy by phasing in new measures as they are feasible and providing education along the way.

An integral part of the implementation of the current and new single family program is the Home Energy Advisor service. Advisors assist both homeowners and renters and maintain contact with the customers after they have assisted with the initial contact in order to see the customer through a full energy-efficiency journey until the customer has reached ZNE. The Advisors also assist contractors with understanding program requirements and when needed, help mediate issues that may arise with the property owners. Advisors will refer customers to complementary programs offered by utilities and other organizations and help customers understand their financing options.

Like all of BayREN programs, outreach will continue to be done primarily by local governments, who are seen as trusted messengers. This also allows for the seamless layering of other climate programs and activities. Local governments will also reach out to local CBOs to better understand specific target audience and provide custom solutions to the community.

Commercial

The BayREN SMB Commercial program is designed to empower building owners to take a holistic and longer-term approach in incorporating energy efficiency within their buildings. Applicants in the nine county area will receive whole building technical analysis, attractive financing options, and ongoing project support from a network of qualified industry partners and trusted local government partnerships.

BayREN recognizes that whole-building retrofit projects can be complex and costly, so we intend to meet SMB owners where they are and break down market barriers when possible:

* Our dual pathway approach will assure that each customer receives the level of support that suits their needs. Each project will be resourced with a Building Performance Advisor, who can offer a range of advisory services to busy customers, their contractors, and service providers.
* The program will first identify “low-hanging fruit,” by leveraging existing, complementary energy efficiency and financing program opportunities. Next, it will identify custom measures, with a focus on HVAC improvements, and provide “Pay-for-Performance” incentives based on actual, metered savings.
* Prospective partners will be vetted and selected by the program via a non-competitive Request for Qualifications. Preference will be given to partners who can absorb some or all of the project performance risk on the customer’s behalf.

Financial incentives will be available, with 50% of the incentive paid up front based on modeled savings, and the remaining 50% tied to actual metered performance after one year. Other financing options that will be promoted will be Commercial PACE, and the current Microloan product offered in three of the BayREN counties will expanded throughout our territory.

A fundamental feature of the Subprogram is “program layering” via referrals to complimentary EE and financing programs (e.g. PG&E’s offerings) to harvest deeper energy savings. Program layering serves not only to amplify the Subprogram’s ability to develop comprehensive projects with a small budget, but also helps other utility programs achieve the 5% small commercial penetration target in D.18-05-014.

1. **Strategies for increased cost-effectiveness**

Given BayREN’s directive to focus on filling gaps, piloting different or unique approaches that have the potential to scale and/or targeting hard-to-reach customers, we are not held to a particular cost-effectiveness threshold. However, we do strive to be more cost-effective and will utilize new strategies in 2019 to help our savings. BayREN has three resource programs. Strategies for increasing the cost effectiveness of these programs in 2019 are:

1. Single Family

New innovative tools and approaches will be introduced to scale up participation while improving cost effectiveness. New measures and methods for savings calculations will used, as well as a meter based performance incentive. Customer participation will be scaled by leveraging existing customer relationships and partnerships with community-based organizations, rather than starting from scratch. These new approaches will result in greater realized savings for smaller entry-point improvements while continuing to promote a whole-house approach. BayREN will continue to support a long-term customer journey that will effectively reduce the cost of customer acquisition while driving deeper energy savings over time.

 2. Multifamily

As detailed in the Business Plan, steps will be taken to continue streamlining the participation process, phase out rebates over time and replacing them with other market drivers. For immediate next steps, we are creating a pathway for a market of raters to be able to provide technical assistance at a lower cost than the program-provided technical assistance. This means also introducing our simplified property assessment process and modeling tools to a broader set of users in the industry. These changes should all reduce the total cost of going through an energy upgrade.

 3. Commercial

A significant portion of customer incentives will be tied to metered-verified savings. This will help to ensure that incentives are actually going towards energy savings. As designed, many of the traditional implementation tasks will be performed by program partners and/or contractors, thereby reducing implementation expenditures. Additionally, there will be dual enrollment pathways that will allow for program layering.

1. **Metrics**

Per D.18-05-041, Ordering Paragraphs 9 and 11, the metrics, targets and indicators for BayREN’s program portfolio, and for the specific programs, were filed and served to the service list of A.17-01-013, et. al. on August 6, 2018. Pursuant to Energy Division direction, attached hereto as Attachment B is 2017 metrics for BayREN’s programs.

# Protest

Anyone may protest this Advice Letter. The protest must state the grounds upon which it is based. The protest must be made in writing and received by the Commission within 20 days of the date this Advice Letter was filed with the Commission, or September 24, 2018. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

Public Utilities Commission

CPUC Energy Division

Attention: Tariff Unit

505 Van Ness Avenue

San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division at EDTariffUnit@cpuc.ca.gov. It is also requested that a copy of the protest be sent by email to address shown below on the same date it is mailed or delivered to the Commission.

|  |
| --- |
| Gerald LahrAssistant Director - Energy ProgramsAssociation of Bay Area Governments375 Beale Street7th FloorSan Francisco, CA 94105JLahr@bayareametro.gov |

**Effective Date**

BayREN requests that this Tier 2 advice filing become effective on regular notice, October 4, 2018, which is 30 calendar days from the date of this filing.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service list for R.13-11-005. Address changes to the General Order 96-B service list should be directed to Jennifer K. Berg at jberg@bayareametro.gov or by calling 415-820-7947.



 \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Gerald L. Lahr

 Assistant Director – Energy Programs

Attachment:

A: CEDARS Filing Submission Receipt

B: BayREN 2017 Metrics

**ATTACHMENT A TO BAYREN AL-9-E**

**ATTACHMENT B TO BAYREN AL-9-E**

1. On July 1, 2017 ABAG underwent a staff consolidation with the Metropolitan Transportation Commission (MTC). ABAG and its Executive Board continue to exist and to implement programs, such as BayREN. [↑](#footnote-ref-2)
2. D.14-10-046 at page 31. [↑](#footnote-ref-3)
3. D.13-09-044, Ordering Paragraph 22. [↑](#footnote-ref-4)
4. D.16-08-019 at page 10. [↑](#footnote-ref-5)
5. D.15-10-028, at pages 59-60. [↑](#footnote-ref-6)
6. D.18-04-041, pp 123-129. [↑](#footnote-ref-7)
7. Households with annual income range of $48,000 – 125,000. [↑](#footnote-ref-8)