

ITEM 8f

Coachella Valley Association of Governments
Technical Advisory Committee
November 19, 2018



Staff Report

Subject: Regional Energy Network (REN) Opportunity

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

Recommendation: Information only.

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. Additionally, a new CPUC-approved energy efficiency opportunity has been piloted, referred to as a Regional Energy Network, or REN. RENs complement and enhance the energy efficiency support provided to local governments to provide further assistance with more flexibility than what LGPs currently provide.

The Desert Cities Energy Partnership (DCEP) consists of CVAG, Southern California Edison, Southern California Gas Company, Imperial Irrigation District, and cities in CVAG territory. Through DCEP, the team has worked together to identify, implement, and fully capture energy efficiency opportunities within municipal and other public agency buildings and facilities. Measures including retrofits such as indoor/outdoor lighting, air conditioning system improvements, energy management systems, upgrades on variable-frequency drives and water pumps, and boiler and water heater replacements. To promote energy efficiency programs, DCEP has also increased public awareness throughout the Coachella Valley by hosting workshops, printed advertising, radio/online media, green building tours, and by sponsoring a booth at events. DCEP also supported the state's Energy Efficiency Strategic Plan by securing grant funding to create the Green for Life program enabling CVAG cities to adopt policies such as Energy Action Plans, Climate Action Plans, and Benchmarking policies as well as draft and update Greenhouse Gas Inventories. Staff is researching the possible involvement of cities located in the Imperial Irrigation District with this REN program.

Over the past eight years, LGPs have had a huge influence in the local government sector. Municipalities have achieved energy savings and received incentives for their energy efficiency retrofits. Residents and businesses have been more involved with meeting the State's energy goals and funding for innovative programs offered by the IOUs have seen an increase in energy awareness. But within the past year, there has been a change in LGPs that has already affected various partnerships throughout the State. LGPs have experienced a decrease in funding. This decrease in funding for 2019 will limit the LGPs support to local governments in project assistance and marketing/outreach support. Along with the decrease in funding, SCE has informed LGPs that starting in 2019 they will be exporting about 60% of their Energy Efficiency Portfolio/Programs to be bid out to third party providers. The reason for this change is that the CPUC has expressed concern about the cost efficiency of LGP programs. The CPUC evaluates the Total Resource Cost (TRC) which is determined by a test that measures the total cost of energy efficiency (incentives, homeowner contribution, program overhead, etc.) against essentially the cost of a natural gas power plant. Also, starting in 2019 SCE will stop offering Strategic Plan funding,

based on a concern that there is no quantifiable way to calculate or identify the effectiveness of energy efficiency with these programs.

One option as an alternative for our member agencies to meet energy efficiency and greenhouse gas reduction goals would be to pursue a Regional Energy Network/REN. CVAG staff has had some preliminary conversations about partnering on REN with San Bernardino Association of Governments (SANBAG) and Western Riverside Council of Governments (WRCOG).

The CPUC sought for RENs to undertake programs that the IOUs cannot or do not intend to do, target hard to reach areas, and design programs that have the potential to be scaled to larger geographic areas. Additionally, the CPUC directed the RENs to address the areas of workforce education & training, technology development, and the Water – Energy Nexus.

The success of the RENs is due to their ability to supplement and complement the activities of LGP programs as well as other public sector energy efficiency programs that are administered by the IOUs. RENs can add significant value by not just using CPUC ratepayer funds but also by leveraging non-ratepayer funds that could come from other sources, such as the California Energy Commission, the Department of Energy, and publicly owned utilities.

Currently, there are two “pilot” RENs in California that have been active since 2012, BAYREN and SoCal REN. BAYREN is administered by the San Francisco Bay area and Pacific Gas & Electric (PG&E), and SoCal REN is administered by the County of Los Angeles, Southern California Edison (SCE) and Southern California Gas (SoCal Gas).

In May 2018, a new REN implementer was approved at the CPUC level and is currently in development to provide programs in their IOU service territory. 3C REN, also known as Tri-County REN, is administered by Ventura, Santa Barbara, and San Luis Obispo Counties. 3C REN includes portions of SCE, SoCal Gas, and PG&E territory. 3C REN plans to replicate what BAYREN and SoCal REN have implemented but focus mainly on hard to reach areas that have low income/disadvantaged communities. 3C REN would provide local control for programs targeting energy efficiency retrofits and workforce development trainings for professionals in hard to reach areas and offer codes & standards for both commercial and municipal facilities. The chart below illustrates the requested budget amounts for the two existing RENs as well as the newly formed 3C REN.

2019 REN Funding			
REN	SoCal REN	BAYREN	3C REN
Program Sector			
Residential	\$ 6,540,800	\$ 16,595,000	\$ 2,896,876
Public	\$ 11,336,000	\$ 701,000	
Codes & Standards	\$ 1,090,000	\$ 1,918,000	\$ 1,796,748
Financing	\$ 2,180,000		
Workforce, Education & Training	\$ 654,000		\$ 1,270,776
Commercial		\$ 4,544,000	
Water-Energy Nexus		\$ 944,000	
Total	\$ 21,800,800	\$ 24,702,000	\$ 5,964,400

Regional Energy Networks are becoming a viable model that many local governments are looking towards to replicate and implement within their service territory to continue providing energy efficiency support to their jurisdictions. Though our reduced DCEP budget remains in place through 2019, it is unclear whether DCEP will have a budget for 2020 or remain active as the support for LGPs transitions to other approaches.

Staff presented an overview of the Regional Energy Network program to the Energy & Environmental Resources Committee on November 8. Staff asked the E&E Committee to consider the formation of a three-COG REN and provide direction to staff. There was a favorable response to pursuing this option and identifying costs to implement a REN. SANBAG and WRCOG will ask their respective committees for direction in pursuing a three-COG REN. Staff will bring this item to the Executive Committee on December 3 and may request action to partner with WRCOG and SANBAG on this opportunity.

There may be potential for Desert Community Energy, once launched, to get involved with the REN program in some capacity.

Fiscal Analysis: Staff will work with SANBAG and WRCOG to identify the startup costs associated with submitting a proposal to the CPUC if directed to do so by the committee.