CITY OF Fremont

Community Development Department
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February 7, 2018

To: East Bay Community Energy, Board of Directors, *LDBPcomments@ebce.org*

Re: Local Development Business Plan, Energy Efficiency Assessment Draft

The following comments are submitted to EBCE Board of Directors by City of Fremont staff after analysis of the Local Development Business Plan (LDBP) Draft Energy Efficiency (EE) Assessment.

The Draft EE Assessment has carefully examined the existing energy efficiency programs that serve EBCE's territory, namely PG&E, East Bay Energy Watch (EBEW), and the Bay Area Regional Energy Network (BayREN), as well as the role of the StopWaste Energy Council in the administration, facilitation, and implementation of those programs. As local staff representatives to the StopWaste Energy Council Technical Assistance Group (TAG), we support the comments submitted by Karen Kho at StopWaste regarding the Draft Energy Efficiency (EE) Assessment and respectfully submit the following.

We appreciate the Draft EE Assessment's statement that "EBCE must navigate carefully to chart a course that creates oportunities for synergy, minimizes duplication, and leads to mutually beneficial outcomes for all stakeholders," and agree that, at minimum, EBCE should play a significant role in supporting the existing EE programing and infrastructure already in place. One of the key questions the Draft EE Assessment poses is whether it makes sense for EBCE to go beyond the role of supporting existing EE programs and consider whether to Apply to Administer (ATA) and/or Elect to Administer (ETA) ratepayer-funded energy efficiency programs utilizing Public Goods Charge (PGC) funding that is overseen by the California Public Utilities Commission (CPUC). We believe that this is not a decision to be made lightly and that EBCE should not immediately pursue administration of PGC-funded EE programs, but rather focus on supporting existing EE programs for at least the first year or two of operation as recommended by the Draft EE Assessment. This would allow EBCE to further explore where there may be gaps in service and identify the best opportunities for futher energy programs, whether through use of PGC funds or through EBCE revenues.

One of the key challenges associated with administering PGC programs is that these programs must be found to be "cost-effective" through the CPUC's Total Resource Cost (TRC) test. Energy programs not utilizing PGC funding are not held to this level of scrutiny, allowing for the development of programs that may include load-shifting of peak demands, fuel-switching from natural gas to electricity in buildings, installing infrastructure to support the electrification of vehicles,deploying

distributed energy resources, and/or providing non-energy benefits such as energy equity and job creation. Furthermore, EBCE may not be able to achieve the same economies of scale as PG&E, resulting in programs that cost more to administer for the same net energy benefits, thereby decreasing cost-effectiveness. Instead, EBCE could choose to bypass the opportunity to administer PGC-funded EE programs and use its own revenues to create new energy programs that leverage exising EE programs and fill in service gaps.

On the other hand, as pointed out in the Draft EE Assessment, use of PGC funding could provide EBCE with an opportunity to directly administer EE programs without having to dip into agency revenues, helping EBCE to maintain competitive rates and build reserves that could later fund the deployment of local distributed energy resources such as community solar projects. The Draft EE Assessment recognizes that such an approach has “the potential to duplicate and/or supplant existing EE programming, as well as potentially displacing some of the staff that support those programs,” resulting in negative impacts that could “translate into political tension at the Board level.” Within the first year or two of EBCE operation, EBCE should forgo the use of PGC funds and instead support exising EE programs, thereby reserving revenue dollars and taking the time to analyze the most palatable, cost-effective, and impactful energy programs.

Finally, the Draft EE Assessment highlights how peak energy demands can pose significant concerns to EBCE due to the high cost of providing peak power. Load-shifting strategies, while not necessarily reducing net electricity consumption, can shift consumption to off-peak hours, effectively reducing operational costs. Furthermore, load-shifting strategies that help to align peak demands with peak solar production times help to level out the so-called “duck curve,” resulting in a lower carbon intensity for the same amount of net energy consumption. When deciding whether or not to administer PGC-funded programs, EBCE should therefore consider if its customers would be best served by traditional EE programs that can meet the CPUC’s TRC test or by other energy programs that address non-EE concepts such as load shifting, electrification, distributed generation, etc.

The Draft EE Assessment recommends that EBCE commission a detailed cost of service (COS) study after at least one year of operation in order to better understand at a granular level the costs associated with the various energy loads within EBCE’s service territory, tailoring energy efficiency programs at the largest loads. Then, utilizing a Pay-for-Performance (P4P) approach (rather than providing “deemed” energy savings rebates), EBCE could ensure that it is only paying for load reductions that are cost-effective. The P4P approach would incentivize creative approaches to EE, especially in the commercial sector where efficiency efforts are often difficult to implement due to a landlord-tenant split-incentive.

Ultimately, we support the three-phase recommendation listed within the Draft EE Assessment regarding EBCE’s implementation of EE programs, summarized as follows:

Phase I (Years 1-2): Support existing PG&E, EBEW, and BayREN EE programs and conduct a COS study.

Phase II (Year 3): Implement revenue-based EE programs, targeting the most expensive loads as identified in the COS study through a P4P approach.

Phase III (Year 4): Consider submitting an application to the CPUC to Elect to Administer PGC-funded EE programs that could fill the gaps left by existing PG&E, EBEW, and BayREN EE programs, specifically targeting hard-to-reach customers. Coordination with key stakeholders is essential to prevent program duplication and displacement.

Sincerely,

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Cc: Wendy Sommer, Executive Director, StopWaste
Energy Council Technical Advisory Group