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Decision 21-11-013 November 18, 2021

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

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

APPROVAL OF INLAND REGIONAL ENERGY NETWORK ENERGY EFFICIENCY BUSINESS PLAN

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Summary

This decision approves the energy efficiency business plan of the Inland Regional Energy Network (I-REN), which includes Riverside and San Bernadino Counties, beginning in 2022 and continuing through 2027, with a total budget of approximately $65 million over this period. I-REN will conduct program activities in the public sector, workforce education and training, and codes and standards areas, and will also have a budget for evaluation and program planning activities.

Should I-REN wish to continue its activities beyond 2027, it will be required to align its next portfolio filing[1] with those of the other energy efficiency program administrators currently required to make portfolio filings again in 2026. After adoption of this decision, I-REN will become a program administrator, subject to all of the Commission's requirements for those administering energy efficiency program portfolios.

In addition, I-REN is required to submit a Tier 2 advice letter, detailing its portfolio segmentation strategy and updating its proposed sectoral and program metrics based on the work done by the California Energy Efficiency Coordinating Committee (CAEECC) market support sector metrics and equity metrics working groups, by no later than July 1, 2022. Subsequently, any updates to metrics should be included and updated in I-REN's annual report. Finally, I-REN is required to file a joint cooperation memorandum (JCM) for 2022 with the other program administrators operating in the same geographic areas as

[1] Portfolio filing requirements are included in Decision 21-05-031, Ordering Paragraph 5 (b).

a Tier 2 advice letter within 60 days of the issuance of this decision,[2] and will be required to file JCMs as required of all program administrators in their annual reports for program year 2023 and beyond.

This proceeding remains open.

1. Background

On February 26, 2021, the Western Riverside Council of Governments (WRCOG) filed, on behalf of Inland Regional Energy Network (I-REN), a motion for approval of its energy efficiency rolling portfolio business plan and budget.

Due to some confusion about the due date for responses, three motions for late-filing of responses were filed, as follows: Southern California Edison Company (SCE), on April 6, 2021; Southern California Gas Company (SoCalGas) on April 9, 2021; and a joint motion by the Association of Bay Area Governments (ABAG) and County of Ventura, on behalf of the Bay Area Regional Energy Network (BayREN) and the Tri-County Regional Energy Network (3C-REN), on April 13, 2021. The motions to late-file responses were granted by Administrative Law Judge (ALJ) ruling on April 19, 2021, and therefore, the three responses were filed on the above dates.

With ALJ permission, WRCOG filed a reply to the responses on April 22, 2021 on behalf of I-REN.

On July 6, 2021, an ALJ ruling (ALJ ruling) was issued seeking additional comments on the I-REN business plan and asking parties to respond to a set of specific questions.

Comments were filed in response to the ALJ ruling on July 21, 2021 by the following parties: BayREN and 3C-REN, jointly; County of Los Angeles on

[2] I-REN would overlap geographically with Southern California Edison, Southern California Gas, and Southern California Regional Energy Network.

behalf of the Southern California Regional Energy Network (SoCalREN); I-REN; the Public Advocates Office at the California Public Utilities Commission (Cal Advocates); SCE; and SoCalGas.

Reply comments in response to the ALJ ruling were filed on July 30, 2021 by I-REN, Pacific Gas and Electric Company (PG&E), and SCE.

1.1. I-REN Motion for Approval of its Business Plan and Budget

WRCOG filed the February 26, 2021, motion on behalf of itself, the San Bernardino Council of Governments (SBCOG) and the Coachella Valley Association of Governments (CVAG) to form I-REN, as a consortium to serve these public agencies and their constituencies within SCE and SoCalGas service territories.

The motion proposes to cover three specific program areas:

- Public Sector;
- Workforce Education & Training (WE&T); and
- Codes and Standards (C&S).

The proposed budget for I-REN for 2021-2025 is $50,700,108, which also covers evaluation, measurement, and verification (EM&V) costs.

Table 1 below is from the I-REN business plan and summarizes the I-REN business plan budget request.

Table 1. I-REN Business Plan Program Initial Budget Request ($)

Sector	2021	2022	2023	2024	2025	Total
Public Sector	4,314,226	6,288,194	6,191,722	6,629,390	7,074,566	30,498,098
WE&T	2,312,208	2,253,295	2,393,426	2,437,164	2,674,650	12,070,743
C&S	1,416,066	1,446,107	1,503,952	1,564,110	1,626,674	7,556,909
EM&V	92,154	114,441	115,604	121,810	130,349	574,348
Total	**8,134,654**	**10,102,037**	**10,204,704**	**10,752,474**	**11,506,239**	**50,700,108**

According to the motion, the request is designed to complement SCE's and SoCalGas' portfolios. The I-REN business plan also references guidance in

Decision (D.) 15-10-028 and was vetted through the stakeholder process at the CAEECC.

1.2. Initial Responses to I-REN Motion

SCE's response to the I-REN motion generally argues that the I-REN motion should be delayed and considered alongside the updated business plans of the other program administrators, which, at the time of the filing of the response, would have been September 2021. Since the filing of SCE's response, D.21-05-031 has set the date for filing of new business plans for February 15, 2022.

SCE also argues there is insufficient time to rule on this application and develop JCMs between the program administrators with overlapping service areas, since the JCMs for 2022 programs were filed on June 15, 2021.

Finally, SCE argues that the I-REN budget is too high and inconsistent with D.19-12-021, which provides guidance on appropriate REN budgets, and recommends budgets be proportional to the relevant utility budgets in the same geographic territory.[3] Based on this guidance, SCE argues that the I-REN budget should be no more than approximately $725,000 per year, whereas I-REN's proposed budget is more than 10 times higher.

SoCalGas' response to the I-REN motion also recommends, similar to SCE, that I-REN's proposal be considered at the same time as the review of the business plans of the other program administrators. However, SoCalGas notes that I-REN has been planning its proposal since 2019 and therefore an alternative would be to consider the portion of I-REN's application covering 2022 and 2023,

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[3] *See* D.19-12-021 at 37-39, as well as D.14-01-033, Section 3.2.4.3.

while also requiring a long-term application in parallel with the other program administrators.

SoCalGas also highlights the importance of the JCMs and suggests that I-REN be directed to work with its partner program administrators to submit a JCM within 60 days of any approval of its business plan.

Finally, SoCalGas volunteers to serve as the fiscal agent utility on behalf of I-REN, should the Commission approve the I-REN business plan, and states that this has been discussed with I-REN and I-REN is amenable to this arrangement.

BayREN and 3C-REN argue that the WRCOG motion for I-REN provides a strong showing for the creation of a new Regional Energy Network and will provide vital programs in a hard-to-reach part of the State. BayREN and 3C-REN argue that extending the I-REN's proposed programs into the Inland Empire will benefit ratepayers by providing more comprehensive services in an efficient manner.

BayREN and 3C-REN also reference the Commission's Environmental and Social Justice Action Plan (ESJ Action Plan),[4] and claim the creation of I-REN will facilitate ESJ Action Plan goals. Finally, BayREN and 3C-REN point out that the I-REN proposal was already vetted at the CAEECC, and that feedback was incorporated into the proposal in the motion submitted by WRCOG on February 26, 2021.

1.3. I-REN Reply to Initial Responses

In reply to the responses to the original February 26, 2021, motion, WRCOG on behalf of I-REN (including SBCOG and CVAG) addresses the following topics:

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[4] The Commission's plan is available at the following link: https://www.cpuc.ca.gov/news-and-updates/newsroom/environmental-and-social-justice-action-plan

- Expedited business plan approval in 2021 is needed for the customers who would be covered by I-REN;
- Commission guidance is requested regarding portfolio process, timing, and alignment with other program administrators;
- JCMs and local government partnerships (LGPs);
- I-REN's budget is appropriate and consistent with D.19-12-021; and
- I-REN supports the SoCalGas fiscal agent proposal.

I-REN specifically requests that the Commission consider its proposal and budget in 2021, in order to begin delivering programs as soon as possible, because the under-served customers in the region need services now. I-REN also represents that it is prepared to submit JCMs within 60 days of business plan approval, as suggested by SoCalGas.

I-REN responds to SCE's recommendation to reduce the I-REN budget based on SCE's interpretation of Commission guidance found in D.19-12-021, by showing the recent decline in SCE's total energy efficiency budgets between 2017 and 2021, with particular attention to the budgets allocated for non-statewide and non-regional programs, arguing that local government spending has declined and there is a gap that can be filled by I-REN.

2. Issues Before the Commission

The July 6, 2021 ALJ ruling sought responses to specific questions addressing the following general topics related to the I-REN motion:

- Funding period for initial I-REN business plan, with Option 1 presented as funding 2022 and 2023, and Option 2 allowing funding for 2022-2027;
- Reasonableness of I-REN business plan for filling program gaps and/or complementing other programs offered in their region, consistent with Commission requirements;

- Appropriateness of I-REN sector proposals;
- Relationship to the Commission's ESJ Action Plan and serving hard-to-reach communities; and
- Reasonableness of I-REN's proposed budgets.

This section addresses each of these topics in turn, as well as some other logistics and compliance issues.

2.1. Funding Period

This section addresses the option for the period of funding that should be approved for I-REN, as well as when I-REN should be required to file a subsequent business plan.

2.1.1. Comments of Parties

BayREN and 3C-REN generally support Option 2, as presented in the ALJ ruling, to allow I-REN's budget to be approved for a five-year period (2022-2027) initially, and then require I-REN to resubmit a new portfolio filing along with other program administrators after the next round of filings. SoCalREN agreed.

I-REN, in its opening and reply comments, also supported Option 2, arguing that it aligns I-REN with the other program administrators for future portfolio cycles, while building on the significant time and effort that already went into developing I-REN's initial business plan. I-REN argues that this option will avoid substantial duplication of effort that would be required for a filing in February 2022 if Option 1 is chosen.

SCE, SoCalGas, Cal Advocates, and PG&E, in reply comments, all support Option 1, which would approve any funding only for 2022 and 2023 and require I-REN to file a new business plan in February 2022 along with the other program administrators. SCE argues that this will allow I-REN to run programs for two years based on the current business plan, and then refile to allow I-REN to coordinate portfolios and define metrics in consultation with the other administrators. SCE also argues that the time and effort spent on an application is far outweighed by other considerations, including the policy and technical updates to the portfolio approval process that have occurred since the I-REN motion was filed.

SoCalGas, in addition to supporting Option 1, argues that if I-REN is given program administrator status, the Commission should require I-REN to file a supplemental motion providing a total system benefit (TSB) calculation and TSB segmentation proposal for 2022 and 2023.

Cal Advocates also supports Option 1, stating that it is the only reasonable approach that would put I-REN on the same timeline as other program administrators and would support equal treatment of utility and non-utility program administrators alike. Cal Advocates also argues that it would be difficult for the Commission and stakeholders to evaluate the reasonableness of I-REN complementarity claims for the years 2024 through 2027 without the ability to simultaneously examine SCE's and SoCalGas' portfolio proposals for the same period.

PG&E, in reply comments, also highlights the importance of having all program administrators' filings align and thus agrees with Cal Advocates, SCE, and SoCalGas in supporting Option 1 and making funding for 2024 and beyond contingent on a new business plan filing in February 2022.

2.1.2. Discussion

On this issue, we appreciate the importance of alignment between program administrators and generally have sought to have all program administrators file their portfolio proposals concurrently, as much as possible. This reinforces the importance of coordination and cooperation, to minimize duplication and overlap among program offerings, while ensuring that gaps are filled, where possible.

At the same time, D.19-12-021[5] makes it clear that Regional Energy Network (REN) proposals may be filed at any time to be evaluated by the Commission. Thus, it is likely that any new REN proposal would be unsynchronized with other program administrators' business plans at the beginning, and require some time to become aligned later.

In this case, we are considering the initial I-REN business plan near the end of 2021. Given this timing, it would be unreasonable to require I-REN to file another business plan only a few months later in February 2022 along with the other program administrators, as required by D.21-05-031. Neither I-REN nor the Commission will have much additional information about I-REN's implementation results to evaluate a new proposal by February 2022. I-REN will not have any track record yet, so it is unclear what metrics or information we would use in February 2022 that would be different from the proposal before us now.

In addition, we appreciate that I-REN and its local government sponsors have invested significant effort in developing and vetting the business plan proposal before us now, and we therefore intend to consider it fully in this decision. As discussed further below in this decision, we intend to fund a significant effort for I-REN. As with previous REN and non-REN program administrators, it often takes time for new program administrators and programs to ramp up and begin to deliver benefits to customers, and it is only fair to give

[5] *See* Ordering Paragraph 2 of D.19-12-021.

I-REN the opportunity to hit its stride before asking it to make another portfolio filing.

For all of these reasons, we choose Option 2, funding I-REN's efforts through the end of 2027. We also note that the business plans of the other program administrators were originally approved for an eight-year period in 2018, and we are moving toward a four-year portfolio funding approach consistent with D.21-05-031. Therefore, approving I-REN for a six-year period splits the difference and allows for a reasonable transition to the new paradigm, given that I-REN's proposal was filed under the prior rules. The issues of the level of funding and the specific programs to be approved are discussed further in subsequent sections of this decision.

We will also require I-REN to make a new portfolio filing, should it choose to do so, alongside the other program administrators in early 2026, as currently required by the schedule in D.21-05-031 or as amended by the Commission, assigned Commissioner, and/or ALJ subsequent to this decision. This schedule will require I-REN to communicate and collaborate with the other program administrators, particularly those with whom they have overlapping geographic coverage, during the development and filing of the next portfolio proposals in 2026, as recommended by SCE, SoCalGas, PG&E, and Cal Advocates in their comments.

2.2. Program Gap-Filling and Complementarity to Business Plans of other Program Administrators

The ALJ ruling asked parties to respond to how the question of how the I-REN business plan proposal specifically addresses the Commission requirements that REN programs fill gaps in and complement the portfolios of other program administrators with overlapping geographic areas. These criteria were first adopted in D.12-11-015 and later refined in D.19-12-021.

2.2.1. Comments of Parties

I-REN, in responding to the ALJ ruling, points out that its proposal addresses the general reduction in program budget, particularly by SCE, in recent years, especially for LGPs. I-REN also cites to its expansive geographic region. In addition, I-REN points out that the sectors and programs proposed in their business plan are appropriate and specifically designed to address the needs of the I-REN region. They point out that the I-REN governing agencies spent nearly 18 months carefully crafting their region-specific and targeted approaches, incorporating stakeholder feedback and gaining widespread support from their communities.

SCE, in its comments, does not agree that I-REN demonstrates that it is filling gaps in SCE's portfolio, and states the concern that, if I-REN is allowed to continue this approach, it could set a precedent where RENs can file business plans and be approved without showing how they fill gaps in the utility energy efficiency program portfolios. SCE asks that the Commission require I-REN to supplement the showing in their motion, with specific reference to the threshold of review established in D.19-12-021.

SCE also argues that the burden should be on I-REN to prove that they are filling gaps and provide unique value, which SCE states is not shown in their motion. Further, SCE recommends that the Commission not approve any programs now that address gaps that are going to be filled with the transition to third-party designed programs. Ultimately, SCE recommends that I-REN align its business plan filing with all of the other program administrators in a new application for program years 2024-2027, to allow the Commission to effectively evaluate the complex and interrelated energy efficiency landscape and to avoid any potential duplication of efforts and maximize the value to ratepayers.

SoCalGas, on the other hand, states that I-REN's proposal would fill gaps not so much with particular programs, but in providing more equitable access to energy efficiency overall. SoCalGas believes that the I-REN portfolio will provide added value and is supplemental to the program resources and offerings of the other program administrators in the region.

BayREN and 3C-REN support I-REN's proposal, stating that I-REN's service territory includes large tracts of disadvantaged communities and a median income that is 60 percent below the statewide median. They add that the reality is that most energy efficiency programs do not reach disadvantaged communities, and note that the I-REN plan is designed specifically to address this shortfall. BayREN and 3C-REN note that although some of I-REN's offerings may overlap, there is good reason for that because the rural and frontier regions are receiving limited services from energy efficiency programs overall.

In reply comments, PG&E states that it believes that I-REN's proposed C&S and WE&T activities overlap with other program administrators' offerings, and supports SCE's recommendation that the Commission consider how to avoid overlap with programs that are pending launch or currently under solicitation.

In response to SCE in particular, I-REN, in its reply comments, restates its commitment to avoid duplication of effort and to work collaboratively with the other program administrators. In addition, I-REN notes that they worked with each of the program administrators in their region to gain feedback on their planned strategies and interventions, prior to filing the business plan motion.

2.2.2. Discussion

The Commission's requirements for RENs are based, in part, on the desire to ensure energy efficiency program coverage over a wide range of communities, while also limiting the burden on ratepayer funding. Thus, our requirements are to encourage RENs to fill gaps and not duplicate activities of other program administrators.

However, our rules do not prohibit some potential for some territorial overlap or program duplication, for good reasons. In this case, we are satisfied that the I-REN proposal is designed to minimize duplication and to serve communities and customers that are historically unserved or at least underserved by the energy efficiency programs. In addition, it is clear that I-REN spent considerable time and attention vetting its proposals with the other program administrators as well as stakeholders and CAEECC, prior to making its filing. This effort, coupled with the commitment to continue coordinating and communicating with the other program administrators, convinces us that I-REN has met the Commission's requirements and will continue to focus its efforts on filling gaps and reaching the maximum number of participants possible, especially given the demographics of its region.

We appreciate I-REN's willingness to file a JCM 60 days after this decision, and will add this requirement to this decision, as suggested by SoCalGas in its comments on the proposed decision. I-REN shall file its JCM for program year 2022 as a Tier 2 advice letter. In addition, I-REN shall file its subsequent JCMs on the same schedule as other program administrators in their annual reports in 2023 and thereafter. On an ongoing basis, the JCMs required of all program administrators with overlapping geographic areas should help encourage ongoing communication and cooperation.

2.3. Sector Proposals

In this section, we address I-REN's sector and program proposals specifically. I-REN has proposed to fund activities in three areas: public sector; WE&T; and C&S. I-REN also proposes an EM&V budget, in order to conduct data collection activities and inform their program planning, particularly in the public sector, as well as to work with Commission impact evaluators.

2.3.1. Comments of Parties

I-REN represents that its program proposals and the sectors it proposes to serve are appropriate and specifically designed to address the needs of their region. They represent that the I-REN governing agencies spent nearly 18 months carefully crafting their region-specific and targeted approaches, incorporating stakeholder feedback and gaining community support. I-REN also comments that they have made a proposal with unique value, with programs and sectors chosen thoughtfully to build on their core strengths and experience as government agencies in the region.

BayREN and 3C-REN comment that I-REN appears to be taking a solid "walk before you run" approach to delivering their programs. They also believe that I-REN's proposed offerings are well suited for the Inland Empire and are likely to result in energy savings and workforce development, specifically in disadvantaged communities in the region.

SoCalGas comments that if I-REN coordinates effectively with the other program administrators within the overlapping geographic region, their portfolio will add value.

2.3.2. Discussion

In general, we agree with the approach I-REN has taken in their business plan to focus on sectors where local government experience and areas of responsibility make early successes more likely. Public sector programs, C&S, and WE&T are all areas where other RENs have provided complementary and much-needed augmentation to other program administrators' program offerings, without creating duplication. Programs in the public sector, in particular, and in all of I-REN's proposed areas, are an obvious choice for RENs and other LGPs. Given the vast territory represented by I-REN, we agree that these sectors are areas they should begin targeting right away.

We also approve of I-REN's funding and proposed EM&V activities, since they will need to coordinate with Commission staff and the other program administrators on data collection, program planning, and Commission evaluation activities.

2.4. Hard-to-Reach and Environmental and Social Justice Action Plan issues

This section addresses I-REN's specific plans to address equity objectives and serve hard-to-reach customers and disadvantaged communities, in relation to the Commission's ESJ Action Plan.

2.4.1. Comments of Parties

I-REN states that their business plan was written with equity at the center of the sector and proposed program selection. I-REN points out that their geographic area has large sections that are characterized as disadvantaged communities, contain tribal lands, or have a population with a median income 60 percent below the statewide median, as seen in the maps and data they presented in their original business plan.

BayREN and 3C-REN comment that given the lower-income profile of the geographic area that I-REN proposes to serve, delivering the types of programs proposed by I-REN fits squarely within the parameters of the Commission's ESJ Action Plan.

SoCalREN encourages I-REN to cross-cut energy efficiency programs onto pre-existing government frameworks specifically designed for underserved and disadvantaged communities, reducing administrative, development, and other costs.

SCE, on the other hand, suggests that I-REN should be required to refile their business plan to align with the ESJ Action Plan.

2.4.2. Discussion

As proposed by I-REN, their business plan is designed squarely to address disadvantaged and underserved communities. This is one of the primary purposes the Commission had in mind when allowing REN proposals to come forward in the first place. Thus, this focus by I-REN is welcome and appropriate. We encourage I-REN to continue tracking the Commission's ESJ Action Plan and other policies as they evolve and to look for synergies, as suggested by SoCalREN, wherever possible. In general, inclusion of the types of communities served by I-REN will be important for California to reach its energy and climate goals.

With the adoption of this decision, I-REN becomes an energy efficiency program administrator and will need to adhere to all requirements from here forward. Related to the hard-to-reach and environmental and social justice issues, in particular, other administrators were guided to address in their 2024-2027 applications "how the portfolio design and budget incorporates guidance related to data collected to track customers being reached."[6] Thus, I-REN should consider now in their program design and implementation the

[6] See revised Attachment A to D.21-05-031 at https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/energy-efficiency/rolling-portfolio-program-guidance/caeecc_final-revision_attachment-a_clean.pdf

method and system to track customers being reached. I-REN will be asked to report on the energy savings and number of customers served in these categories, as required of all program administrators.[7]

As with I-REN's sector focus discussion above, we would like to see I-REN begin its focus on disadvantaged and underserved populations as soon as possible. Given the demographics that I-REN's geography represents, this is an important focus and one which the Commission heartily endorses.

2.5. Reasonableness of Budgets

In this section, we address the reasonableness of I-REN's proposed budgets. I-REN's original proposal anticipated approval of its business plan in 2021, and then contained budgets for 2021-2025, totaling approximately $50 million over a five-year period.

2.5.1. Comments of Parties

I-REN characterizes its budget as one that was developed carefully and from the bottom up. I-REN represents that its budget is necessary and appropriate to effectively launch programs and build momentum over the coming years. I-REN also explains that it used a process similar to what D.21-05-031 describes as "zero-based budgeting," where each function within the budget is analyzed independently for needs and costs. In addition, I-REN represents that its budget complies with D.19-12-021 requirements, as well as the original REN criteria requiring filling of gaps as introduced in D.12-11-015.

SCE suggests that I-REN's proposed budget is too high, and should be based on guidance in D.19-12-021, D.14-01-033, and Resolution E-4917. Based on

[7] See Attachment A of D.18-05-041.

this Commission guidance, SCE calculates that the budget should be between $750,000 and $1 million annually.

SoCalGas recommends that the I-REN budget not be considered for 2021, but that 2022 and 2023 and transition years be funded.

Cal Advocates also comments that I-REN's budget is unreasonably large. Instead, Cal Advocates agrees with SCE that the budget should be no more than $1 million annually.

PG&E's comments simply state that I-REN's budget should align with existing Commission guidance.

SoCalGas does not recommend an alternative I-REN budget, but states that it would be helpful to understand the financial justification for I-REN's proposed budget more fully, given the size of the population being served and that similar services would be offered by other program administrators. SoCalGas also requests that the EM&V budget be removed until the portfolio budget is calculated.

In reply comments, I-REN responded to SCE's comments that its budget is too high by discussing its previous comments about the precipitous decline in funding for non-statewide and non-regional programs and how that impacts funding levels for non-utility program administrators. I-REN also adds that the funding changes place even more importance on the Commission's emphasis on equity and serving hard-to-reach customers.

2.5.2. Discussion

On the question of the reasonableness of the I-REN proposed budget, we do not agree with Cal Advocates and SCE, which suggest dramatic reductions in the budget based on their interpretation of guidance in D.19-12-021, which states: "the RENs' budgets should be proportional to the incumbent IOU budgets, in the same territory, for the number of customers served by non-statewide and non-regional programs, while taking into account plans to serve hard-to-reach customers."[8] Even while following that guidance, the Commission may exercise discretion to determine the reasonableness of REN budgets, based on the plans to serve hard-to-reach and underserved customers. We do that here. In addition, the language from D.19-12-021 does not represent an absolute standard, and the Commission may exercise its discretion generally to evaluate the reasonableness of the proposed budgets of any program administrator.

Using the SCE and Cal Advocates logic would have the result of dramatically reducing the budget not only of I-REN, but also of all the existing RENs with similar programs. I-REN's proposed budget is reasonably in line with other RENs who deliver similar programs and serve similarly large geographic areas. Though the I-REN total budget is less than half that of BayREN and SoCalREN, these two are more established RENs and they also conduct program activities outside of the three sectors that I-REN proposes. Thus, on balance the I-REN budget appears reasonable when compared against these two original RENs and when considering the I-REN's plan to serve hard-to-reach customers and disadvantaged communities.

Therefore, we approve a budget that is based on I-REN's original proposal, with some adjustment to account for the timing of this decision and our determination in Section 2.1 above about aligning I-REN's business plan and portfolio filing time period with that of other program administrators. I-REN's original proposal was for a five-year budget, but we are not approving funding for 2021 since it is almost over. Instead, we will add one extra year to the budget,

[8] D.19-12-021 at 39.

in order to synchronize I-REN's review schedule to that of the other program administrators. To account for these changes, we have removed the budget for 2021, which had been planned for a partial year of activity with approval coming earlier in the year than we are actually achieving with this decision. Instead, we add budget for the years 2026 and 2027. The amounts for 2026 and 2027 are consistent with the budget for 2025, under the assumption that the portfolio will be at full capacity by the third year of the programs, and therefore we can reasonably continue the budget at the requested 2025 level for two more years. Thus, the total budgeted amount is higher than originally requested by I-REN, but in line with the annual budgeted amounts and consistent with their planned activities.

The resulting approved total budget is contained in Table 2 below, with additional detail for the sector areas and budget categories.

The approved budget also includes funding for EM&V activities, to allow I-REN to conduct their own process, market and sector analysis and conduct appropriate data collection efforts for program planning and implementation purposes.

Table 2. I-REN Business Plan Program Approved Budgets ($)

Category	2022	2023	2024	2025	2026	2027	Total
Public Sector							
Administration	628,819	619,172	662,939	707,457	707,457	707,457	4,033,301
Marketing and outreach	377,292	371,503	397,763	424,474	424,474	424,474	2,419,980
Direct Implementation – non-incentive	3,782,083	3,701,047	3,818,688	3,942,635	3,942,635	3,942,635	23,129,723
Direct Implementation – incentives	1,500,000	1,500,000	1,750,000	2,000,000	2,000,000	2,000,000	10,750,000
Subtotal	**6,288,194**	**6,191,722**	**6,629,390**	**7,074,566**	**7,074,566**	**7,074,566**	**40,333,004**
Workforce Education and Training							
Administration	225,329	239,343	243,716	267,465	267,465	267,465	1,510,783

Category	2022	2023	2024	2025	2026	2027	Total
Marketing and outreach	135,198	143,606	146,230	160,479	160,479	160,479	906,471
Direct Implementation – non-incentive	1,892,768	2,010,477	2,047,218	2,246,706	2,246,706	2,246,706	12,690,581
Direct Implementation – incentives	-	-	-	-	-	-	-
Subtotal	**2,253,295**	**2,393,426**	**2,437,164**	**2,674,650**	**2,674,650**	**2,674,650**	**15,107,835**
Codes and Standards							
Administration	144,611	150,395	156,411	162,667	162,667	162,667	939,418
Marketing and outreach	87,766	90,237	93,847	97,600	97,600	97,600	564,650
Direct Implementation – non-incentive	1,214,730	1,263,320	1,313,852	1,366,407	1,366,407	1,366,407	7,891,123
Direct Implementation – incentives	-	-	-	-	-	-	-
Subtotal	**1,446,107**	**1,503,952**	**1,564,110**	**1,626,674**	**1,626,674**	**1,626,674**	**9,392,191**
EM&V	114,441	115,604	121,810	130,349	130,349	130,349	742,902
Total	**10,102,037**	**10,204,704**	**10,752,474**	**11,506,239**	**11,506,239**	**11,506,239**	**65,577,932**

2.6. Collections and Fiscal Management Logistics

In initial comments in response to the I-REN business plan, SoCalGas volunteered to serve as the fiscal and contracting agent for I-REN, should the business plan be approved. In reply, I-REN indicated agreement with this arrangement. Thus, we will appoint SoCalGas as the fiscal and contracting agent for I-REN, on behalf of SoCalGas and SCE.

SCE and SoCalGas should each account for their portion of the budget of I-REN in supplements to their budget advice letters filed this year, for 2022 and 2023 program year expenditures. I-REN does not need to make a budget advice letter filing for 2022 and 2023, since this decision already addresses their funding for that period. Beginning with the 2024 program year, I-REN should align its budget advice letter filing schedule with the other program administrators, which means filing a Portfolio True-Up advice letter by September 1, 2023 to cover program years 2024 through 2027.[9]

2.7. Other Issues

Various other miscellaneous issues came up in the comments in response to the I-REN business plan and the ALJ ruling. First, I-REN proposes certain metrics to evaluate their program success. I-REN represents that their proposed metrics are based on the Commission's annual metrics reporting template developed in collaboration by all program administrators and Commission staff. I-REN also commits to incorporate the forthcoming guidance and metrics from the CAEECC market sector metrics and equity metrics working groups, as well as develop more complete metrics after its business plan is approved.

We will require that I-REN file a Tier 2 advice letter detailing its portfolio segmentation strategy and its updated sector and program metrics, informed by the CAEECC market sector metrics and equity metrics working groups' recommendations, by no later than July 1, 2022.

In addition, several parties, including SCE, note that the I-REN business plan was filed before D.21-05-031 was issued, and suggest that I-REN be required to re-file a refreshed business plan in response to that decision's requirements. After reviewing the I-REN business plan with D.21-05-031 requirements in mind, we find it unnecessary to require any re-filing to conform to these requirements. I-REN's original motion already covers the most important and necessary elements. Instead, I-REN will be required to comply with any Commission requirements, including those of D.21-05-031 and any amendments to it, at the

[9] *See* Table 4 and Ordering Paragraph 10 of D.21-05-031.

time it makes its next portfolio filing, assuming it chooses to do so, for program year 2028 and beyond.

3. Comments on Proposed Decision

The proposed decision of ALJ Fitch in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on November 4, 2021, by the following parties: ABAG and County of Ventura, on behalf of BayREN and 3C-REN, jointly; Cal Advocates; SCE; SoCalGas; and WRCOG on behalf of I-REN.

Reply comments were filed on November 9, 2021 by ABAG and County of Ventura on behalf of BayREN and 3C-REN, respectively (jointly); PG&E; SCE; SoCalGas; and WRCOG on behalf of I-REN.

This section summarizes the main points in parties' comments. Where discussed below, the relevant changes have also been made in the text, findings, or conclusions of the decision, as appropriate.

BayREN and 3C-REN generally advocate for adoption of the proposed decision as drafted. BayREN and 3C-REN also specifically support the exemption for I-REN from the requirement to file a business plan in February 2022.

I-REN's comments express general appreciation for the proposed decision and its recognition of the unique needs of the I-REN geographic area, including the needs of the disadvantaged communities there. I-REN also expresses a commitment to comply with the requirements of the decision, including the filing of an advice letter with its JCM, as well as the filing of implementation plans 60 days after the contracts are finalized with its implementers, as required in D.18-05-041. We agree that this is one of the areas in which I-REN's requirements should be in alignment with those of the other program administrators for energy efficiency, and we appreciate I-REN's commitment to fulfilling its regulatory responsibilities.

SoCalGas' comments include a number of suggested clarifications to the proposed decision. First, SoCalGas suggests that the budget advice letter filings for I-REN during the 2024-2027 program period be aligned with the requirements of the other program administrators. PG&E agrees with this suggestion in their reply comments. We also agree and have made this clarification in the decision.

In addition, SoCalGas suggests clarification to the manner in which SCE and SoCalGas should reflect the I-REN budget for 2022 and 2023 in their November 1, 2021 advice letter filings. We have made the changes that SoCalGas recommends, which includes a provision for SCE and SoCalGas to file supplemental advice letters with the necessary changes.

SoCalGas also suggests including the requirement for I-REN to file a JCM within 60 days of the effective date of this decision, to ensure more detailed coordination at the program level and a successful launch for I-REN. PG&E, in reply comments, agrees with this suggestion, and asks that statewide administrators with potential program overlaps also be included in the JCM development. SCE, in its reply comments, opposes the JCM requirement, since it diverges from the recently updated JCM requirements for other program administrators, which are now only required to include their JCMs in their annual reports. However, since I-REN is amenable to this suggestion and they are a new program administrator, the importance of coordination with existing program administrators will be valuable. Thus, we have included the requirement in the decision. The JCM is required for program year 2022 with all program administrators with whom I-REN has overlapping programs, but not statewide programs, as suggested by PG&E, because this would be a new requirement that is not required of any other program administrators. After program year 2022, I-REN should include its JCMs in its annual reports, in the same manner as all other program administrators.

The final issue raised in SoCalGas' comments relates to the allocation of EM&V budget to I-REN. SoCalGas points out that the EM&V budgets are usually calculated as a percentage of the total budget in a particular utility program administrator's territory, and then allocated further. Thus, SoCalGas asks that the EM&V portion of the I-REN budget be removed, and then recalculated by SoCalGas on a proportional basis in its budget advice letter. BayREN and 3C-REN, in reply comments, oppose SoCalGas' proposal to allocate EM&V funds to I-REN only after the total budget is calculated, stating that the utility program administrators should not have primacy to allocate funds to the other non-utility program administrators.

In this situation, I-REN, in its original motion, proposed specific activities for their EM&V budget, which this decision approves. The EM&V budget is a little over 1 percent of their approved portfolio for the program period. Because I-REN is just getting started and has specific funding needs for research and data collection purposes, we direct SoCalGas to simply include the I-REN budgets, including the EM&V portion, in its budget advice letter. This should have minimal impact on SoCalGas' own budget for EM&V, or any other program administrator's EM&V budget. This is because the total EM&V budget is calculated on a percentage basis from the total budgets of all program administrators in a particular utility's service territory based on direction in D.16-08-019. Adding the I-REN total budget to the service territory total will result in additional EM&V funding overall for all administrators in the same service area to share. I-REN's specific EM&V budget will come out of that total. Should SoCalGas or any other program administrator wish to propose a different funding amount for EM&V activities that they conduct wish to, they can do so in their portfolio applications due next year, for program year 2024 and beyond.

Cal Advocates and SCE, in their comments, and PG&E in its reply comments, argue that the proposed decision's adoption of I-REN's program budget deviates from the guidance given by the Commission for REN budgets in D.19-12-021, referencing D.14-01-033 definitions, which states that "the RENs' budgets should be proportional to the incumbent IOU budgets, in the same territory, for the number of customers served by non-statewide and non-regional programs, while taking into account plans to serve hard-to-reach customers."[10] SCE states that, if the Commission does not reduce the I-REN budget, we should modify this decision to include additional discussion of the evidence on which I-REN's budget is based and explain any new guidance. SoCalGas, in reply comments, also brings up the changes to cost-effectiveness requirements for energy efficiency portfolios as a whole, and seek Commission guidance on the manner in which reasonableness of budgets for RENs will be evaluated going forward.

Cal Advocates further argues that parties have been deprived of due process rights, because the Commission should have given notice and opportunity to be heard on the possibility that the guidance from D.19-12-021 may change.

[10] D.19-12-021 at 39.

We are not making any change to the I-REN total budget in the proposed decision on the basis of these arguments. First, the language in D.19-12-021 is one sentence that contains the word "should" and is otherwise open to broad interpretation depending on the RENs' plans to serve hard-to-reach customers, which is a relevant factor with I-REN. That decision also cites to D.14-01-003, which is a decision addressing CCA requirements; this is why the proposed decision referenced those types of program administrators. The language in D.19-12-021 offered general guidance, does not appear in any findings, conclusions, or ordering paragraphs, and does not represent any hard and fast standard or formula to which the Commission requires any REN proposals to adhere. It also does not state that this is the only criterion the Commission will consider when reviewing budget proposals. The appropriate budget for RENs is and has always been a discretionary decision for the Commission to make. In this proposed decision, the budgets of other similarly-focused and similarly-sized RENs are offered as reasoning for the Commission's approval, but this does not overturn any previous decision language, which was already subject to interpretation by the Commission.

In the case of I-REN, a large part of its budget and its purpose in being proposed is related to serving hard-to-reach and disadvantaged communities, as also pointed out by I-REN, BayREN, and 3C-REN in their reply comments. In this respect, the approved budget operates within the D.19-12-021 guidance, which takes into account plans to serve these communities and their importance in reaching the state's energy and climate goals. We have added findings to support this conclusion, as suggested by SCE. We also note that, as pointed out by BayREN and 3C-REN in reply comments, D.19-12-021, Ordering Paragraph 4, does not limit the REN budget size.

In addition, with respect to the due process arguments, I-REN's proposed budget was one of the primary issues in its motion. Cal Advocates and SCE had the opportunity to and did make arguments that the budget should be reduced in their comments on the record of this proceeding; they were not in any way deprived of the opportunity to do so. Further, this decision does not modify D.19-12-021, though, as noted above, the language in D.19-12-021 is written as guidance only, does not represent an absolute standard, and may be interpreted by the Commission when presented with budget proposals.

We accept SoCalGas' point that, in light of other changes to budget and cost-effectiveness requirements for program administrators overall, including portfolio segmentation approaches covered in D.21-05-031, further consideration of new or additional guidance for the RENs may be warranted. We may take this issue up more holistically in the future in this or a future proceeding, and if we do, we will provide an opportunity for parties to weigh in on any further guidance or requirements.

Cal Advocates also argues, in its comments, that I-REN should be required to submit a new budget application in February 2022 along with other energy efficiency program administrators, for program years 2024 and beyond.
Cal Advocates further argues that without this, I-REN's portfolio will not be able to be evaluated for duplication with other program administrators. To address this concern, as stated above, we have already included the requirement for I-REN to negotiate and file a JCM in an advice letter within 60 days of the effective date of this decision, to ensure detailed program coordination with the other administrators.

4. Assignment of Proceeding

Genevieve Shiroma is the assigned Commissioner and Julie A. Fitch and Valerie U. Kao are the assigned ALJs in this proceeding.

Findings of Fact

1. I-REN made its business plan filing via a motion in this proceeding on February 26, 2021 and proposed to begin program activities during mid-late 2021.

2. I-REN's business plan was filed prior to the Commission adopting D.21-05-031.

3. According to the provisions of D.19-12-021, a business plan proposal may be made for Commission consideration by a prospective REN at any time.

4. D.19-12-021 provides guidance to RENs about budget proposals, including taking into account plans to service hard-to-reach customers and disadvantaged communities, but the Commission retains discretion to evaluate the reasonableness of the budget proposal of any prospective REN.

5. I-REN and its local government sponsors have invested significant effort and time over a period of 18 months developing and vetting their business plan proposal.

6. Local government program administrators often have relevant experience dealing with the public sector and codes and standards activities, in particular, and I-REN's lead participants have demonstrated experience in these areas.

7. The geographic area that I-REN proposes to serve with its business plan includes large tracts of disadvantaged communities and income levels that are significantly below the statewide average.

8. The Commission must assign a fiscal and contracting agent utility to handle administration of the budget for each REN.

9. All energy efficiency program administrators are subject to sector and program metrics to help gauge the success of their programs.

10. JCMs are a helpful mechanism to ensure coordination between program administrators serving the same geographic areas at the detailed program level.

Conclusions of Law

1. It would be unreasonable to require I-REN to file another business plan in February 2022 along with the other program administrators, according to the provisions of D.21-05-031, since neither I-REN nor the Commission will have additional information about I-REN's implementation results to evaluate a new proposal by that time and the Commission will have very recently considered this decision.

2. I-REN should be required to make a new portfolio filing along with the other program administrators for program year 2028 and beyond.

3. The Commission's criteria for evaluation of REN proposals were first adopted in D.12-11-015 and later refined in D.19-12-021.

4. I-REN's business plan complies with the requirements of D.12-11-015 and D.19-12-021 for targeting hard-to-reach customers, filling gaps, and complementing other program administrators' portfolios.

5. It is reasonable to approve I-REN's proposal to conduct energy efficiency activities in the areas of the public sector, workforce training and education, as well as codes and standards.

6. It is reasonable to fund EM&V activities as proposed by I-REN to conduct data collection and program planning.

7. The I-REN business plan's focus on equity and serving disadvantaged and underserved communities is welcome and consistent with the Commission's ESJ

Action Plan. I-REN should track the activities associated with the ESJ Action Plan on an ongoing basis.

8. Involving the types of customers and communities that I-REN's business plan will serve is important to help California meet its energy and climate goals.

9. I-REN should continue to coordinate and collaborate with other energy efficiency program administrators to look for synergies, and continue to monitor gaps and overlaps in their program offerings.

10. I-REN should be required to file a JCM for program year 2022 with each of the other program administrators operating within its geographic area, as a Tier 2 Advice Letter within 60 days of the issuance of this decision. JCMs should also be included in I-REN's annual reports beginning with the 2023 program year.

11. I-REN's annual budget proposals for the period 2022-2025 are reasonable in light of the guidance in D.19-12-021 for REN budgets, along with I-REN's plans to serve hard-to-reach customers and disadvantaged communities, and should be approved. The 2025 annual budget represents a mature program effort and should be extended for two more years in 2026 and 2027, to conform I-REN's schedule with that of the other program administrators.

12. I-REN should be required to make a subsequent portfolio proposal filing with the Commission along with the other energy efficiency program administrators according to the terms of D.21-05-031. The current schedule may be modified by the Commission and/or the assigned Commissioner or ALJ, but is currently set for February 2026.

13. It is reasonable to select SoCalGas as the fiscal and contracting agent for I-REN, since it is one of the utilities with an overlapping geography and

portfolio. SoCalGas should coordinate with SCE to transfer the electric portion of the funds to I-REN.

14. SCE and SoCalGas should update their 2022 and 2023 budget advice letter filings and/or supplements to account for I-REN funding approved in this decision, including for EM&V purposes.

15. I-REN should be required to file a full set of sector and program metrics, after taking into account the recommendations of the CAEECC metrics working groups, as well as its portfolio segmentation strategy, by Tier 2 Advice Letter no later than July 1, 2022.

16. With the approval of this decision, I-REN will be considered a full energy efficiency program administrator and should be required to comply with all Commission requirements for program administrators going forward.

O R D E R

IT IS ORDERED that:

1. The February 26, 2021 motion for approval of the Inland Regional Energy Network is granted.

2. The Inland Regional Energy Network shall receive energy efficiency funding in the amounts listed in Table 2, for program years 2022 through 2027. Southern California Edison Company and Southern California Gas Company shall reflect the Inland Regional Energy Network budgets in updates to their program advice letter filings for 2022 and 2023 and subsequent energy efficiency program budget filings.

3. The Southern California Gas Company shall serve as the fiscal and contracting agent for the Inland Regional Energy Network (I-REN) and shall coordinate administratively with Southern California Edison Company for the collection and distribution of the electric funds supporting I-REN's activities.

4. Within 60 days of the issuance of this decision, Inland Regional Energy Network shall file a Tier 2 Advice Letter including its joint cooperation memorandum for 2022 with each of the other energy program administrators serving overlapping geographic areas.

5. Inland Regional Energy Network shall file a Tier 2 advice letter by July 1, 2022, detailing its portfolio segmentation strategy and including final sector and program metrics, informed by the recommendations of the metrics working groups of the California Energy Efficiency Coordinating Committee.

6. Inland Regional Energy Network (I-REN) shall comply with all Commission requirements for energy efficiency program administrators as of the effective date of this decision, including, but not limited to, the requirements in Decisions (D.) 19-12-021 and D.21-05-031, and all reporting requirements. The only exception is that I-REN is exempted from the requirement in D.21-05-031 to make a new portfolio filing in February 2022.

7. Inland Regional Energy Network shall align its budget advice letter filings with the other program administrators' filing schedule, beginning with the September 1, 2023 Portfolio True-Up advice letter covering program years 2024 through 2027.

8. Rulemaking 13-11-005 remains open.

This order is effective today.

Dated November 18, 2021, at San Francisco, California.

MARYBEL BATJER
President
MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
DARCIE L. HOUCK
Commissioners