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August 2, 2017

California Public Utilities Commission  
Energy Division  
505 Van Ness Avenue, 4<sup>th</sup> Floor  
San Francisco, California 94102-3298

**Advice Letter LCE 004-E**

**RE: LANCASTER CHOICE ENERGY  
ELECTION TO ADMINISTER ENERGY EFFICIENCY PROGRAM**

**TIER DESIGNATION**

Pursuant to General Order (“GO”) 96-B, Energy Industry Rule 5.3, and Decision (“D.”) 14-01-033, Lancaster Choice Energy (“LCE”) submits this Advice Letter with a Tier 3 designation.

**EFFECTIVE DATE**

This advice filing will become effective upon approval by the California Public Utilities Commission (“Commission”) via the resolution process.

**PURPOSE**

Commission Decision (“D.”)14-01-033, *Decision Enabling Community Choice Aggregators to Administer Energy Efficiency Programs* (the “Decision”) established the rules for Community Choice Aggregators (“CCAs”) to file advice letters to administer energy efficiency programs for their own customers under California Public Utilities Code Section 381.1(e)-(f).<sup>1</sup> The City of Lancaster (“Lancaster”) submits this Tier 3 Advice Letter by and through LCE to seek Commission certification under Sections 381.1 (e) and (f) to administer two energy efficiency programs: Small Commercial Direct Install and Energy Advisor, as described in further detail below. All necessary supporting documentation is attached hereto.

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<sup>1</sup> All subsequent references to code sections are to the Cal. Pub. Util. Code.

## **BACKGROUND**

Lancaster is a community of approximately 160,000 residents located in northern Los Angeles County, in the High Desert region of the western Mojave Desert, rich in solar resources. Lancaster is aggressively pursuing alternative energy solutions, principally solar energy, in the hopes of bettering the current and future environmental and economic conditions of its community and region. As a means of advancing these goals, the Lancaster City Council approved a CCA Implementation Plan, and Lancaster's CCA program, LCE, launched on May 1, 2015. In alignment with Lancaster's goal of becoming the nation's first net-zero city, LCE is making great strides in power generation, energy conservation, and sustainability. However, the path to net-zero requires considerable progress in energy efficiency, the most cost-effective option in a portfolio of green energy procurement and savings strategies.

Now in its third full year of operation, LCE desires to offer energy efficiency programs for its customers. LCE is electing to become an administrator of ratepayer funds, collected from LCE customers through a non-bypassable charge authorized by the Commission for energy efficiency and conservation programs. In August 2016, LCE staff began working with its consultant, BKi, to help develop an energy efficiency program plan for Lancaster. Together, BKi and LCE have drafted the Energy Efficiency Program plan ("Plan"), which is attached hereto and discussed in more detail below. On July 11, 2017, the Plan was approved by the Lancaster City Council, which is LCE's governing board.

## **SUMMARY OF PROPOSAL**

The plan includes two programs that would benefit both residential and business customers:

### ***Small Commercial Direct Install***

The Small Commercial Direct Install Program will provide no- and low-cost energy efficient retrofits through approved installation contractors to reduce peak demand and energy consumption for small commercial customers with peak electric demand 200 kW or less per month. LCE will provide a free on-site assessment to eligible customers that will result in a recommended course of action based on the most cost-effective measures. The program will provide installation of a prescribed list of measures tailored to the small commercial market. Such upgrade measures will include:

- Light-emitting Diode ("LED") Lighting
- Fluorescent Lighting
- Hi-Bay Lighting
- Refrigeration
- LED Signs
- Occupancy Sensors
- Smart Power Strips
- Communicating Programmable Thermostats

The 3-year program budget for the Small Commercial Direct Install Program is \$879,322 for administration, marketing and outreach, and direct implementation.

### ***LCE Energy Advisor***

An LCE Energy Advisor Program will provide comprehensive energy efficiency information and evaluation services to residential customers. Service will include a telephone administered home survey, a walk-through audit when necessary, and custom suggestions for upgrade measures with detailed communications connecting participants with applicable programs such as:

- Home Upgrade
- Behavioral Change
- Plug Load and Appliances
- Residential Heating Ventilation and Air Conditioning (“HVAC”)
- Income Qualified Programs
- Financing
- Local Government Programs

The 3-year program budget for the Energy Advisor Program is \$315,660 for administration, marketing and outreach, and direct implementation.

### **STATUTORY AUTHORITY**

Assembly Bill (“AB”) 117 (2002) and Senate Bill (“SB”) 790 (2011) contain specific provisions relating to administration of energy efficiency programs by CCAs. AB 117 established the formal application option, allowing CCAs to file an application for administration of energy efficiency programs on essentially the same terms as the investor-owned utilities (“IOUs”).

SB 790 modified Section 381.1 to give CCAs another option for energy efficiency program administration; SB 790 added subsections (e) and (f) to Section 381.1. These newer subsections allow a CCA to invoke an alternative Commission review process (as opposed to a formal application) for programs funded by (and offered to) the CCA’s customers. D.14-01-033 established the rules governing CCA submission of advice letters to administer energy efficiency programs for their own customers under Section 381.1(e)-(f). This second option allows a CCA, such as LCE, to “elect” to become an administrator for cost-effective energy efficiency and conservation programs, subject to Commission certification of a plan; this is the option which Lancaster is pursuing through the filing of the instant advice letter.

### **RULES AND REQUIREMENTS GOVERNING PLAN CERTIFICATION**

For program year 2012, Marin Clean Energy (“MCE”) requested funding under Sections 381.1(e) and (f). Resolution E-4518 certified MCE’s plan, and set forth general rules concerning filings under Sections 381.1(e) and (f). Those rules were restated in D.14-01-033 as

the rules that will be used in evaluating a CCA's plan for certification. Broadly, the Commission must first make a funding determination, i.e., establish whether the funding requested in the CCA's proposed plan is within the forecasted maximum amount of funds the CCA would be eligible to collect. Next, the Commission must certify that a CCA plan meets six criteria, specified in paragraphs (1)-(6) of Section 381.1(f). These requirements are addressed on a cursory level below and in detail in the attached Plan.

### **FUNDING DETERMINATION**

To make the funding determination, the Commission must establish whether the funding requested in the CCA's proposed plan is within the forecasted maximum amount of funds the CCA would be eligible to collect.<sup>2</sup> In coordination with LCE and Southern California Edison Company ("SCE"), Commission staff must determine "the actual and forecasted amounts of non-bypassable charges likely to be collected from the CCA's customers over a reasonable collection period to fund energy efficiency programs."<sup>3</sup> To determine the maximum amount of permissible program funding, the Commission is to use the following formula:

CCA maximum funding = Total electricity energy efficiency nonbypassable charge collections from the CCA's customers – (total electricity EE nonbypassable 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).

As indicated above, LCE is requesting \$879,322 for the Small Commercial Direct Install Program, and \$315,660 for the Energy Advisor Program, for a total of \$1,194,982 for the three-year program budget.

### **SECTION 381.1(f) REQUIREMENTS**

Pursuant to Section 381.1(f), the Commission must certify that a CCA plan meets six criteria, specified in paragraphs (1)-(6), which provide:

The Commission shall certify that the plan submitted does all of the following:

1. Is consistent with the goals of the programs established pursuant to [Section 381.1] and Section 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 commission pursuant to this section.
5. Includes evaluation, measurement, and verification protocols established by the CCA.

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<sup>2</sup> Decision at 22.

<sup>3</sup> *Id.* at 23.

6. Includes performance metrics regarding the CCA's achievement of the objectives list in paragraphs (1) to (5), inclusive, and in any previous plan.

### *Consistency with CPUC Goals*

The attached Plan explains in detail how it is consistent with the goals of the programs established pursuant to Section 381.1 and Section 399.4.<sup>4</sup> Moreover, the plan is consistent with one of the four key takeaways outlined in the *Public Utilities Code Section 913.1 Annual Report to the Governor and Legislature*, which states:

There are four key takeaways from this year's report that should offer global direction to the CPUC in its management of the critical cost proceedings before it in 2017:

- (1) Rates have risen faster than inflation for the past five years, and are placing increasing pressure on our energy efficiency and demand response programs to be increasingly effective in order to contain customer billing impacts in the long run . . .<sup>5</sup>

LCE is confident that it is well positioned to administer an effective energy efficiency program because LCE is intimately familiar with its customer base and their needs.

### *Cost Effectiveness*

The Commission clarified in the Decision that the energy efficiency portfolios of CCAs will be subject to the cost-effectiveness threshold Total Resource Cost ("TRC") ratio of 1.0 for the first three years.<sup>6</sup> LCE performed a cost-effectiveness analysis on the Small Commercial Direct Install Program in accordance with the methodologies included in the California Standard Practices Manual and using labor and materials costs from SCE's 2017 energy efficiency filing,<sup>7</sup> due to the direct territorial relationship between SCE's existing program and LCE's Small Commercial Direct Install Program. As detailed in the attached Plan, the portfolio-wide TRC of 1.02 meets the cost-effectiveness requirement. The full results of the calculation can be found in Appendix A, LCE Cost Effectiveness Calculations.

### *Accommodation of Statewide and Regional Programs*

As detailed in the attached Plan, the energy efficiency programs that LCE intends to offer will be clearly distinguished as unique programs offered exclusively to LCE customers by LCE. Program marketing will be targeted to LCE customers as well as clearly describe which ratepayers will be eligible to participate. In order to avoid customer confusion, LCE is proposing to be the sole program administrator of Small Commercial Direct Install Program for

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<sup>4</sup> See Plan at 14-15.

<sup>5</sup> *Public Utilities Code Section 913.1 Annual Report to the Governor and Legislature* at 23.

<sup>6</sup> Decision at 14.

<sup>7</sup> See SCE Application ("A.")17-01-013 [SCE Application for Approval of Energy Efficiency Rolling Portfolio Business Plan] ("SCE EE Plan").

LCE customers, removing LCE customers' eligibility from SCE's Small Commercial Direct Install Program.

On March 2, 2017, Lancaster submitted a response to the SCE EE Plan. In the response, Lancaster indicated that LCE was developing a small commercial direct install program. LCE has since further communicated with SCE regarding its energy efficiency program. Lancaster has also solicited feedback and input from SCE on the Plan prior to the filing of this advice letter. Lancaster intends to maintain this spirit of transparency, collaboration and cooperation with SCE on energy efficiency matters to ensure that ratepayer funds are spent effectively and programs are not duplicative.

#### *Auditing and Reporting*

LCE performs annual financial audits using generally accepted accounting principles specific to government entities. These reports are publicly available and will be provided to the Commission upon request. As a municipal CCA, once LCE's energy efficiency plan is certified and the programs begin, current auditing procedures will be extended to include energy efficiency program administration data. Further details regarding auditing and reporting are contained in the attached Plan.

#### *Evaluation, Measurement, and Verification Protocols*

LCE intends to 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. Further details regarding evaluation, measurement and verification protocols are contained in the attached Plan.

#### *Performance Metrics*

The attached Plan contains a section regarding performance metrics, which will indicate progress toward meeting the goals and objectives of the Commission's Energy Efficiency Strategic Plan and LCE's municipal service goals.

### **CONCLUSION**

The Lancaster Choice Energy Efficiency Program Plan, as described herein, comports with all requirements as outlined by relevant statutory authority as well as Commission decisions and resolutions. Therefore, LCE requests that the Commission certify the Plan via resolution.

### **ATTACHMENTS**

Lancaster Choice Energy Efficiency Program Plan  
A.17-01-013 Service List  
R.13-11-005 Service List

## NOTICE

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes to the General Order 96-B service list should be directed to [taylor@braunlegal.com](mailto:taylor@braunlegal.com).

As required in the Decision, Lancaster is serving copies of this advice filing to the relevant parties shown on the A.17-01-013 service list, and also serving copies of this advice filing as a courtesy to the energy efficiency proceeding, R.13-11-005. For changes to these service lists, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at [Process\\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov).

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice filing. Protests or responses to the advice letter must be filed with the Commission's Energy Division and served on the same day. Protests should be mailed to:

CPUC, Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, California 94102  
E-mail: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above). In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

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There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

## CORRESPONDENCE

For questions, please contact Kathy Wells at (661) 723-6051 or by electronic mail at [kwells@cityoflancafterca.org](mailto:kwells@cityoflancafterca.org), or Laura Taylor at (916) 326-5812 or by electronic mail at [taylor@braunlegal.com](mailto:taylor@braunlegal.com).



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Copy (via e-mail):      Service List – A.17-01-013  
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                                  Russell Worden, SCE ([AdviceTariffManager@sce.com](mailto:AdviceTariffManager@sce.com))



**ATTACHMENT 1**  
**LANCASTER CHOICE ENERGY**  
**ENERGY EFFICIENCY PROGRAM PLAN**