RESOLUTION E-5050: Certification of Redwood Coast Energy Authority’s Energy Efficiency Program Administration Plan

PROPOSED OUTCOME:

- This Resolution certifies Redwood Coast Energy Authority’s request in Advice Letter 4-E and Supplemental Advice Letters 4-E-A, 4-E-B and 4-E-C to Elect to Administer their Energy Efficiency Program Administration Plan, submitted pursuant to Public Utilities Code Section 381.1(e) and (f) and California Public Utilities Commission direction in D.14-01-033.

SAFETY CONSIDERATIONS:

- Redwood Coast Energy Authority’s Energy Efficiency Program Administration Plan will likely have limited, but positive impact on safety by improving customer health and safety through the installation of more efficient equipment that should improve in-door air quality and provide safer operation than the replaced equipment.

ESTIMATED COST:

- The California Public Utilities Commission approves a budget for Redwood Coast Energy Authority of $1,896,704 over the course of their three-year Energy Efficiency Program Plan. This funding will come from Pacific Gas and Electric’s Energy Efficiency Portfolio Budget and thus not result in any incremental costs for Pacific Gas and Electric’s ratepayers.

By Advice Letter 4-E, filed on September 18, 2019, Supplemental 4-E-A, filed on October 21, 2019, Supplemental 4-E-B filed on November 6, 2019 and Supplemental 4-E-C filed on January 24, 2020.

SUMMARY
Public Utilities Code Section (Section) 381.1,\(^1\) gives Community Choice Aggregators (CCAs) the option to elect to become an administrator of cost-effective energy efficiency (EE) programs, subject to California Public Utilities Commission (CPUC) adoption of a CCA’s EE Program Administration Plan (EE plan) that has been approved by the CCA’s governing board. Redwood Coast Energy Authority (RCEA) submitted a three-year budget request of $1,896,704 to the CPUC on September 18, 2019, via Tier 3 Advice Letter (AL) 4-E, supplemental AL 4-E-A on October 21, 2019, supplemental AL 4-E-B on November 6, 2019, and supplemental AL 4-E-C on January 24, 2020, to elect to administer their EE plan for their customers.

This resolution approves RCEA’s request to elect to administer their EE plan according to the criteria set forth in the Section 381.1(e) and (f) (1) - (6) and CPUC direction in Decision (D.)14-01-033. The budget that RCEA requested to receive to fund their EE plan is $1,896,704. Pacific Gas and Electric (PG&E) is ordered to transfer $1,896,704 to RCEA for their three-year EE Plan.

**BACKGROUND**

Sections 331.1, 366.2, and 381.1 enable cities and or counties to form a CCA. The legislation allows CCAs to offer procurement services to electric customers within their boundaries. Senate Bill 790 (Leno) modified Section 381.1(a) and added subsections (d)-(g). Subsections (a)-(d) authorize a CCA to “apply” to administer cost-effective EE and conservation programs by “allow[ing] CCAs to access EE funds from, and provide EE programs to, both their customers and other utilities’ customers.”\(^2\) CCAs pursuing this approach must file a formal application to administer EE, which complies with the CPUC’s prior decisions and resolutions regarding the content of IOUs’ applications to administer EE.\(^3\) An alternative “elect” approach differs from the “apply” approach in that Section 381.1(e) and (f) expressly limits CCAs’ EE offerings to only customers who are served by the CCA. CCAs that pursue the “elect to administer” option do not need to file applications – they file their EE plans as Tier 3 ALs.\(^4\)

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1. All statutory references are to the Public Utilities Code unless otherwise noted will be referred to as “Section.”
Section 381.1(e) states:

The impartial process established by the CPUC shall allow a registered community choice aggregator to elect to become the administrator of funds collected from the aggregator’s electric service customers and collected through a non-bypassable charge authorized by the CPUC, for cost-effective energy efficiency and conservation programs, except those funds collected for broader statewide and regional programs authorized by the CPUC. (Emphasis added)

Section 381.1(f) states:

A community choice aggregator electing to become an administrator of energy efficiency shall submit an EE plan, approved by its governing board, to the CPUC for the administration of cost-effective energy efficiency and conservation programs for the aggregator’s electric service customers that includes funding requirements, a program description, a cost-effectiveness analysis, and the duration of the program. The CPUC shall certify that the EE plan submitted does all the following:

1. Is consistent with the goals of the programs established pursuant to Sections 381.1 and 399.4;
2. Advances the public interest in maximizing cost-effective electricity savings and related benefits;
3. Accommodates the need for broader statewide or regional programs;
4. Includes audit and reporting requirements consistent with the audit and reporting requirements established by the CPUC pursuant to this Section;
5. Includes evaluation, measurement, and verification protocols established by the community choice aggregator; and
6. Includes performance metrics regarding the community choice aggregator’s achievement of the objectives listed in paragraphs (1) to (5), inclusive, and in any previous plan.
On June 20, 2012, Administrative Law Judge Fitch issued a ruling in Rulemaking (R.)09-11-014 regarding procedures for CCAs to become administrators of EE programs through Section 381.1(a) – the application process to administer an EE program to all customers in their service territory – and through Section 381.1(e) and (f), the election process to administer EE programs only to the CCA’s customers. In the interim, the ruling directed CCAs on how to make such requests “while the permanent procedures for program cycles beginning in 2015 are under consideration and finalized by the CPUC.”

Ordering Paragraph (OP) 6 of D.14-01-033 establishes that CCAs that elect to administer EE programs shall file their EE plan through a Tier 3 advice letter, which is not considered either effective or approved without a CPUC resolution. OP 7 of D.14-01-033 asserts the materials submitted by a CCA who elects to administer EE programs must contain sufficient information for the CPUC to certify the CCA’s EE plan meets the six requirements in Section 381.1(f). OP 8 of D.14-01-033 directs the CCAs to also conduct financial and management audits of its EE programs and provide a copy of the audits to the CPUC. Finally, D.14-01-033 set the formula for the maximum funding that a CCA who elects to administer can request when establishing a budget:

CCA maximum funding = Total electricity energy efficiency non-bypassable charge collections from the CCA’s customers – (total electricity EE non-bypassable charge collections from the CCA’s customers * % of the applicable Investor Owned Utility (IOU) portfolio budget that was dedicated to statewide and regional programs in the most recently authorized program cycle).

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6 D.14-01-033, OP 6.
7 D.14-01-033, OP 7.
8 D.14-01-033, OP 8.
9 ALJ’s June 20, 2012 Ruling on REN and CCA Administration of EE at p. 10.
10 D.14-01-033, pg 22.
On September 18, 2019, RCEA filed their EE plan via a Tier 3 AL (4-E) and submitted supplemental ALs 4-E-A on October 21, 2019, 4-E-B on November 6, 2019, and 4-E-C on January 24, 2020. In ALs 4-E, 4-E-A, 4-E-B and 4-E-C, RCEA provided the CPUC with additional details about their proposed programs, as well as their estimate of the formula set forth in D. 14-01-033 for the maximum funding that they could request as a CCA who elects to administer EE programs.

**RCEA’s Proposed EE Plan**

RCEA proposes two programs with a combined budget of $1,896,704 over three years to implement, market and evaluate their EE programs over three years starting in July of 2020. The two programs are a Non-Residential Direct Install program and a Residential Direct Install program. RCEA’s EE plan has a forecasted cost effectiveness of 1.08 for their TRC and a 1.12 PAC.11

RCEA’s Non-Residential Direct Install program will replace PG&E’s Regional Small and Medium Business Direct Install Local Government Partnership (LGP) with RCEA, which sunsets on June 30, 2020. The Non-Residential Direct Install program will fill gaps where existing and future regional third-party providers are not able to effectively serve RCEA’s geographically constrained customers and will prioritize cost-effective energy efficiency services to:

- RCEA non-residential hard-to-reach (“HTR”) customers, regardless of demand or annualized kWh;
- All public sector entities including member agencies, K-12 and special districts; and
- All non-HTR customers who show an intent to participate in a PG&E regional or statewide programs, but do not receive timely service.

RCEA’s Non-Residential Direct Install program will provide no-and low-cost installations of prescribed measures tailored to the Humboldt County market. RCEA proposes to offer the following measures:

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11 RCEA AL 4-E-A, pg 3.
• LED interior lighting (calculated)
• LED exterior lighting (calculated)
• Refrigeration efficiency
• Variable frequency drives
• Programmable thermostats

The three-year requested budget for the Small Commercial Direct Install program is $1,566,856. RCEA expects that first-year gross energy savings for the program will be 1,100,788 kWh, with demand savings of 81 kW. Additional measures of success will include, but not be limited to services to:

• HTR customers exceeding 85% of all rendered services;
• Project conversion rates sustained at or above 50%; and
• Distributed energy resource services from multiple funding streams.

The program has a forecasted TRC test of 1.23 and a PAC test of 1.29.

The Residential Direct Install program will provide no-cost installations of prescribed measures tailored to the Humboldt County market. This will allow for a more effective alignment of offered products and services to opportunity.

RCEA proposes, but will not be limited to, the installation of the following measures:

• Smart thermostats
• Low-flow faucet aerators
• Low-flow showerheads

The three-year program budget for Residential Direct Install is $329,796. The residential program has limited offerings and will only deliver a first-year total of 34,748 gross kWh and a demand reduction of 3.2 kW. The residential program is not forecasted to be cost-effective, therefore other measures of success are critical:

• Number of residents served;
• Additional, and separately funded, integrated demand side management services provided; and
• Number of referrals made to regional, state, and third-party programs.
The program has a forecasted TRC test of 0.32 and a PAC test of 0.32.

**RCEA’s Compliance with Maximum Funding Request**

RCEA requested a total amount of $1,896,704 to implement and evaluate their two EE programs over a three-year period. The formula established for the maximum funding a CCA can request who elects to administer an EE Program Administration Plan is as follows:

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\text{CCA maximum funding} = \text{Total electricity energy efficiency non-bypassable charge collections from the CCA’s customers} - (\text{total electricity EE non-bypassable charge collections from the CCA’s customers} \times \% \text{ of the applicable IOU portfolio budget that was dedicated to statewide and regional programs in the most recently authorized program cycle}.)^{12}
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D.14-01-033 adopted the definitions for “regional” and “statewide” programs to be excluded from the maximum funding a CCA can request as follows:

- **“Statewide Programs”** – Programs, as defined and designated by the CPUC, that are offered throughout the four IOU service territories on a generally consistent basis. Evaluation, Measurement and Verification budgets are included in statewide programs, as these budgets are overseen by CPUC staff across all four IOUs on a consistent basis.\(^{13}\)

- **“Regional Programs”** – Programs offered to all eligible customers throughout an individual IOU’s service territory in which a CCA is offering service, but not necessarily offered in other IOU service territories. This includes state and institutional government partnerships. This does not include any programs that are offered only in a geographic subset of an IOU territory.\(^{14}\)

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\(^{12}\) D.14-01-033, pg 22.

\(^{13}\) D.14-01-033, pg 25.

\(^{14}\) Ibid.
In RCEA’s AL 4-E-C, RCEA provides the following inputs to the formula for the maximum funding they can request. First, RCEA estimates that the total electricity energy efficiency non-bypassable charge collections from the RCEA’s customers is $7,219,403 annually.\(^\text{15}\) RCEA estimates that $19,637,519 out of a total budget of $224,238,257 or 8.8% of PG&E’s total budget is dedicated to local programs.\(^\text{16}\) RCEA then multiplied $7,219,403 by 0.088 to get a cap of annual available dollars that are available to RCEA of $635,307 and a three year cap not to exceed $1,905,922. However, RCEA is not requesting to receive the maximum amount of funding available, instead they are requesting $1,896,704.\(^\text{17}\)

**RCEA’s Compliance with Meeting Criteria Established in Section 381.1(f)(1) - (6)**

Pursuant to Section 381.1(f), the CPUC must certify that a CCA proposal to elect to administer a ratepayer funded EE Program Administration Plan meet the six criteria, specified in paragraphs (1) - (6), which include:

1. Is consistent with the goals of the programs established pursuant to Sections 381.1 and 399.4;
2. Advances the public interest in maximizing cost-effective electricity savings and related benefits;
3. Accommodates the need for broader statewide or regional programs.
4. Includes audit and reporting requirements consistent with the audit and reporting requirements established by the CPUC pursuant to this section;
5. Includes evaluation, measurement, and verification protocols established by the community choice aggregator; and
6. Includes performance metrics regarding the community choice aggregator’s achievement of the objectives listed in paragraphs (1) to (5), inclusive, and in any previous plan.

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\(^\text{15}\) RCEA AL 4-E, p. 7.

\(^\text{16}\) RCEA AL 4-E, Attachment 1, p. 46.

\(^\text{17}\) Ibid.
RCEA provided the following responses in AL 4-E to justify their proposed EE Plan and compliance with the six criteria in Section 381.1(f).

Consistency with the Goals in Sections 381.1. and 399.4

RCEA states that their non-residential and residential programs will deliver cost-effective energy savings to its customers while remaining consistent with CPUC goals. RCEA believes their programs are consistent with broader regional or statewide energy efficiency programs and are designed to integrate demand side management activities in a way that will value stack the deployment of distributed energy resources.

By acting as point of contact for RCEA customers, RCEA will simplify the goals set forth in Section 381.1. This will ensure that local and statewide goals are met, such as those associated with SB 350.

Advances the public interest in maximizing cost-effective electricity savings and related benefits

RCEA responds that their proposed EE plan complies with cost-effectiveness requirements in 381.1, as the programs have a combined TRC test of 1.08 and PAC test of 1.12.

Accommodation of Statewide and Regional Programs

RCEA states that they have developed a strong brand as the electricity provider devoted to local decision making on power generation, energy conservation, and sustainability throughout Humboldt County. RCEA adds that they will clearly brand their efforts as unique from the existing electric utility and are well known to their constituents. The EE programs that RCEA elects to administer will be clearly distinguished as unique programs offered exclusively to RCEA customers. Program marketing will be targeted to RCEA customers and will clearly describe which customers will be eligible to participate.

Auditing and Reporting

RCEA performs annual financial audits using generally accepted accounting principles specific to government entities. These reports are publicly available and will be
provided to the CPUC upon request. As a CCA, once RCEA’s EE plan is certified and programs begin, current auditing procedures will be extended to include EE program administration data. This will ensure appropriate accounting controls for energy efficiency program funds. Per requirements of the Governmental Accounting Standards Board Statement No. 34, the management’s discussion and analysis will be included to supplement the basic financial statements.

To evaluate the effective use of resources and management procedures, RCEA will also complete all regulatory filings and reports as directed by CPUC staff. These documents will provide the results of program efforts that can be evaluated against the performance metrics identified by RCEA, including adherence to cost-effectiveness requirements. RCEA will take all necessary actions to remain compliant with additional auditing and reporting requirements.

*EM&V Protocols*

RCEA states they will contract with an independent third-party to perform process evaluations or market studies to determine the effectiveness and needs for the successful implementation of programs. RCEA-led studies will be performed according to the CPUC oversight process of IOU Evaluation Measurement and Verification (“EM&V”) projects as detailed in the Energy Efficiency EM&V Plan.

RCEA will be subject to the same protocol as the IOUs for CPUC-directed impact evaluations to determine actual energy savings, benefits, costs, and goal achievement as directed in D.05-01-055. RCEA will dedicate no more than 4% of total program budget during the three-year program to evaluation efforts.

*Performance Metrics*

To ensure that RCEA is prioritizing cost-effective services to HTR customers, RCEA will track and report the percentage of total services to HTR customers to ensure it exceeds 85%. Additional performance metrics will include:

- Percentage of customers audited who install at least one program measure;
- Percentage of recommended measures installed by non-residential customers.
Integration of separately funded and distributed energy resources in both the nonresidential and residential service spaces;

Evaluation, Measurement, and Verification process, tracking, and incorporation into program design; and

Progress toward achieving RCEA’s 2025 goal of 100% clean and renewable power using the Clean Net Short methodology—energy efficiency is a critical aspect of balancing demand to supply.

NOTICE

RCEA states this advice letter and related supplements were mailed and distributed in accordance with General Order 96-B, Section IV. As required by General Order 96-B, Section IV RCEA served these advice letters to the relevant parties on the R.13-11-005 and A.17-01-013 service lists.

PROTESTS, COMMENTS AND REPLIES

On October 8, 2019, PG&E filed comments on RCEA’s AL 4-E and on October 15, 2019, RCEA filed a reply to PG&E’s comments. On November 14, 2019, The California Public Advocates Office (Cal Advocates) filed a protest to RCEA’s supplemental ALs 4-E-A and 4-E-B on November 14, 2019 and RCEA filed a reply to Cal Advocates protest on November 21, 2019. All comments, protests and RCEA’s replies were timely filed.

PG&E’s Comments

In PG&E’s comments on RCEA AL 4-E, they provide further context to why they cut the budget to RCEA’s LGP and in particular RCEA’s Residential Direct Install program. PG&E claimed that these budget reductions were as a result of two factors. The first factor is general cost-effectiveness concerns due to declining avoided costs and increasingly aggressive baselines have made meeting cost-effectiveness requirements challenging for PG&E’s EE portfolio.18 PG&E states that this has resulted in declining budgets overall for low TRC programs, even though those programs deliver on other policy objectives, such as serving HTR customers and supporting disadvantaged

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18 PG&E’s Response Comment to RCEA’s AL 4-E, pg 2.
communities. The second factor PG&E identifies for the budget cuts to the RCEA LGP, is the fact that the RCEA’s LGP program has historically relied heavily on lighting, which has decreased potential savings in the Potential and Goals Study and thus a decreased budget in PG&E’s Annual Budget Advice Letter.

In its comments, PG&E also asks that the CPUC consider the funding impacts of the increasing administrative and coordination work that would result from the approval of RCEA’s request. They state that if RCEA’s request is approved, PG&E may need to reassess funding levels in its portfolio for overlapping offerings, such that all ratepayers receive the best value for the projects performed in RCEA’s territory. PG&E adds that if RCEA can deliver a program with a “Total Resource Cost test that exceeds what it has been able to deliver through its historic programs with PG&E,” then it may not be the best use of PG&E’s energy efficiency program budget to continue to support similar, overlapping activities within its portfolio.

Finally, PG&E points out that should RCEA’s AL be approved, it will increase coordination costs for PG&E’s EE portfolio. Consequently, PG&E requests that if RCEA’s request is approved, the CPUC consider these and similar administrative costs when assessing the cost-effectiveness of PG&E’s EE portfolio.

**RCEA’s Reply**

RCEA notes that they appreciate the context that PG&E provided and the clarifications that PG&E offered regarding budget reductions and cost effectiveness challenges. They conclude that they look forward to working with PG&E in 2020 and beyond to ensure that all customers have access to EE programs.

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19 Ibid.
22 PG&E’s Response Comment to RCEA’s AL 4-E, pg 3.
23 Ibid.
24 RCEA 004-E, Attachment 1, p.20.
25 PG&E’s Response Comment to RCEA’s AL 4-E, pg 4.
26 PG&E’s Response Comment to RCEA’s AL 4-E, pg 4.
27 RCEA Reply to PG&E’s Response Comment to RCEA’s AL 4-E, pg 2.
Cal Advocates Protest

Cal Advocates filed a protest to RCEA’s supplemental ALs 4-E-A and 4-E-B, expressing several concerns.

First, Cal Advocates states that the CPUC should require RCEA to reduce their budget to comply with the budget guidelines in D.14-01-033. Cal Advocates adds that although “RCEA does not explain how it reached a figure of 88 percent for statewide and regional programs, a review of PG&E’s 2019 EE program budgets shows that the correct share is approximately 90 percent. This means that the maximum funding share that should be available to RCEA is approximately 10 percent, not 12 percent.”

According to Cal Advocates, PG&E dedicated either 9.7 or 10.1 percent of its total 2019 budget to LGPs depending on whether PG&E’s advice letter or submission to CEDARS is correct. Therefore, Cal Advocates states the amount of funding available for RCEA’s proposed EE programs is $946,873 to $985,919 annually. Finally, Cal Advocates adds that if the CPUC authorizes PG&E’s 2020 EE budget before issuing a disposition of RCEA’s AL 4-E and supplements, the CPUC should update these budget calculations to reflect the share of funding for LGP programs in PG&E’s 2020 budget.

Cal Advocates concludes that the discrepancies discussed suggest significant questions remain as to whether RCEA’s proposed EE portfolio meets the minimum cost-effectiveness threshold required for program approval pursuant to D.14-01-033. Since RCEA’s compliance with the CPUC’s requirements in D.14-01-033 cannot be verified with the information RCEA provided in its Supplemental Advice Letter, the CPUC must require RCEA to address these discrepancies before approving its advice letter.

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28 Cal Advocates Protest to RCEA’s ALs 4-E-A and 4-E-B, pg 3.
29 Ibid.
30 Ibid.
31 Ibid.
32 Cal Advocates Protest to RCEA’s ALs 4-E-A and 4-E-B, pg 5.
33 Ibid.
Specifically, to ensure compliance with D.14-01-033, Cal Advocates states that the CPUC must require RCEA to clarify and explain its cost-effectiveness analysis and, if necessary, submit a corrected cost-effectiveness analysis for stakeholder and CPUC review.34

RCEA’s Reply

RCEA’s reply describes how they came up with their calculation that 12% of PG&E’s programs should be classified as local and claim that their requested budget falls under the maximum amount of funding that they could request.35

RCEA adds that the measure values in the Cost Effectiveness Tool (“CET”) inputs align with policy requirements. Outputs were generated by the CEDARS CET.36 The participant costs and incentives costs are equal for several measures.37 This resulted in a TRC equal to the PAC and therefore at the measure level the cost effectiveness test results are equal, they add that several of the 2020 ABALs had measures where the TRC is equal to PAC.38

RCEA also acknowledges that direct-install labor and material costs were categorized as incentives in the inputs and should be re-categorized for cases in which the program will pay the upfront costs,39 and they note that measure-level adjustments will be ongoing.40 Therefore, RCEA concludes their portfolio has met the cost effectiveness requirements set forth in D.14-01-033.41

DISCUSSION

Review of Funding Request

34 Ibid.
35 RCEA’s Reply to Cal Advocates Protest to RCEA’s ALs 4-E-A and 4-E-B, pg 2.
36 Ibid.
37 Ibid.
38 Ibid.
39 Ibid.
40 Ibid.
41 Ibid.
First, we note that in the formula for a CCA’s maximum funding to elect to administer EE programs, the applicable IOU portfolio budget should include funding from the most recently authorized program cycle:

CCA maximum funding = Total electricity energy efficiency non-bypassable charge collections from the CCA’s customers – (total electricity EE non-bypassable charge collections from the CCA’s customers * % of the applicable IOU portfolio budget that was dedicated to statewide and regional programs in the most recently authorized program cycle).42

The last CPUC-approved EE budget for PG&E was included in its EE 2020 Budget AL 4136-G/5627-E and supplemental 4136-G-A/5627-E-A, for an amount of $224,238,257.43 To determine the percentage of the total amount of the non-bypassable funds for their EE plan that RCEA is eligible for the CPUC staff categorized what programs and budgets are “statewide” and “regional” programs and excluded from the calculation for a CCAs’ maximum funding.

For the purposes of this calculation, the CPUC considers the following EE programs as “statewide” or “regional”: the Residential Energy Efficiency program; the Commercial Energy Efficiency program; the Industrial Energy Efficiency program; the Agricultural Energy Efficiency program; the Lighting program; the Integrated Demand Side Management program; the Finance program; the Codes and Standards program; the Emerging Technology program and the Workforce Education and Training program; Third-Party programs that serve PG&E’s entire service territory; and the Institutional and Government Core Energy Efficiency Partnerships. The total budget for these programs is $204,600,738. Finally, local or geographically restricted programs that are included for determining the percentage of RCEA’s non-bypassable funds that can be used for their EE Plan includes the Local Government Energy Action Resources

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42 D.14-01-033, pg 22.
43 PG&E budget as approved of in the non-standard disposition of PG&E ALs 4136-G/5627-E and supplemental 4136-G-A/5627-E-A.
(LGEAR), Strategic Energy Resources (SER) and the New Third-Party Placeholder for Public LGPs. These programs have a total budget of $19,637,519.

To determine RCEA’s maximum EE funding the CPUC divided the total budget of the programs that are not categorized as “statewide” or “regional” by PG&E’s total EE budget or $19,637,519 divided by $224,238,257, to get a percentage of the budget not categorized as “statewide” or “regional”, which is 8.8%. Finally, we multiplied 8.8% by the total electricity EE non-bypassable charge from RCEA customers which is $7,219,403 to get the maximum funding that RCEA can request of $635,307 annually and $1,905,922 over the three-year period, based on sales forecasts provided by RCEA. However, since RCEA is requesting less than the maximum amount, the CPUC will approve RCEA’s budget request of $1,896,704 as requested in RCEA AL 4-E-C.

**Review of Compliance with Section 381.1 (f) Criteria**

*Consistency with Goals in Sections 381.1 and 399.4*

Section 381.1 encourages the procurement of cost-effective EE and conservation programs by CCAs that advance the public interest and accommodate the need for broader statewide and regional programs. Section 399.4 (a) states that prudent EE investments should continue to be made in order to “produce cost-effective energy savings, reduce customer demand, and contribute to the safe and reliable operation of the electric distribution grid.”

Consistent with the guidance on cost-effectiveness in Sections 381.1 and 399.4(a), the RCEA EE plan forecasts the achievement of cost-effective reductions in energy and demand, with a TRC of 1.08 and a PAC of 1.12.

Section 399.4(b)(1) states that, in evaluating energy efficiency investments, the CPUC shall require that:

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47 See Appendix A Table 1 “PG&E Total Portfolio Budget Breakdown by Funding Category” for a breakdown of how the CPUC categorized PG&E’s EE programs.
If a customer or contractor is the recipient of a rebate or incentive offered by a public utility for an energy efficiency improvement or installation of energy efficient components, equipment, or appliances in a building, the public utility shall provide the rebate or incentive only if the customer or contractor certifies that the improvement or installation has complied with any applicable permitting requirements, including any applicable specifications or requirements set forth in the California Building Standards Code (Title 24 of the California Code of Regulations), and, if a contractor performed the installation or improvement, that the contractor holds the appropriate license for the work performed.

RCEA states their programs will fully follow Section 399.4 requirements that participants comply with applicable permitting requirements. Participating contractors will be required to pull permits as required by the California Energy Commission’s building codes.\(^{48}\) Section 399.4(c) states “the CPUC, in evaluating energy efficiency investments under its statutory authority, shall also ensure that local and regional interests, multifamily dwellings, and energy service industry capabilities are incorporated into program portfolio design and that local governments, community-based organizations, and energy efficiency service providers are encouraged to participate in program implementation where appropriate.”

First, RCEA has implemented their proposed Residential Direct Install program from 2006-2018 and are currently implementing a Non-Residential Direct Install program under their LGP contract. In addition, given that the program intends that HTR customers will exceed 85% of all rendered services RCEA appears to have tailored their programs to serve the large percentage of HTR customers in their territory.\(^ {49}\)

In addition, the Residential Direct Install program seeks to fit the needs of the sizable number customers of customers who do not qualify for the income-based programs and who may not be able to afford the expensive Home Upgrade program.\(^ {50}\)

\(^{48}\) RCEA AL 4-E, Attachment 1, pg 20.
\(^{49}\) RCEA AL 4-E, pg 10.
\(^{50}\) RCEA AL 4-E, Attachment 1, pg 11.
addition, the programs Non-Residential program will focus on efficient lighting, HVAC and refrigeration measure, while the Residential program will offer smart thermostats, efficient showerheads and aerators. We consider the measure mix appropriate given that RCEA’s territory for the market segments that they propose to serve, given RCEA’s focus on direct install measures. RCEA is located in Humboldt County, far from major population centers that have likely better access to eligible EE contractors and their customers may be more limited in the what type of EE measures are available to them. As such, the programs are designed to address local and regional interests, incorporate a CCA and the member government into the portfolio design, and are programs that RCEA has experience implementing as part of the Redwood Coast Energy Watch LGPP. Thus, the efforts of RCEA’s EE plan sufficiently meet the achievability requirements of 399.4(c).

Section 399.4(d)(2) states that the CPUC, in a new or existing proceeding, shall review and update its policies governing energy efficiency programs funded by utility customers. In updating its policies, the CPUC shall, at a minimum do all the following:

1. Authorize market transformation programs with appropriate levels of funding to achieve deeper energy efficiency savings.

2. Authorize pay for performance programs that link incentives directly to measured energy savings. As part of pay for performance programs authorized by the CPUC, customers should be reasonably compensated for developing and implementing an energy efficiency plan, with a portion of their incentive reserved pending post project measurement results.

3. Authorize programs to achieve deeper savings through operational, behavioral and retrocommissioning activities.

CPUC staff interprets Section 399.4(d)(2) to refer to the ratepayer funded EE portfolio as offered throughout the state and not require every individual Program Administrator’s (PA’s) EE offerings to meet all the policies outlined in Section 399.4(d)(2). The EE portfolios as offered by California’s ratepayer funded PAs throughout the state meet these objectives and thus so would RCEA’s EE plan.
Therefore, the CPUC certifies that RCEA’s EE plan has demonstrated compliance with the criteria set forth in Section 381.1(f)(1).

Advances the Public Interest in Maximizing Cost-Effective Electricity Savings and Related Benefits

RCEA’s forecasts a TRC of 1.08 and PAC test of 1.12 for RCEA’s EE plan as filed meets the minimum threshold for cost effectiveness of a CCA who elects or applies to administer EE programs for the first three years. Therefore, the CPUC certifies that RCEA’s EE plan has demonstrated compliance with the criteria set forth in Section 381.1(f)(2).

Accommodation of Statewide and Regional Programs

Accommodation of statewide and regional programs as defined in Section 381.1(f)(3) and D.14-01-033 includes the clear requirement that “a CCA should include in its plan marketing and branding strategies to minimize customer confusion, and to otherwise distinguish between CCA programs and any similar statewide or regional programs that may also be ongoing.”

RCEA claims that they have clearly branded their efforts as unique from the existing electric utility and we are well-known to their constituents. They add that the energy efficiency programs that RCEA elects to administer will be clearly distinguished as unique programs offered exclusively to RCEA customers by RCEA. In addition, program marketing will be targeted to RCEA customers and will clearly describe which ratepayers will be eligible to participate.

RCEA states they will continue to work with PG&E through their Lead Local Partner solicitation and this effort will be branded as a direct partnership with PG&E administered under the auspices of the CPUC.

51 D.14-01-033, pg 19.
52 RCEA AL 4-E, pg 9.
53 Ibid.
Finally, RCEA commits to leveraging statewide and regional programs when and where they are best positioned to provide the best service to their customer base.\footnote{54 Ibid.} In addition, RCEA will effectively identify the pertinent program implementers to customers and will coordinate with PG&E and third-party programs to ensure that RCEA customers have the most accurate, up-to-date materials on available programs.\footnote{55 Ibid.}

The CPUC believes that RCEA has provided sufficient information showing that their marketing materials will clearly distinguish their two EE programs from other PAs’ programs and will target only RCEA customers. While there may be some confusion should RCEA also become a 3rd Party Implementer under PG&E’s local public sector solicitation, we believe that RCEA’s proposal should alleviate that concern. Finally, RCEA plans to work with PG&E and 3rd Party Implementers in their region to ensure that the customers have access to all available opportunities. Thus, RCEA in the CPUC’s view has complied with the requirement to “Accommodate Statewide and Regional Programs.”

*Auditing and Reporting*

Decision 14-01-033 states that a “CCA should conduct financial and management audits of its energy efficiency programs and provide a copy of the audits to the CPUC upon request. The financial audit will consist of a review of the financial statements of the CCA’s EE operations to determine that the statements are accurate, complete, and consistent with CPUC policy and standard accounting practices. The management audit will assess the CCA’s management procedures and the effective use of resources in implementing their EE portfolio.”\footnote{56 D.14-01-033, pg 29.}

When performing annual financial audits RCEA claims they currently uses generally approved auditing practices specific to government entities, which are publicly available and will be provided to the CPUC on request.\footnote{57 RCEA AL 4-E, pg 9.} RCEA adds that once their EE Plan is certified and the programs begin, current auditing procedures will be...
extended to include EE program administrative data. They also claim that they will also complete all regulatory filings and reports as directed by the CPUC. These documents will provide the results of program efforts that can be evaluated against the performance metrics identified by RCEA, including adherence to cost-effectiveness requirements. Thus, the CPUC certifies that the RCEA is compliant with the auditing and reporting requirements set forth in Section 381.1(f)(4).

**EM&V Protocols**

D.14-01-033 requires the CCA to establish its own EM&V protocols. The CPUC’s role is to certify that a CCA’s plan includes EM&V protocols. That said, the CPUC encourages CCAs to use the same EM&V requirements that apply to other energy efficiency PAs. In its advice letter, the CCA should describe clearly and completely the EM&V protocols it will use.

In analyzing RCEA’s EM&V plan it is clear that they understand the roles of the Energy Division (ED) and PAs and which types of evaluations each are responsible for completing. RCEA also states that they will adhere to the same protocol as the IOUs for ED’s impact evaluations to estimate actual energy savings, benefits, costs, and goal achievement, as directed in D.05-01-055. RCEA requests a budget of $47,250 during the three-year program to conduct process evaluations to qualitatively evaluate the program and market. The amount requested is appropriate as it is under the 4% cap for EM&V considering RCEA’s requested budget. The CPUC certifies RCEA’s EM&V protocols as set forth in Section 381.1(f)(5).

**Performance Metrics**

D.14-01-033 states that “the CCA should provide reports that meets the requirements and format the CPUC has established for IOUs and RENs, as set forth in the Policy

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58 Ibid.
59 Ibid.
60 Ibid.
61 Ibid.
62 RCEA AL 4-E-C, pg 3.
The process for developing Program Performance Metrics (performance metrics) is described in Appendix 2 of D.09-09-047. The proposed performance metrics shall comply with the following principles:

1. The metrics shall be designed for simplicity and cost effectiveness when considering data collection and reporting requirements.
2. Integrated metrics shall be developed for programs that employ more than one technology or approach, such as whole building programs.
3. Program models and logic should be dynamic and change in response to external, e.g., market conditions, and internal conditions.
4. The metrics shall link short-term and long-term strategic planning goals and objectives to identified program logic models.
5. Performance metrics shall be maintained and tracked in the EE GA database (or a similar database to be determined under the guidance of CPUC staff).

To ensure that RCEA is prioritizing cost-effective services to HTR customers, they will track and report percentage of total services to HTR customers to ensure it exceeds 85%. Additional performance metrics offered by RCEA will include:

- Percentage of customers audited who install at least one program measure;
- Percentage of recommended measures installed by non-residential customers;
- Integration of separately funded and distributed energy resources in both the nonresidential and residential service spaces;
- Evaluation, Measurement, and Verification process, tracking, and incorporation into program design; and
- Progress toward achieving RCEA’s 2025 goal of 100% clean and renewable power using the Clean Net Short methodology — energy efficiency is a critical aspect of balancing demand to supply.  

RCEA’s list of metrics submitted could be improved, especially in providing a clearer metric that states how “the metrics shall link their short-term and long-term strategic planning goals and objectives to identified program logic models.” For instance,

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63 D.14-01-033, pg 30.
64 RCEA AL 4-E, Attachment 1, pg 22.
RCEA’s list does not appear to CPUC staff to have at least one performance metric for each of the five objectives listed in paragraphs (1) to (5) of Section 381.1(f).

However, Resolutions E-4518 and E-4917, which approved both Marin Clean Energy’s and Lancaster Choice Energy’s request for certification to elect to administer its EE plan also found similar problems with a lack of clarity for the proposed metrics and suggested that the metrics could have been improved by identifying the units of measurement that will be used to determine them.\textsuperscript{65} That resolution concluded that these “subtle changes do not lead us to deny MCE’s request for certification of its plan; while recognizing that improvements could be made.”\textsuperscript{66} Similarly, we determine that RCEA’s metrics could be improved, but sufficient enough to not deny RCEA’s request for certification, as it has met the criteria set forth in Section 381.1(f)(6).

Analysis of Party Comments/Protest and RCEA Reply Comments

The CPUC Should Consider the Funding Impacts on PG&E’s Administration and Coordination That Would Result from the Approval of RCEA’s Request

The CPUC agrees with PG&E that with more PAs offering EE programs there will be the need for increased coordination with other PAs who overlap service territory. However, PG&E does not offer an actionable solution for the CPUC to consider and in addition the CPUC believes that this request is a much broader question that is not unique to RCEA, but common for all PAs with overlapping territory. Thus, we believe that this question, should the CPUC want to consider it, would be best handled in the EE Proceeding and is out of scope for this resolution.

The CPUC Should Require RCEA to Reduce Their Budget to Comply with the Budget Guidelines in D.14-01-033

\textsuperscript{65} Resolution E-4518, pg 18 and Resolution E-4917-E, pg 27.
\textsuperscript{66} Resolution E-4518, pg 18.
In their protest to RCEA’s ALs 4-E-A and 4-E-B, Cal Advocates believes that the budgets should be reduced, and that the percentage of PG&E’s 2019 budget dedicated to “local” programs is lower than RCEA’s calculation. The CPUC generally agrees with Cal Advocates, but would note that because of the disposition of PG&E’s 2020 ABAL on December 20, 2019, RCEA filed supplemental RCEA AL 4-E-C based on the approval in PG&E’s approved budget for 2020.

In the supplemental 4-E-C, RCEA cut the percentage of funds going to “local” programs from 12% to about 8.6%, reduced the non-bypassable c collection from $9,761,576 to $7,219,403 and total budget request from $3,280,386 to $1,896,703 over three years. As shown in the discussion section, CPUC staff ran their own calculations and found them to be slightly less than the maximum funding that RCEA filed in AL 4-E-C. In addition, Cal Advocates did not express additional concerns with the budget request in RCEA AL 4-E-C and thus we find the protest by Cal Advocates to RCEA’s ALs 4-E-A and 4-E-B moot with the filing of supplemental 4-E-C.

*Cal Advocates Found Discrepancies that Suggests Significant Questions About RCEA’s Ability Meet the Minimum Cost-Effectiveness Threshold*

In their protest to RCEA’s ALs 4-E-A and 4-E-B, Cal Advocates believes that RCEA’s supplements failed to justify that they will achieve a cost-effective set of programs. As in the discussion of the protest by Cal Advocates above, we believe that the protest is moot with the filing of RCEA’s AL 4-E-C, which provided a new section detailing measure changes and the expiration of certain workpapers starting January 1, 2020, and subsequently reduced the forecast installations and savings for measures based on the budget and removed measures that have been retired.

In addition, RCEA filed their forecasted uptake for specific high-volume measures, the subsequent forecasts and savings calculations behind their forecast. We believe that Cal Advocates is justified in claiming that they have concerns that RCEA will meet their forecasted TRC and PAC and the CPUC shares those concerns. Based on empirical data, some of which Cal Advocates provided in their protest to the 2020 Annual Budget Advice Letters, there are often inconsistencies between forecasts,
reported claims and evaluated savings.\textsuperscript{67} That being said in reviewing RCEA’s AL 4-E-C, CPUC staff did not find instances where RCEA incorrectly used the cost-effectiveness tool. Thus, we will reject Cal Advocates protest about RCEA having “significant” discrepancies in their AL as a problem identified with ALs 4-E-A and 4-E-B, which the CPUC believes was corrected for in 4-E-C. However, CPUC staff will monitor RCEA’s performance and ensure that they use the correct workpapers, Database for Energy Efficiency Resources assumptions for measures and savings calculation methodology to ensure that they use the most current assumptions.

**COMMENTS**

Public Utilities Code Section 311(g)(1) provides that this Resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the CPUC. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day review and 20-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today.

On May 6, 2020, RCEA submitted to express their appreciation to the Commission, especially to Energy Division staff that worked closely with RCEA through this process.

**FINDINGS:**

1. Redwood Coast Energy Authority exercised its election right under Public Utilities Code Section 381.1(e) and (f) and D.14-01-033 by submitting its Energy Efficiency Program Administration Plan as a Tier 3 advice letter to the California Public Utilities Commission and serving it on all parties on the R.13-11-005 and A.17-01-013 service lists on September 18, 2019—along with a first supplemental filed on October 21, 2019, a second supplemental filed on November 6, 2019 and third supplemental filed on January 24, 2020.

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\textsuperscript{67} The Public Advocates Office’s Protest of Energy Efficiency Annual Budget Advice Letters for Program Year 2020, filed September 23, 2019, pg 8.
2. Decision 14-01-033 adopted a methodology and definition of terms to determine the maximum amount of eligible funding Community Choice Aggregators may elect to administer.

3. Using the adopted methodology from D.14-01-033, the maximum amount of funds Redwood Coast Energy Authority would be eligible to collect funds for the administration of its Energy Efficiency Program Administration Plan is $1,896,704.

4. Decision 14-01-033 provided further guidance to Community Choice Aggregators who elect to administer energy efficiency programs on how to seek California Public Utilities Commission approval to elect to administer ratepayer funded energy efficiency programs without filing a formal application. The decision adopted the processes in Public Utilities Code Section 381.1(e) – (g) and the June 20, 2012 Administrative Law Judge’s ruling in R.09-11-014.

5. Redwood Coast Energy Authority’s Energy Efficiency Program Administration Plan was approved by its governing board and contains the plan’s funding requirements, a program description, a cost-effectiveness analysis, and the duration of the program.

6. To administer their Energy Efficiency Program Administration Plan, Redwood Coast Energy Authority seeks $1,896,704 in funds collected by Pacific Gas and Electric from Redwood Coast Energy Authority’s customers through non-bypassable charges (specifically, the Procurement Energy Efficiency Revenue Adjustment Mechanism and the Public Purpose Program Revenue Adjustment Mechanism).

7. Redwood Coast Energy Authority’s requested funding is approved, and the California Public Utilities Commission directs Pacific Gas and Electric to transfer $1,896,704 to Redwood Coast Energy Authority to implement their Energy Efficiency Program Administration Plan.

8. Redwood Coast Energy Authority’s Energy Efficiency Program Administration Plan is consistent with the goals of the programs established pursuant to Public Utilities Code Sections 381.1 and 399.4 and D.14-01-033 and meets the Public Utilities Code Section 381.1(f)(1) criteria.
9. Redwood Coast Energy Authority’s Energy Efficiency Program Administration Plan forecasted Total Resource Cost meets the required cost effectiveness threshold.

10. Redwood Coast Energy Authority’s Energy Efficiency Program Administration Plan meets the Public Utilities Code Section 381.1(f)(3) criteria.

11. Redwood Coast Energy Authority’s Energy Efficiency Program Administration Plan meets the Public Utilities Code Section 381.1(f)(4) criteria.

12. Redwood Coast Energy Authority’s Energy Efficiency Program Administration Plan includes evaluation, measurement, and verification protocols established by the Community Choice Aggregator. Redwood Coast Energy Authority’s energy efficiency evaluation, measurement, and verification proposal therefore meets the Public Utilities Code Section 381.1(f)(5) criteria.

13. Redwood Coast Energy Authority’s Energy Efficiency Program Administration Plan meets the Public Utilities Code Section 381.1(f)(6) criteria.

**THEREFORE, IT IS ORDERED THAT:**

1. Redwood Coast Energy Authority’s Energy Efficiency Program Administration Plan, as submitted on September 18, 2019, is certified pursuant to Public Utilities Code Section 381.1(f).

2. Pacific Gas and Electric shall transfer to Redwood Coast Energy Authority $1,896,704, which Redwood Coast Energy Authority requested and which California Public Utilities Commission staff found was slightly less than the maximum funding Redwood Coast Energy Authority could request utilizing the formula adopted in D.14-01-033.

This Resolution is effective today.
Resolution E-5050                                                                                         May 28, 2020
Redwood Coast Energy Authority AL 4-E, AL 4-E-A, AL 4-E-B and AL 4-E-C/NS2

I certify that the foregoing resolution was duly introduced, passed and adopted at a
conference of the Public Utilities CPUC of the State of California held on May 28, 2020; the following Commissioners voting favorably thereon:

/s/Alice Stebins
ALICE STEBBINS
Executive Director

MARYBEL BATJER
President
LIANE M. RANDOLPH
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
Commissioners
APPENDIX A

Table 1. PG&E Total Portfolio Budget Breakdown by Funding Category

<table>
<thead>
<tr>
<th>Program Category</th>
<th>Budget Excluded</th>
<th>Budget Included</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statewide and Regional</td>
<td>$204,600,738$68</td>
<td>$0</td>
</tr>
<tr>
<td>Local</td>
<td>$0</td>
<td>$19,637,519</td>
</tr>
<tr>
<td>Total Included</td>
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<tr>
<td>Total Portfolio</td>
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<tr>
<td>% Included</td>
<td>0.088</td>
<td></td>
</tr>
<tr>
<td>% Excluded</td>
<td>0.92</td>
<td></td>
</tr>
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</table>

Table 2. Calculation of RCEA Maximum Funding

<table>
<thead>
<tr>
<th>RCEA Maximum Funding</th>
<th>Total Electricity EE Non-bypassable Charges from RCEA Customers</th>
<th>% of PG&amp;E’s Budget Not Dedicated to Statewide and Regional Programs</th>
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</thead>
<tbody>
<tr>
<td>1,905,922</td>
<td>$21,658,209</td>
<td>8.8%</td>
</tr>
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</table>

68 According to D.14-01-033, pg 25 EM&V is considered “Statewide Program.”