

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric
Company (U 39-E) for Approval and
Recovery of Oakland Clean Energy
Initiative Preferred Portfolio Procurement
Costs.

Application 20-04-013
(Filed April 15, 2020)

**PROTEST OF THE
CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL
TO APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39-E) FOR
APPROVAL AND RECOVERY OF OAKLAND CLEAN ENERGY INITIATIVE
PREFERRED PORTFOLIO PROCUREMENT COSTS**

Date: May 18, 2020

Greg Wikler
Executive Director
California Efficiency + Demand Management Council
1111 Broadway Suite 300
Oakland, CA 94612
Telephone: 925-286-1710
E-mail: policy@cedmc.org

**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Pacific Gas and Electric Company (U 39-E) for Approval and Recovery of Oakland Clean Energy Initiative Preferred Portfolio Procurement Costs.

Application 20-04-013
(Filed April 15, 2020)

**PROTEST OF THE
CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL
TO APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39-E) FOR
APPROVAL AND RECOVERY OF OAKLAND CLEAN ENERGY INITIATIVE
PREFERRED PORTFOLIO PROCUREMENT COSTS**

I. INTRODUCTION

The California Efficiency + Demand Management Council (the “Council”) respectfully files this Protest to the Application (“A.”) 20-04-013, Pacific Gas and Electric Company’s (“PG&E’s”) application and recovery of Oakland Clean Energy Initiative (“OCEI”) preferred portfolio procurement costs. This Protest is timely filed and served pursuant to Rule 2.6 of the Commission’s Rules of Practice and Procedure

II. BACKGROUND

The Council is a statewide trade association of non-utility businesses that provide energy efficiency, demand response, and data analytics services and products in California.¹ Our member companies employ many thousands of Californians throughout the state. They include energy efficiency (“EE”), demand response (“DR”), and grid services technology providers, implementation and evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and manufacturers of EE products and equipment. The Council’s mission is to support appropriate EE and DR policies, programs, and technologies to create sustainable jobs, long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement.

¹ Additional information about the Council, including the organization’s current membership, Board of Directors, antitrust guidelines and code of ethics for its members, can be found at <http://www.cedmc.org>. The views expressed by the Council are not necessarily those of its individual members.

III. SUMMARY

Rule 2.6 of the Commission’s Rules of Practice and Procedure allows parties to either protest or respond to an application. A “protest” objects to the granting, in whole or in part, of the authority sought in an application; a “response” does not object to that authority, but does present information pertinent to resolving the application.

Energy efficiency (“EE”) provides numerous benefits as a grid resource: reducing capacity constraints, mitigating system volatility, and helping defer investments. EE can be deployed in targeted areas and is often a highly cost-effective resource providing customer savings, improved energy services to end users, and support for local jobs and workforce development. The Council has been supportive and involved in the Commission’s and Investor Owned Utilities’ (“IOUs”) endeavors to mitigate grid capacity through EE measures.² However, the success of EE in these procurements has been inconsistent at best, often beset by convoluted rules to establish incrementality and supply capacity.

By this Protest, the Council objects to PG&E’s Application seeking approval of two energy storage contracts while rejecting EE resources in the “eleventh hour” of this process. **The Council urges the Commission to order PG&E to restore the EE resource in the preferred portfolio, as it addresses the vision of the OCEI, and its recent exclusion is unjustified. EE provides key grid benefits sought in the Request for Offer (“RFO”) and is an essential opportunity to support public health and local economic recovery.**

Further, in compliance with Rule 2.6, this Protest also sets forth the facts constituting the grounds for the Protest, the effect of the application on the Council, and the reasons the Council believes the application is not justified.³ In addition, this Protest sets forth the Council’s position on the proposed category, need for hearing, issues to be considered and proposed schedule.⁴

IV. EFFECT OF THE APPLICATION ON THE COUNCIL

The OCEI was intended “to develop an innovative solution to meet Oakland’s transmission reliability needs through the deployment of preferred energy resources within the

² The Council is party to the Integrated Distributed Energy Resources (IDER) and Distributed Resource Planning (DRP) proceedings and has participated in workshops related to and filed comments in response to the proceedings’ respective distributed energy resource procurements.

³ Commission Rules of Practice and Procedure, Rule 2.6(b).

⁴ Commission Rules of Practice and Procedure, Rule 2.6(d).

local community.”⁵ EE was one of the three resource types sought as part of this “innovative solution.” To that end, unlike other RFOs seeking distributed energy resource (“DER”) solutions, the OCEI included clear incrementality criteria that underscored the role of energy efficiency in the OCEI preferred portfolio (i.e., programs that target commercial office buildings within the Local Area would be considered fully incremental due to low participation in existing EE programs).⁶

The OCEI Need defined by the California Independent System Operator (“CAISO”) Transmission Plan (“TPP”) evolved throughout the course of the RFO, but the role of EE was never questioned. In fact, EE was part of the shortlisted preferred portfolio just weeks before the submitted Application departed from intentions conveyed throughout the three-year procurement process, in which EE bidders played an active part.

V. GROUNDS FOR PROTEST

The Council believes that the Application, either directly or by omission, does not comply with several Commission directives and State goals, including Senate Bill (“SB”) 350 which requires the State to double statewide EE savings in electricity and natural gas end uses by 2030.⁷ As such, this Protest identifies several issues raised by the OCEI Application.

A. PG&E and the Independent Evaluator Report provide inadequate justification for the abrupt rejection of energy efficiency services as part of the OCEI preferred portfolio.

The Council questions the justification for PG&E’s abrupt removal of 6.3 MWh of EE from its preferred portfolio. That removal surrenders accompanying benefits such as reduced load volatility, lower local energy demand, increased energy management and controls, and energy cost savings (to counter the proposed Cost Allocation Mechanism (“CAM”) increase).

Energy efficiency resources were explored and advanced in every stage of the procurement process.⁸ EE bidders worked with PG&E to adapt to changes to the OCEI Need (driven by subsequent iterations of the CAISO TPP), all while in a “continually competitive” process where they were asked to expand services and lower costs, all while refining contract

⁵ Oakland Clean Energy Initiative Request for Offers Solicitation Protocol. April 13, 2018. Pg. 5.

⁶ Ibid. Pg. 39.

⁷ SB 350 (De Leon).

⁸ IE Report. Appendix C of the PG&E OCEI Prepared Testimony. April 15, 2020. Pg. 9/AppC-11.

and delivery terms. EE bidders found new ways to expand their capacity, bring down costs, and provide a competitive solution for the preferred portfolio.⁹ In the 2019-2020 draft TPP, CAISO restated the OCEI Need, specifying the role of energy storage.¹⁰

Accordingly, in February 2020, both energy storage and EE proposers were again asked to adjust their proposals. At that time, the Independent Evaluator Report notes that while storage providers offered to cover the entire OCEI Need, PG&E decided to incorporate a small amount of energy efficiency resources, as it would “provide a small buffer against load volatility in the final OCEI Need forecast.”¹¹ Then, in March 2020, PG&E dropped the 6.3 MWh of EE, citing that “the OCEI was not the appropriate procurement process for such a contract.”¹² This explanation is wholly inconsistent with the three-year engagement of EE resources in the procurement process. To determine in the final month that the process was “not appropriate” is a questionable argument at best.

No justification is provided for the rejection of EE. The EE resource of 6.3 MWh was intended as recently as February, even following the release of the 2019-2020 draft TPP and updated OCEI Need, to provide a buffer against load volatility. Further, the last-minute rejection provided no explanation as to how the value of 6.3 MWh in EE for grid reliability is intended to be filled by the unchanged energy storage procurements.

The Council would also note that cost had not dissuaded PG&E from pursuing EE throughout the procurement. EE was found to be a higher cost at times, and relatively competitive at other times.¹³ We would argue that to cite cost at this point is beyond overdue. Additionally, the cost comparison between resources is also unclear. EE bids provided for a resource curve over many hours and storage bids were asked to meet a 4-hour block. Both are distinct in terms of grid and ratepayer benefits but there was no formal or robust analysis about

⁹ IE Report. Appendix C of the PG&E OCEI Prepared Testimony. April 15, 2020.

¹⁰ “The OCEI, approved in the 2017-2018 TPP with current targeted amount of portfolio procurement (29 MW and 116 MWh of energy storage and 1 MW of energy efficiency) will mitigate most of these overloads in the long-term. Due to the increase in the area’s load forecast and based on the latest Northern Oakland area load profile, the portfolio need has increased to about 36 MW and 173 MWh for 2024 from storage to sufficiently meet the current forecasted reliability need. This includes 7 MW and 28 MWh storage at Oakland L and 29 MW and 145 MWh storage at Oakland C. The approved project is expected to be in-service in 2022.” 2019-2020 TPP. CAISO. Pg. 105.

¹¹ Ibid. Pg. 26/AppC-28

¹² Ibid.

¹³ Ibid.

how these were both evaluated. Clearer guidance around evaluation criteria across resources and different resource curves would provide important transparency for stakeholders.

The Council urges the CPUC to require greater detail around PG&E's decision to reject the EE solution in the preferred portfolio so late in the process, and consider means to remedy a repeat in the future.

B. The rejection of energy efficiency resources in the preferred portfolio constitutes a costly missed opportunity to leverage the benefits of EE normalized metered energy savings and a pay-for-performance approach.

EE is a grid resource capable of demonstrating its impact through metered energy consumption, real-time data, and sophisticated modeling of its energy savings and demand reduction.¹⁴ Further, through pay-for-performance contract structures, EE implementers are prepared to bear the upfront investment for EE measures and take on performance risk. The OCEI established parameters for payment based on aggregated EE metered savings and worked with EE proposers to achieve understanding and acceptance of the specified terms.¹⁵ Furthermore, the Council understands that the proposed approaches put forward by the EE bid team aligned with all CPUC rules regarding incrementality of savings.

This is a novel achievement and a result of years of research, industry investment, and regulatory innovation. The OCEI is poised to use EE as a grid resource, powered by validated and documented savings at the meter, and a payment structure that preserves benefits to ratepayers while requiring accountability of EE providers to deliver contracted savings.

The 6.3 MWh of proposed EE would have been a sizable, however low-risk, opportunity to meet a discrete supply need with meter-based energy savings and pay-for-performance contracts, as a complement to energy storage-heavy solutions. The combining of EE and storage strengthens the interplay of these two resources in a grid reliability scenario and offers a rare and innovative DER solution for grid capacity challenges.

¹⁴ “New tools combining metering, analytics and controls are enabling robust assignment of temporal and locational value to efficiency as a grid system resource. For example, normalized metered energy consumption (NMEC) methods can calculate actual time-specific energy savings from real consumption data with statistical rigor. Pervasive – and increasingly automated – use of NMEC methods will allow efficiency programs and the broader energy services marketplace to target locales, customer classes and measures most effectively, and cost-effectively – that is, when and where energy savings are most valuable.” California Energy Commission. 2019 EE Action Plan. Page. 22.

¹⁵ Ibid. Pg. 25/AppC-27.

The longer the CPUC and PG&E delay demonstrating EE as a grid resource, the longer a cost-effective resource is left on the table, withholding benefits and savings from ratepayers. The OCEI is the right opportunity to deploy this resource in the preferred portfolio.

C. The OCEI is envisioned to support local clean energy innovation. The inclusion of energy efficiency in the preferred portfolio would have represented an investment in local clean energy and demonstrated an innovative use of distributed resources for local grid needs.

EE is inherently a local resource, representing investment in local buildings, energy systems, businesses and workforces. The anticipated EE solution was supported by local Bay Area-based implementers and contractors, providing important investment in Oakland's workforce and commercial building and energy infrastructure. Instead, PG&E is proposing to retain non-local vendors for the project. Indeed, it is the Council's understanding that PG&E selected a team of local implementers and ostensibly were working in good faith with this team to accommodate the evolving nature of the OCEI Need. Due to the tight time schedule, the Council further has learned that the implementing team secured commitments from customers and expended a significant amount of time and resource to demonstrate their commitment to the success of the project and ensure its successful delivery. This upfront work alleviated uncertainties around performance with additional research and analysis of the potential. It was literally at the eve of signing a contract when the implementers learned that PG&E abruptly and without sufficient justification pulled out of the deal.

And while storage itself does not produce any emissions; it is supplied by the grid energy mix which still uses fossil fuels. Storage on its own provides a cleaner energy solution than the jet fuel-powered Oakland Power Plant, but the OCEI envisioned energy efficiency (from PG&E) and renewable energy resources (from East Bay Clean Energy).¹⁶ East Bay Clean Energy should not be solely responsible for providing the "innovative clean energy solution" envisioned in the RFO, as it has done through contracts with Sunrun to deploy solar resources for low- and moderate-income households.¹⁷ PG&E, as a significant partner in the OCEI, should also contribute local clean energy solutions.

¹⁶ Oakland Clean Energy Initiative Request for Offers Solicitation Protocol. April 13, 2018. Pg. 5.

¹⁷ Sunrun is under contract with EBCE to develop several megawatts of solar and more than two megawatt-hours of batteries on more than 500 low-income housing units by 2022. "EBCE Expands its Renewable Energy and Storage Portfolio with Three New Contracts." July 17, 2019. Available at <https://ebce.org/ebce-expands-its-renewable-energy-and-storage-portfolio-with-three-new-contracts/>.

Energy efficiency in PG&E's preferred portfolio would represent a local clean energy resource for grid reliability, that in partnership with storage, can further reduce peaks and grid constraints. Such a combination would fulfill the vision of a local and "innovative clean energy solution." Furthermore, this type of EE would have represented another pathway for PG&E supporting the achieving of SB 350 savings goals.

D. Energy efficiency would provide important risk mitigation as part of the OCEI preferred portfolio and prove especially valuable in the current pandemic.

Energy efficiency is a core component of energy system resiliency. It is a resource that hedges against uncertainty and fluctuations. EE investments can reshape and retool itself to fit new needs in response to price signals or incentive structures. Infrastructure upgrades and large storage capacity is a significant investment that ratepayers will pay for years to come, even if it is not needed. EE (especially when partnered with DR) can provide flexible options to shift and move load, reduce grid constraint at specific times and locations, but only if the investment has been made already.

The ever-changing nature of grid needs was at the core of the OCEI preferred portfolio procurement process. The CAISO TPP provided updates to the OCEI Need, which PG&E and its bidders responded to in each iteration (2018-2019 and 2019-2020). The Council appreciates the efforts by all parties to provide a solution that is as timely and relevant as possible.

The Council also notes that the current pandemic has produced unprecedented changes to grid use, load, and demand forecasts. A May 5, 2020 presentation on COVID-19 impacts¹⁸ showed that overall load has dropped during stay-at-home orders. While these numbers apply to all of California (the presentation did not provide localized data), it raises the question of how the pandemic will impact the OCEI Need. The inclusion of EE as a resource would allow for more step-wise investments in load reduction and volatility mitigation. While re-evaluating submitted bids would normally be unreasonable, the Council argues that restoring the EE resource in the preferred portfolio is appropriate and essential during these times of great uncertainty.

¹⁸ COVID-19 Impacts to California ISO Load & Markets: March 17-April 2016, 2020. May 5, 2020. <http://www.caiso.com/Documents/COVID-19-Impacts-ISOLoadForecast-Presentation.pdf>.

VI. PROPOSED CATEGORY FOR APPLICATION, NEED FOR EVIDENTIARY HEARING, ISSUES TO BE CONSIDERED, AND PROPOSED SCHEDULE

Rule 2.6(d) also gives parties protesting or responding to an application the opportunity to provide comments or objections “regarding the applicant’s statement on the proposed category, need for hearing, issues to be considered, and proposed schedule.” An “alternative schedule” can also be proposed.¹⁹

At this time, the Council agrees with PG&E that the application should be categorized as “rate setting.” As to the need for an evidentiary hearing, the Council does not take a position on this issue but reserves the right to address this at a later time.

The issues to be considered should include the specific bases for PG&E’s abrupt rejection of energy efficiency services as part of the OCEI preferred portfolio.

The Council agrees with the proposed schedule contained in the Application.

VII. REQUEST FOR PARTY STATUS

Pursuant to the Commission’s Rules of Practice and Procedure, the Council requests confirmation of party status with the following individual to be listed as the appearance for the Council on the Party Service List in A.20-04-013:

Greg Wikler
Executive Director
1111 Broadway Suite 300
Oakland, CA 94612
Telephone: 925-286-1710
E-mail: policy@cedmc.org

FOR: CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL

VIII. CONCLUSION

The benefits of EE are ever more prominent in the context of the COVID-19 pandemic. Indoor and outdoor air pollution is associated with higher COVID-19 mortality rates.²⁰ Our local and regional economies are reeling from mass layoffs and significant market turmoil. Energy

¹⁹ Commission’s Rules of Practice and Procedure, Rule 2.6(d).

²⁰ Researchers at the Harvard University T.H. Chan School of Public Health have found that elevated levels of PM 2.5 were associated with higher death rates from COVID-19. Exposure to air pollution and COVID-19 mortality in the United States: A nationwide cross-sectional study. <https://projects.iq.harvard.edu/covid-pm>

efficiency's benefits are pervasive: addressing indoor and outdoor air quality issues, supporting local jobs and workforces, and lowering customer bills.

Energy efficiency continually demonstrates its value as a cost-effective energy resource, reducing system load, decreasing load volatility, and easing the need for more grid capacity. Especially in a targeted implementation, EE can deliver valuable local capacity needs. EE implementation, particularly in commercial buildings, often includes installing grid-integrated technologies, enhanced building management and controls, and new load management and demand response opportunities. This provides future opportunities for providing value to both the grid and the customer.

As our energy systems operate under unprecedented challenges, and as our local economies, residents, and business owners refrain from anything but the most prudent investments, energy efficiency is a critical resource and should be part of any grid resiliency solution.

The Council urges the Commission to order PG&E to restore the EE resource in the preferred portfolio, as it addresses the vision of the OCEI, and its recent exclusion is unjustified. EE provides key grid benefits sought in the RFO and is an essential opportunity to support public health and local economic recovery.

The Council appreciates this opportunity to respond to PG&E's Application for the OCEI. We look forward to working with the Commission and other stakeholders to provide an innovative clean energy solution for Oakland that enhances its local economy and bolsters resiliency.

For the reasons stated above, the Council submits its Protest to A.20-04-013.

Dated: May 18, 2020

Respectfully submitted,

/s/ GREG WIKLER

Greg Wikler
Executive Director
California Efficiency + Demand Management Council
1111 Broadway Suite 300
Oakland, CA 94612
Telephone: 925-286-1710
E-mail: policy@cedmc.org