

Item 7B

**Energy & Environmental Resources Committee
February 13, 2020**



STAFF REPORT

Subject: Regional Energy Network (REN)

Contact: Benjamin Druyon, Management Analyst (bdruyon@cvag.org)

Recommendation: Continue to support the formation of the Inland Empire Regional Energy Network (I-REN) by having each respective city sign a letter of support.

Background: The State of California has been a great leader in the field of energy efficiency. Through a Local Government Partnership (LGP) program established by the California Public Utilities Commission's (CPUC), Investor Owned Utilities (IOUs) have been working with local governments to meet the aggressive energy efficiency and greenhouse gas reduction goals of the State. Since 2009, over 40 LGPs have taken a leadership role in exploring and creating energy efficiency opportunities which contribute to achieving the state's goals. CVAG's Desert Cities Energy Partnership (DCEP) is an example of a Local Government Partnership. Another CPUC-approved energy efficiency opportunity, referred to as a Regional Energy Network or REN, has been piloted. RENs supplement and enhance the existing energy efficiency support provided to local governments to provide further assistance to cities and counties with more flexibility than what LGPs currently provide.

At the February 2019 Executive Committee meeting, the board authorized the Executive Director to enter into an agreement with Western Riverside Council of Governments (WRCOG) and San Bernardino Council of Governments (SBCOG) to form an Inland Empire Regional Energy Network (I-REN). Since then, the I-REN team hired a consultant to guide us successfully from formation through to implementation. The attached white paper was put together by WRCOG to illustrate the importance of forming a REN in our respective jurisdictions.

Currently there is one REN operating within our jurisdiction, SoCal REN, which is administered by Los Angeles County. To date, there has only been one project completed in CVAG's jurisdiction, which was in the City of Rancho Mirage. The I-REN team has had conversations with SoCal REN regarding the lack of attention to our respective jurisdictions, especially in CVAG's territory. This is one of the reasons to form the Inland Empire REN. An Inland Empire REN could serve our local communities and tailor programs to our climate zones, which differ from coastal regions served by SoCal REN. CVAG values its partnership with WRCOG and SBCOG and is excited about the opportunities offered as we continue to pursue the formation of the I-REN together.

As we continue our work toward the formation of the I-REN, there are milestones to reach before implementation. One of these milestones is obtaining letters of support from our respective jurisdictions. These letters of support will be instrumental in demonstrating to the CPUC that we are serious about our intentions to form the I-REN and in helping our underserved communities. Staff's recommendation is to continue to support the formation of the I-REN by having each respective city sign the attached letter of support.

Fiscal Impact: The agreement between WRCOG and SBCOG was already approved by the Executive Committee for an amount not to exceed \$25,000. To date, WRCOG has not invoiced CVAG. Should any other costs arise beyond the agreement amount, staff will bring back to the board for approval.

Attachments:

1. Letter of Support
2. WRCOG white paper

February 13, 2020

California Energy Efficiency Coordinating Committee Members (CAEECC)
851 Howard St,
San Francisco, CA 94103

Subject: Letter of Support for Inland Empire Regional Energy Network

Dear California Energy Efficiency Coordinating Committee Members:

[Name of organization] is pleased to provide this letter of support for the Inland Regional Energy Network (I-REN) in submitting an application to the California Public Utilities Commission (CPUC) to become a REN Program Administrator of energy efficiency funds.

[Name of organization] supports the efforts of I-REN and its member agencies of San Bernardino Council of Governments, Western Riverside Council of Governments and Coachella Valley Association of Governments with their ongoing energy efficiency opportunities within the region, as well as their proposed I-REN program sector initiatives, not limited to, the following;

- **Public Sector:** Initiatives are designed to fill gaps in existing program offerings from other providers and provide technical assistance support for municipal agencies looking to upgrade community centers, libraries, senior centers, cooling centers and daycare centers. The I-REN territory experiences extremely warm climate conditions in the summer and the opportunity to upgrade existing buildings, while reducing energy usage, would have tremendous benefits.
- **Codes and Standards:** The I-REN will work with local building departments to offer support and training for compliance with the California Building Energy Efficiency Code. I-REN will engage with building departments, local contractors, and regional construction firms through mentorships, education, and outreach activities.
- **Workforce, Education and Training:** I-REN's Workforce, Education and Training initiatives aim to address the current limited number of qualified contractors providing energy efficiency services within the region. Partnership opportunities with local academia to develop and offer work force programs that can support high school, community college and occupational/technical school students with job opportunities in the field of energy efficiency.

I-REN brings the necessary local experience and knowledge so that the region can benefit from improved energy efficiency, increased compliance with Codes and Standards, and advancements in Workforce Education and Training. We respectfully offer our enthusiastic support of I-REN in its application to become a REN Program Administrator, and we are excited to collaborate with them in this important work.

Sincerely,

[Name]
[Title]
[Organization]

cc. Niles Strindberg, CPUC Energy Division

White Paper:

What are Regional Energy Networks and the transition from Local Government Partnerships?

This paper describes the historic purpose and role of Local Government Partnerships (LGPs), the challenges they are facing, and a new opportunity for WRCOG members to continue providing localized energy efficiency programs for their communities through a Regional Energy Network (REN)

History of Local Government Partnerships (LGPs) and the emergence of Regional Energy Networks (RENs)

Local Government Partnerships (LGPs), such as WRCOG's WREP Program, were approved by the CPUC in 2009 and allow Investor Owned Utilities (IOUs) to work with local governments on the implementation of LGPs. LGPs typically focus on three objectives: 1) retrofitting local government buildings; 2) promoting utility core programs; and 3) supporting qualified energy efficiency activities included in the Energy Efficiency Strategic Plan.

WREP was formed in 2010 and is administered by WRCOG to achieve the above-stated objectives. WREP works closely with WRCOG's member agencies, as well as Southern California Edison (SCE) and SoCal Gas, to provide project support and community outreach through a number of energy efficiency initiatives. WREP has been extremely impactful over the last 9 years, resulting in a total savings for member jurisdictions of over 16.7 million kWh (equivalent to 2,000 homes' electricity use for one year) and over 9,000 therms (equivalent to electricity use for 8 homes for one year).

Despite these gains, IOUs are diverting resources from WREP and other LGPs in favor of programs that will yield broader energy savings across communities, focusing less on savings for local jurisdictions.

RENs represent the next iteration of LGPs

In 2012, the CPUC authorized a new model for administering energy efficiency programs outside of the traditional IOU-administered LGP. These new models are known as RENs. Since then, three RENs have been established in California, supporting 15 counties.

In an effort to continue to provide a high level of support facilitating energy efficiency to member jurisdictions, WRCOG, in partnership with SBCOG and CVAG (both of which implement individual LGPs), is exploring development and implementation of a REN that would cover all of Riverside and San Bernardino Counties. The resultant REN would complement the activities of the IOUs and yield greater energy savings overall.

Where are RENs operating in California and what do they accomplish?

The three active RENs established to date are SoCal REN (administered by the County of Los Angeles), BAYREN (administered by the Association of Bay Area Governments (ABAG)), and 3CREN (administered by Santa Barbara, San Luis Obispo, and Ventura Counties). These three REN implementers work with their respective IOUs and administer the following programs for their regions:

1. Residential and commercial energy efficiency installation programs
2. Workshops and trainings for energy efficiency contractors

3. Financing mechanisms for municipal agencies to fund energy efficiency projects
4. Collaborations with third-party providers to assist with additional energy audits and program support for municipalities or businesses.

What is the difference between a REN, an LGP and the IOU-operated programs?

The CPUC calls for RENs to address the following three operational areas, which are expressly focused on not duplicating the work of IOU-operated programs:

1. Undertake programs that the IOUs cannot or do not intend to administer: RENs can develop “Pilot” programs that are entirely different from IOU programs or utilize a unique approach and have the potential to scale and/or target hard-to-reach customers (see below).
2. Target hard-to-reach consumers: Utility customers who are geographically isolated, have language barriers, and/or low socioeconomic status are considered “hard-to-reach”.
3. Design programs that have the potential to be scaled to larger geographic areas: RENs can implement projects with potentially broad applications allowing for regional or state-wide expansion.

In addition to these focus areas, the CPUC also directed RENs to address the areas of Workforce Education & Training (WE&T), Technology Development, and the Water- Energy Nexus.

Will the REN conduct similar work to an LGP?

WREP, and LGP, supports energy savings through two primary platforms: municipal energy retrofit assistance and community education. Municipal retrofit projects include LED lighting upgrades, smart controls for HVAC, HVAC upgrades, water heater replacement, and water heater insulation. WREP’s community education activities promote sustainable best practices through outreach at community events. At these events, WREP staff educate and promote current SCE / SoCal Gas residential customer and business programs that are available for enrollment. Programs promoted in the past include SCE and SoCal Gas’ Energy Saving Assistance (ESA) Programs which offer residents who meet an income threshold an audit and installation of energy measures, all at no cost. Measures include lighting, plug load strips, low flow shower heads, and in some instances, residents will also be eligible to receive upgrades to their appliances (refrigerators, stoves, washer / dryer).

The goal for REN is to continue to offer the same programs that WREP conducts and augment them with additional programs and benefits. For example, the REN would look to implement programs that bring advanced technology to the region (such as battery storage or smart metering), hold workshops and educate contractors on the installation of new energy efficiency standards as set by the CPUC, facilitate electric vehicle roadmaps / rebate programs, and provide energy efficiency measures to disadvantaged communities.

Below is a side by side comparison of current WREP offerings and potential REN program offerings:

Program Comparison	
WREP	REN
Project Support (Municipal)	Project Support (Municipal)
Technical Assistance	Technical Assistance

Community Outreach (Residents & Small Commercial)	Community Outreach (Residents & Small Commercial)
	Residential Energy Efficiency (Single / Multi-Family)
	Advancement of Innovative Technology (Solar / Battery Storage)
	Electric Vehicle Rebate Programs
	Development of Funding Mechanisms (Revolving Loan Funds)
	Workforce Education & Training

In comparison to LGPs...

RENs are similar in that they:

- Continue to work with IOUs, such as SCE & SoCal Gas, for program outreach.
- Continue to meet California's Energy Efficiency Goals.
- Serve as energy efficiency platforms that support energy efficiency initiatives with IOU customers.
- Are funded by revenues collected by the CPUC from the Public Benefits Charge (PBC), a fee applied to utility bills to fund public-interest programs related to the utility service.

RENs differ in that they:

- Provide a greater level of local control in the development and implementation of programs that are specific to the region the REN represents
 - LGPs do not have the same control to design regionally specific programs and are beholden to the programs developed by the IOUs. To illustrate, as shown in the chart above, WREP is only able to provide technical assistance, energy efficient education, and conduct community outreach; while RENs provide these and additional programs.
- Can develop programs to support workforce education and training for energy efficiency contractors as well as support technology development and marketing and outreach programs for municipalities, residential and commercial customers.
- Typically operate a much larger budget and, while the IOUs must approve a budget and administer funds on a reimbursement basis to LGPs, money is sent directly from the CPUC to the REN in advance.

If RENs and LGPs are funded by the same source, why do they receive different amounts?

Like WREP is currently, the REN would be funded by revenues collected by the CPUC from the Public Benefits Charge (PBC), a fee applied to utility bills to fund public-interest programs related to the utility service. WRCOG anticipates that the REN would garner a greater share of PBC funding than the aggregate funding of WREP and the CVAG- and SBCOG-operated LGPs, because RENs have greater flexibility to create and implement a wider variety of programs. This hypothesis is supported by the funding structure of the existing RENs.

The table below shows the 2019 budgets for the existing RENs compared to WRCO's WREP (LGP) Program. 3C REN represents the Counties of San Luis Obispo, Santa Barbara, and

Ventura, which have a total population of 1,570,949, meaning that the 3C REN was funded \$3.80 per capita, in comparison to \$0.18 per capita for WREP.

2019 Energy Program Funding	
Program	Funding Allocation
SoCal REN	\$21,800,800
BAYREN	\$24,702,000
3C REN	\$5,964,400
WREP	\$216,000

Why collaborate with other COGs?

WRCOG is looking to collaborate with CVAG and SBCOG to form a REN for two primary reasons. First, the larger region is anticipated to be more attractive for approval by the CPUC. Second, a collaborative REN offers an opportunity to leverage the existing resources and knowledge capital across the inland region and offer energy savings programming with increased economies of scale and efficiency.

Who will administer the Inland Empire REN? It was decided among the three COGs that WRCOG would take the lead role in administering the REN.

Conclusions and moving forward

A REN would offer several benefits to WRCOG members, including: education and facilitation/support on energy efficiency for municipalities, residents, and commercial businesses; relevant jobs training for contractors; increased funding from the CPUC's Public Benefits Charge (PBC) for the subregion; and greater flexibility in establishing and implementing energy efficiency programs for the betterment of the region.

In lieu of the reduced funding to WREP and other LGPs, WRCOG has been working with the San Bernardino Council of Governments (SBCOG) and Coachella Valley Association of Governments (CVAG) (which implement their own individual LGPs) to explore the development and implement a Regional Energy Network that would cover both Riverside and San Bernardino Counties. An Inland Empire REN would create the opportunity to grow energy programs tailored to member interest through a fiscally and logistically efficient collaborative.

In order for a REN to be established in both counties, all three COGs need to create and submit a REN Business Plan to the CPUC. The Business Plan would serve as the framework for the REN, providing information on the Program's service boundary, energy efficiency analysis, energy efficiency measures / potential programs to be implemented within the service territory, and how the REN's programs will meet California's energy efficiency goals. Potential program areas include residential (single / multi-family), small commercial, and workforce education and training.

Once the Business Plan is approved at the CPUC level, then the creation of an Implementation Plan, Annual Budget Advice Letter, and Joint Cooperation Memo will need to be completed before the funds are dispersed to the REN. The timeline for all these documents to be created and approved at the CPUC level vary, but all three COGs are aiming to have an active REN by 2020. The chart below illustrates the timeline for REN approval.

REN Approval Timeline

