BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs, Evaluation and Related Issues.	Rulemaking 13-11-015 (Filed November 14, 2013)

OPENING COMMENTS OF THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL ON THE PROPOSED DECISION ADOPTING ENERGY EFFICIENCY GOALS FOR 2020 -2030

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I. INTRODUCTION

The California Efficiency + Demand Management Council (the "Council") appreciates this opportunity to submit its comments on the Decision Adopting Energy Efficiency Goals for 2020 – 2030 ("Decision").[1] The Council recognizes the diligent work conducted by the Navigant team, Energy Division Staff, and stakeholders in developing the energy efficiency savings goals for 2020 to 2030. We support the Commission's decision to develop savings goals for the residential low-income sector in the consolidated Energy Savings Assistance ("ESA") and California Alternate Rates for Energy ("CARE") proceeding (Application (A.) 14-11-007), and to suspend the requirement for ex-post evaluations of the Home Energy Reports ("HERs") programs for three years, or until a new rule is reinstated. And we commend the Commission for implementing incentive mechanisms that reward Program Administrator's for going above and beyond their identified goal-saving targets.

However, the Council has concerns with the implication of adopting the proposed goals in the Decision. The proposed goals will have outsized negative impacts on California's energy efficiency industry and will inhibit the ability for the state to achieve the goals identified in SB 350, SB 100, and Executive Order ("EO") B-55-18. As such the Council requests the Commission take both immediate and deliberate actions to follow its own guidance and create the steady-state environment that the Commission has identified as key for the Rolling Portfolio to work well in Decision ("D.") 14-10-046:

[1] These Opening Comments are timely filed pursuant to the California Public Utilities Commission ("CPUC" or "Commission") Rules of Practice and Procedure and the ALJ Ruling.

"For "Rolling Portfolios" to work well, we need a relatively steady-state EE environment. This would mean only modest annual changes in (a) the potentials model, (b) goals, (c) portfolios, and (d) our policies. When these items are dynamic rather than static, a portfolio review is much more difficult."[2]

According to the Council's own comparative analysis of the 2019 potential study to the 2017 potential study, the proposed 2020 goals will result in a more than 40% reduction in incentive program energy savings over the 10-year period from 2020-2030. This level of goal fluctuation over a short two-year period is anything but modest, and requires Commission action to correct. The Council requests that the Commission take the following immediate actions:

- Postpone the adoption of the 2020 to 2030 goals one year until August 2020.
- Maintain the 2020 goal established in the 2017 potential and goals study one year until better informed 2021 to 2030 goals can be accurately calculated.
- Commence an inclusive stakeholder-driven process in September 2019 to correct methodological/data deficiencies found in the 2019 Potential & Goals study.

Long-term, the Council requests the Commission take the following actions to create a steady-state EE environment:

- Commence a series of workshops, as proposed in Track 3 of the Rolling Portfolio Proceeding, on the future of Cost-Effectiveness to ensure alignment with the Commission's and state's goals.
- Commence a series of workshops on the future of Potential & Goals studies to ensure the analysis methodology, and study goals are in alignment with the state's energy and climate goals, and keeps pace with the rapidly evolving energy efficiency industry.

By taking these actions, the Commission will provide the energy efficiency industry, including the third-party implementers, Program Administrators ("PAs"), advocacy groups, and the Commission the opportunity to course-correct the methodological deficiencies in the study, and the Rolling Portfolio mechanisms that are causing confusion, industry disruption and a significant contraction of energy efficiency program savings that are not well-considered in the broader context of numerous important California policy objectives.

[2] D.14-10-046, at p. 5.

II. PROVIDING THE ENERGY EFFICIENCY INDUSTRY WITH A STEADY STATE ENVIRONMENT

As noted earlier in 2014 the Commission clearly identified what is necessary to ensure a well functioning Rolling Portfolio, and subsequent energy efficiency industry, including a steady-state environment that consists of *"Only modest annual changes in (a) the potentials model, (b) goals, (c) portfolios, and (d) our policies."*[3] Unfortunately, the Commission has implemented policies in such a fashion over the last 5 years that have led to the marketplace instability the Commission wished to avoid, which jeopardizes the successful implementation of the Rolling Portfolio, including:

- A drastic change in the 2019 potential study methodology by increasing the Total Resource Cost ("TRC") threshold for the economic screening of measures from .85 for most measures[4] to 1.0 for all measures, and the exclusion of Program Administrator Cost ("PAC") test results, both of which are inconsistent with past methodologies.
- Large unstable reductions in the adopted annual goals, starting with the 2016 adopted goals and now with the proposed 2020 goals. Goal stability is identified in the Decision as a goal of the Commission, *"We are concerned with keeping goals stable with each two-year update, to the extent feasible, so as to minimize market disruption"* yet policies continue to be implemented contrary to this objective.[5]
- The implementation of Commission policies have resulted in market instability, including the custom review process, a non-transparent ex-ante process that is largely closed to stakeholders, and poorly understood by most policymakers, regulatory staff, program administrators, and other stakeholders and industry-standard practice baselines that do not comport with California policy, in particular existing conditions baselines, etc.
- 3rd party solicitations and program development that have been delayed within a portfolio system that the Commission intends to bring forth "innovative third party solutions" but must utilize commission-provided tools and studies, such as the Cost-Effectiveness Tool

[3] D.14-10-046, at p. 5.
[4] Note that emerging technologies were screened using a lower TRC threshold in previous potential studies.
[5] Proposed Decision, at p. 8.

and Database of Energy Efficiency Resources ("DEER"), that provide no valuation mechanism for innovative approaches from third-parties.

Given these misalignments and inconsistencies, the Council requests that the following actions be taken to course correct and ensure that a viable, functioning energy efficiency industry can return to California to achieve the state's goals and deliver ratepayers a cost-effective return on their investment. We believe that only through the combination of immediate and deliberate long-term actions can the Commission provide the steady-state funding and goals environment that can best leverage the market and facilitate the modernization of energy efficiency that is needed for California to continue as a nationwide leader in driving climate solutions.

III. MAINTAIN THE 2020 GOAL ESTABLISHED IN THE 2017 POTENTIAL AND GOALS STUDY ONE YEAR

The Council requests the Commission maintain the 2020 goals established in the 2017 Potential and Goals study given the drastic changes in potential, known methodological errors and limitations of the 2019 study, and the known instability of the industry resulting from Commission policies. By delaying the adoption of the 2020 goals, the Commission will provide:

- The industry with market consistency, while it completes the transition to a 40% 3rd party portfolio, as required by the Commission by December 31, 2020.[6]
- The PAs, and the 3rd party program implementers, the time to provide the information necessary to complete accurate energy savings forecasts required for the Annual Budget Advice Letters ("ABAL(s))". This in comparison to the Commission's current direction to "*Align these third-party program forecasts pending from solicitations as much as possible with the forecasting methods used from custom projects,*"[7] seems like a logical and more accurate approach to take with ratepayer dollars.
- The industry the chance to refine and develop a set of recommendations to the ABAL process through the California Energy Efficiency Coordinating Council ("CAEECC"). The development of this working group will commence in earnest on August 7th, and industry recommendations could be ready by Spring 2020.

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[6] D.18-01-004, at p. 30.
[7] Proposed Decision, at p. 28.

- The industry and the Commission with the opportunity to facilitate an inclusive and transparent stakeholder-driven process to address and correct the multiple methodological and data inaccuracies present in the 2019 study.
- The Commission the opportunity to communicate to industry stakeholder, which methodological deficiencies and data errors identified during workshops, and comments on the draft Study were corrected before goals being proposed.

Further, the Commission must require the investor-owned utility ("IOU") PAs to allow existing implementers to recruit new program participants, including upstream market actors, contractors, and customers during this timeframe to ensure that marketplace momentum does not contract further.

IV. POSTPONE THE ADOPTION OF THE NEXT GOAL CYCLE ONE YEAR UNTIL AUGUST 2020

The Council requests the Commission postpone the adoption of the current goal cycle until August 2020 study given the drastic changes in potential, known methodological inaccuracies and limitations of the 2019 study, and the known instability that the energy efficiency industry is experiencing as a result of the Commission's policies. We believe this is a reasonable request given:

- The inability of the Commission to provide the Rolling Portfolio process with the steady environment required to be successful.
- The lack of transparency provided by the Commission to industry stakeholders on which methodological deficiencies and data errors identified during workshops and comments on the draft Study were corrected before goals were being proposed.
- The acknowledged uncertainty in the ABAL filing process caused by the current third party solicitation process as the Program Administrators' portfolios transition to 40% 3rd party implementation by the Commission required deadline of December 31, 2020.
- The request of relief or expression of reservation by multiple Program Administrators in filing their 2019 ABALs. Pacific Gas and Electric ("PG&E") in Opening Comments on the Draft Potential & Goals study requested relief from submitting its 2020 ABAL in

September 2019 due to the refresh of its Portfolio.[8] Southern California Edison ("SCE") in Opening Comments noted the increased uncertainty about filings it 2020 ABAL due to multiple factors including measure uncertainty, statewide program management transitions, and the timing of the Third-Party Program solicitations.[9]

- The admission by PG&E and SCE in their draft 2020 ABAL filings that they will not be able to achieve a TRC of 1.0 which will require a Business Plan Refilling.[10]

V. COMMENCE INDUSTRY INCLUSIVE STAKEHOLDER DRIVEN PROCESS IN FALL 2019 TO ADDRESS THE METHODOLOGICAL & DATA DEFICIENCIES FOUND IN THE 2019 POTENTIAL & GOALS STUDY

In Opening and Reply Comments on the Draft Potential and Goals study numerous methodological deficiencies and data errors were identified by stakeholders, including:

- The inclusion of non-residential Light Emitting Diodes ("LED") baselines for all non-residential market segments in the absence of market research, a flaw that is misaligned with Assembly Bill ("AB") 802's directive to establish existing conditions baselines and enable program administrators to include stranded potential measures and markets in their program designs.
- The inclusion of residential LED baselines for all residential segments without the preponderance of demonstrable evidence to support this proclamation, a similar flaw to the non-residential sectors in conflict with AB 802.
- The inclusion of only a limited number of Behavioral Retrofit Operation (BROs) measures (e.g., HERs, Retrocommissioning, and Strategic Energy Management) without recognition that innovative BROs efforts are rapidly expanding nationwide and will likely also do so in California, especially with the advent of savings calculations based on normalized meter energy consumption ("NMEC") as prioritized in AB 802 and SB 350.
- The market barriers artificially brought about by the current Custom Review Process, which has led to a significant drop off of market adoption due to several factors, including customer reticence to accommodate rapidly changing administrative rules.

[8] Comments of PG&E Regarding Energy Efficiency Potential and Goals for 2018 and Beyond in Response to Administrative law Judge's Ruling, dated May 1, 2019, at p. 20.
[9] Comments of SCE on ALJ's Ruling Inviting Comments on Draft Potential and Goals Study, at p. 13.
[10] PG&E Draft 2020 ABAL Filing, at p. 6 and SCE Draft 2020 ABAL Filing, at p. 3.

- The inaccuracy of measure costs identified in the Measure Input Characterization System.
- The exclusion of climate zone-specific data which impacts the accuracy of all Heating Ventilation Air Conditioning ("HVAC") measures and associated savings.
- The exclusion of non-resource program savings, as counting towards portfolio goals.
- The exclusion of many promising Emerging Technologies (ETs) that were screened out in the reference case unnecessarily using a TRC threshold of 1.0.
- The exclusion of Fuel Substitution measures that were not analyzed due to Three Prong Test Rule.
- The exclusion of the PAC test from any of the scenario analysis in the 2019 Study, despite the PAC test providing an essential perspective to ensure a balanced portfolio as described in numerous previous Commission Decisions.

In addition to the identified deficiencies above the Commission's recent ruling on The Three-Prong Test, now named the Fuel Substitution Test, has made eligible a series of energy efficiency measures that were excluded from the study. Given this potential is believed to be significant and is modeled by the California Energy Commission ("CEC") as a key measure to achieving the state's greenhouse gas ("GHG") goals, the Commission should allow the industry to bypass the restrictive DEER and Workpaper data requirements, and provide verifiable data to quantify this potential during the Fall of 2019.

VI. COMMENCE A SERIES OF WORKSHOPS TO ENSURE THE LONG-TERM STABILITY OF THE ENERGY EFFICIENCY INDUSTRY

In addition to the immediate actions the Commission should take to provide the industry with much-needed stability in the coming year, the Commission should also commence a series of workshops on the future of Cost-Effectiveness and the Potential and Goals Studies.

As noted in our Opening Comments on the Draft Potential and Goals study the Council strongly believes the Commission policy to rely upon the TRC as the singular Cost-Effectiveness test of practical consequence runs counter to numerous California policy objectives and directly contradicts the Standard Practice Manual, which explicitly warns against utilizing a single test. As has been noted in various filed comments, stakeholder venues, industry research, and the Commission's past Decisions, the sole use of the TRC as the primary Cost-Effectiveness test for energy efficiency seriously undermines the Commission's abilities to achieve its own goals for a reliable, climate-protective, equitable and cost-effective energy system. Given this reality the

Council requests the Commission commence a series of inclusive workshops to address energy efficiency and demand-side management cost-effectiveness as the industry explores more current cost effectiveness methods that take a broader perspective on comparing demand-side resources to a wider range of supply-side options.

In addition to the failings of the TRC as Cost Effectiveness metric, the existing Potential and Goals study structure, methodology, and end purpose has outlasted its usefulness as a forecasting tool for multiple reasons, including:

- The current study employs an overly restrictive measure-based methodology that inhibits emerging technology and program innovation. Additionally, the measure based approach will not integrate into the Integrated Resource Plan ("IRP"), where a balanced approach for comparing multiple energy resources will be essential.
- The current study and approved methodology by the Commission only allows for measures that have been approved through the Workpaper or DEER process to be included in the analysis. This is another restrictive approach that limits the potential that could be included by utilizing non-California based high-quality market research, and measure literature.
- The current study is based upon an Avoided Cost calculator, which calculates the avoided gas generation costs, without accounting for what the electrical grid will look like in the future.
- The current study, as noted by Natural Resources Defense Council ("NRDC") in their Opening Comments on the Draft study, is *"always closely anchored to the recent programmatic accomplishments and shouldn't be expected to be different from these recent accomplishments."*[11] This methodology limits the ability of the Potential and Goals study to assess the future potential of the energy efficiency market place as it is always bound by past indicators.
- The TRC is known to be highly sensitive to measure costs.[12] Numerous recent evaluations have demonstrated that the majority of customer investment in energy efficiency is to achieve non-energy benefits such as increased comfort, productivity, and

[11] Comments of NRDC on ALJ's Ruling Inviting Comments on Draft Potential and Goals Study, at p. 3.
[12] PG&E's 2019 ABAL

indoor air quality among a host of other factors.[13] Customer energy efficiency investment for non-energy benefits should not be included in measure costs. Failing to acknowledge the nature of customer energy efficiency investment and adjusting accordingly in the current P&G study has major consequences and artificially depresses the TRC results of many measures and programs to the detriment of California policy objectives and common-sense decision making.

Given these methdological shortcomings, misalignments with current Commission and state goals, the current state of the industry and the continued disconnect of study from the identified Investor-Owned Utility Energy Savings Goals found in the CEC's Senate Bill 350: Doubling Energy Efficiency Savings by 2030 report issued in November 2018, there is clear need to commence workshops to ensure future studies are corrected.

VII. CONCLUSION

We believe the Commission must take this opportunity to take both immediate and deliberate actions to provide the steady-state environment the energy efficiency industry needs to achieve the Commission's and state's long-term energy, environment, and climate goals. The Council appreciates the Commission's consideration and the opportunity to provide comments on this Proposed Decision.

Dated: August 5, 2019

Respectfully submitted,

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[13] *See* the following Evaluation Reports: *Impact Evaluation Report: Home Upgrade Program – Residential Program Year* 2017, DNV GL, 2019; *Energy Upgrade California – Home Upgrade Program Process Evaluation 2014-2015* EMI Consulting, 2015. CALMAC ID: PGE0389.01; and 3. *PG&E Whole House Program: Marketing and Targeting Analysis. Opinion Dynamics Corporation, 2014. CALMAC ID: PGE0302.05*. In each of these evaluations, customers participating in EE programs report that non-energy related benefits such as enhanced home comfort, improved indoor air quality, and improved home value were as important or more important than the energy and bill savings of the EE program.