

Executive Summary

This report provides findings and recommendations from Research Into Action's targeted process evaluation of the Local Government Partnership (LGP) program. Through the LGP program, California's four investor-owned utilities (IOUs), Pacific Gas and Electric Company (PG&E), Southern California Edison (SCE), Southern California Gas Company (SCG), and San Diego Gas and Electric (SDG&E), partner with local governments (LGs) to help constituents save energy through energy efficiency. Local governments that are members of an LGP are expected to:

- › Support the five goals of California's Long-Term Energy Efficiency SP, which we refer to as SP activities throughout the report. Appendix E provides California's SP goals.
- › Retrofit municipal buildings to become more energy efficient, which we refer to as municipal retrofits or municipal retrofit projects throughout the report.
- › Perform core program coordination/implementation by engaging constituents in energy efficiency activities and encouraging participation in existing IOU programs, including direct install programs.¹

This evaluation targets the SP support and municipal retrofit components of the LGP. While we limit the focus of this evaluation, a broader aim of this evaluation is to help the IOUs develop effective support capabilities and metrics appropriate to the diverse types of LGPs. In addition, prior evaluations noted the considerable diversity across partnerships and we examined whether LGPs can be categorized to facilitate tailored lessons learned, good practices, and recommendations, with the objective of helping the IOUs serve the LGPs more appropriately and consistently.

Our targeted process evaluation made use of interviews with key IOU program staff, the former California Statewide Local Government Energy Efficiency Best Practices Coordinator (former Best Practices Coordinator), and LGP representatives as well as a review of IOU-provided SP project data. Our exploration of factors to use for categorization of partnerships incorporated these sources as well as a review relevant industry literature and prior LGP evaluations.

¹ Pacific Gas and Electric Company 2013-2014 Energy Efficiency Portfolio Local Program Implementation Plan: Government Partnerships Master. PGE211005-1, PGE211005-2; SCE Customer Energy Efficiency and Solar Division Program Implementation Plans, Exhibit 4C 2013-2104; San Diego Gas and Electric Master Program Implementation Plan: Partnerships Programs (<https://www.sdge.com/sites/default/files/regulatory/SDGE%20PIPs%20Vol%204%20of%205%20Partnerships.pdf>); Southern California Gas Company Program Implementation Plan: Local Government Partnership Program (http://eestats.cpuc.ca.gov/EEGA2010Files/SCG/PIP/2013/Clean/2%20-%20SCG%20LGP%20PIP%205_29_13.pdf).

Key Findings

Below we present key findings from our categorization efforts, SP process findings, municipal retrofit process findings, and overall programmatic findings. We use the term “LGP representatives” to describe the program participant contacts we interviewed.

Categorization Findings

We explored 24 potential categorization factors (see Table 3-1 for full list), which we narrowed down to three factors that we implemented in our analyses: partnering IOU, geographically isolated partnerships, and single-city partnerships. Our analyses indicated that any efforts to evaluate the relative success of partnerships should separate partnerships into categories as a function of their partnering IOU(s) due to the considerable diversity in the IOUs’ program objectives and implementation models/approaches. We employed partnering IOU(s) as our first category.

As demonstrated in Chapters 4 through 6, however, many of the process challenges and opportunities faced by partnerships occur regardless of these factors. Further, the partnerships are so diverse in their objectives, processes, and activities, that categorization based on one factor would cloud important differences between partnerships grouped into the same category. Thus, we do not believe that the IOUs would benefit from efforts to separate partnerships into any additional categories for the purpose of adapting program processes and support to those categories. Nonetheless, our analyses did reveal three groups of partnerships with unique program experiences compared with other partnerships which may warrant some tailoring of specific program elements: geographically isolated partnerships and single-LG partnerships. Our key findings for each group are described below.

- › **Partnering IOU(s):** Each IOU assigns resource or non-resource distinctions to the three program areas differently, which, along with other factors, results in varied emphases in their program models. PG&E’s implementation model emphasizes the Direct Install activities, SCE and SCG’s program model emphasizes municipal retrofits, and we observe greater dedication to regional planning among SDG&E’s partnerships. Additionally, PG&E’s Strategic Energy Resources funding component allows greater flexibility in the partnership’s choice of activities contributing to the California SP. SCE offers its partnerships a tiered incentive structure that rewards greater achievements with enhanced incentive payments for each kWh saved.
- › **Geographically isolated partnerships:** Our findings suggest that partnerships with low population density and far from urban centers experience marketplace barriers that make municipal retrofits challenging. These partnerships are found within PG&E, SCE, and SCG territories. Some of the ten partnerships we identified through independent analyses as belonging to this group experienced a lack of trained local contractors available within their communities to perform energy efficiency retrofit work, difficulty attracting out-of-area contractors, and a lack of energy efficient equipment available locally for comprehensive retrofits. We note that an existing working group (the Rural

Hard-to-Reach [RHTR]Working Group) serves some, but not all, of the partnerships we identified as geographically isolated.²

- › **Single-LG partnerships:** We found that single-LG partnerships, which occur in SCE, SCG, and SDG&E territory, benefit from greater assistance from their IOU program staff due to the absence of a partnership implementer liaison. Partnerships with SDG&E reported benefitting from having staff time to work on partnership activities paid through partnership funds. SCE/SCG single-LG partnerships report challenges in meeting the program's administrative requirements and conducting project management. They also reportedly do not collaborate with other partnerships as often as partnerships in other IOU territories.³

Strategic Plan Findings

- › LGP representative express pride in their SP activities and reported that the LGP program enabled LGs to conduct work SP work that would not have been conducted otherwise. Representatives also noted the benefits of relationships developed among key stakeholders while conducting SP work.
- › There is considerable variability in partnerships' selection of SP activities, SP goal setting, and in the tracking and reporting of SP activities. While this flexibility allows for tailoring of approaches to meet local needs, it precludes comparison of achievements across partnerships.
- › There is opportunity for educational efforts around energy management systems (EMS). Half of the partnerships' member LGs are using EMS, yet these systems are not the most sophisticated systems available and LG staff have difficulty using existing capabilities.

Municipal Retrofit Findings

- › Most partnerships were proud of their high-visibility or high energy saving municipal retrofit projects as well as projects that established long-term relationships.
- › IOU-provided technical assistance enabled LGs to overcome municipal retrofit barriers and is highly valued by all partnerships that reported using it. Partnership representatives especially valued the advanced engineering support and assistance with processing rebate application forms.

² The RHTR Working Group is a coalition of similar LGs and their implementing organizations that organized to learn from one another and advocate best practices for serving rural communities. Hard to reach residential customers are defined by the 2013 California Energy Efficiency Policy Manual (page 54) as: "Those customers who do not have easy access to program information or generally do not participate in energy efficiency programs due to a language, income, housing type, geographic, or home ownership (split incentives) barrier."

³ Comments offered in September 2016 by the IOUs on a draft version of this report suggest that SCE and SCG are migrating their single city LGPs into regional partnerships that have implementing vendors or partners. These actions have occurred subsequent to the program period covered by our data collection and so are not documented in this report.

- › On-bill financing (OBF), offered by the IOUs and separate from LGP budgets, has been an integral source of funding that allows LGs to conduct municipal retrofit projects in the face of limited LG funds. Still, some partnerships have an incomplete understanding of OBF (how it works, its benefits and implications) and explaining it to their LG decision-makers.
- › LGP representatives noted a number of challenges to budgeting and planning for municipal retrofits projects, including delays caused by procurement process, competition for LG general fund dollars, frequent changes to incentive amounts and eligible measures, and difficulty navigating the rebate application process.
- › Many LGP representatives reported difficulty calculating ongoing energy savings for projects involving multiple service accounts, necessitating complicated mathematical calculations, or affected by rate changes.
- › Limited access to energy-usage data made it difficult to track partnerships' progress toward meeting energy savings goals and to engage in informed decision-making. Third-party partnership implementers in particular reported limited access to data for their member LGs' facilities, which made it harder to serve their member LGs. The IOUs, in turn, face regulatory requirements that govern their provision of energy data.
- › A lack of a municipal retrofit project history also impeded partnership-level decision-making. Records of LGP-supported municipal retrofit projects are often lost when there is turnover among LG or IOU staff. The absence of a record of retrofitted facilities makes it challenging for partnerships staff to prioritize future projects.

Programmatic Findings

- › A steep program learning curve, spontaneously discussed by 14 LGP representatives, was described as a barrier that slowed partnership activities because individuals new to the program must invest substantial effort to understand the requirements and details of the program. The learning curve could be daunting, and provides one plausible explanation as to why some LG departmental staff push aside partnership activities in favor of their other municipal duties. In addition, both partnership representatives and IOU program staff reported that it is challenging for them to explain the details of the program to new staff, slowing their integration and ability to start working on partnership activities.
- › Staff changes at the IOUs impeded partnership progress and highlight the importance of partnership implementers. When staff turnover and reorganization occurs at the IOUs, it results in delays in responding to requests from partnership representatives, which then delays their ability to move forward with partnership activities. The turnover among IOU partnership managers also heightens the importance of the role of the partnership implementer. The LGP implementer can serve as an extension of IOU staff, serving as a trusted source of information for member LGs and motivating member LGs to continue their partnership efforts.

- › LGPs partnering with more than one IOU experience increased administrative complexity necessitating increased administrative activity. Each IOU funds different program activities and available measures, has different reporting requirements, and interprets LG applications to address the SP menu items differently. Partnership implementers at LGPs with more than one IOU must pay careful attention to how requirements vary between their IOU partners and communicate carefully to their member LGs about what activities they can take advantage of.
- › Administrative complexities can be discouraging when they result in re-submission of completed invoices or denial of SP and retrofit invoice payment. SCE partnership representatives described invoicing challenges and frustrations more often than representatives of partnerships with other IOUs.

Conclusions and Recommendations

The findings from our targeted process evaluation of the SP support and municipal retrofits elements of the LGP program yield a number of recommendations. We sought to identify practical recommendations that the IOUs and others could realistically pursue with available resources. While these recommendations apply to all IOUs (with the exception of Recommendations 7 and 8), each IOU may take their own approach to addressing the recommendations. Our SP and municipal retrofits findings yielded a number of program-level conclusions and recommendations, which we discuss in the next section. We then present findings unique to the SP element of the program and municipal retrofits element of the program. We end with conclusions and recommendations regarding geographically isolated and single-LG partnerships.

Programmatic Recommendations

Conclusion 1: The LGP program presents a steep learning curve for LGs, implementers, and program staff alike, and partnership representatives report complex administrative barriers to completing LGP work.

Recommendation 1: The IOUs should develop Quick Start guides for their program implementers and LGs. The Quick Start guides should outline the goals of the IOU's LGP program, the role that LG and LGP staff play in meeting those goals, the activities eligible and ineligible for funding, instructions for invoicing and rebate applications, and timelines for progress reporting. The guides could also include information about collaborative networks in the local government energy efficiency community that LGs or LGPs may find useful. Over time, the IOUs might collaborate to create a single LGP Quick Start guide that ensures LGPs partnering with multiple IOUs do not face inconsistent requirements.

Scope of effort: We anticipate that each IOU could develop an initial Quick Start guide with about 100 hours of staff time, including drafting and internal review. The IOUs might revise these guides at six month intervals for the first two years in response to LGP feedback. Thereafter, the guides should be updated annually.

Conclusion 2: LGPs value the technical assistance currently available through the LGP program and would benefit from additional technical assistance to support calculation of ongoing energy savings, implementing energy management systems (EMS), and Job Order Contracting (JOC).

Recommendation 2: The IOUs should explore the feasibility of expanding technical assistance offerings to support: 1) calculation of ongoing energy savings, 2) EMS implementation, and 3) JOC.

Scope of effort: We anticipate this recommendation could be implemented at little cost as the IOUs continually assess and refine their program support activities.

Conclusion 3: LGPs benefit from cross-partnership collaboration such as the SEEC Forum, the CPUC-led Stakeholder Advisory Group, and other regional collaborative networks and forums.

Recommendation 3: The IOUs and California Public Utilities Commission (CPUC) should facilitate integration of non-collaborating member LGs or LGPs into existing collaborations. The IOUs and CPUC have a high-level view of partnership needs and activities and may be able to recognize opportunities for LGs and LGPs that are not currently collaborating with others to join existing collaborative networks. IOU program managers should encourage increased partnering and establish the necessary connections among LGPs. The LGPs should be allowed to decide what networks they participate in, selecting the most pertinent networks.

Scope of effort: We anticipate this recommendation could be implemented at little cost as the IOUs continually work with their LGPs and member LGs.

Strategic Plan Support Recommendations

Conclusion 4: Diversity in partnerships' SP activities and the current reporting approach enable flexibility but preclude comparison across partnerships.

Recommendation 4: The CPUC and IOUs should adapt the SP tracking tool and metrics we developed to provide data essential to understanding project status and accomplishments in support of decision-making – decisions ranging from those regarding program elements to those regarding the program's future scope and funding.

Scope of effort: We anticipate this recommendation could be implemented assisted by a database consultant charging less than \$20,000. We anticipate that the IOU planning and coordination associated with this recommendation at little cost as the IOUs continually assess and refine their program implementation activities.

Municipal Retrofits Recommendations

Conclusion 5: OBF helps LGs overcome the financial barriers to completing municipal retrofits, the IOUs are actively discussing OBF with LGs, yet challenges remain for some partnerships.

Recommendation 5: The IOUs can facilitate the use of OBF through one-on-one outreach to partnerships and LGs not currently using the financing and supporting LG program staff as they present the financing option to municipal decision makers. IOUs might also consider drafting “boiler plate” language that allows partnership staff to effectively explain the OBF mechanisms to LG financial teams.

Scope of effort: We anticipate this recommendation could be implemented at little cost as the IOUs continually work with their LGPs and member LGs.

Conclusion 6: Partnership needs may not have been fully met through the established energy data access procedures, as suggested by the considerable variability in the degree partnerships are able to access LG energy usage data. Limited data access impedes partnership-level planning and action. The IOUs, in turn, need to craft and implement data access policies that meet regulatory requirements.

Recommendation 6: The IOU program managers should investigate through one-one-one discussions with each LGP its specific limitations in accessing and making use of LG energy data. This investigation should guide the IOUs’ work with the Energy Data Access Committee to facilitate LGPs ready access and use of energy data, as well as possibly lead to the identification of additional support that would benefit LGPs.

Scope of effort: We anticipate this recommendation could be implemented at little cost as the IOUs continually work with their LGPs and member LGs.

Recommendation for Geographically Isolated LGPs

Conclusion 7: Partnerships in geographically-isolated areas continue to experience marketplace barriers to partnership activities, especially but not solely related to municipal retrofits, in spite of ongoing awareness of the issues faced by geographically isolated LGPs in the northern part of the state.

Recommendation 7: The IOUs that serve geographically-isolated partnerships should increase their efforts to better serve these communities. Through one-on-one conversations, the IOUs should identify specific support that would benefit these geographically isolated partnerships. Study findings suggest these partnerships might benefit from funding for contractor trainings to spur the availability of local contractors knowledgeable about energy efficiency.

Scope of effort: We anticipate this recommendation could be implemented at little cost as the IOUs continually assess and refine their program implementation activities.