

April 27, 2020

The Council's Informal Comments on Potential & Goals Study Workplan

The California Efficiency + Demand Management Council (The Council) appreciates the opportunity to provide these informal comments on various aspects of the Potential & Goals (P&G) study workplan presented by the CPUC and its P&G study consultant Guidehouse during the 2021 P&G Study Kickoff workshop held by webinar on 4/16/20. Our comments address several questions posed throughout the presentation materials presented by the Guidehouse team during the workshop. It should be noted that we are in the process of preparing comments on the March 12th Ruling by ALJ Kao. Some of our comments reflected here may also be included in those comments and by no means should the CPUC consider the comments presented here as being entirely inclusive of our broader comments that we will submit on May 22nd.

1. **What is a Potential Study? (Slide 26):** While there is little debate as to how a potential study process moves from technical to economic to achievable, we have concerns about a few of the transitions along the way. First, when considering the economic potential, it is indicated that a *CPUC Cost Effectiveness Screen* is applied. We have concerns that there are significant limitations in the current manner by which the CPUC interprets cost-effectiveness for energy efficiency, including most importantly a greater than 1.25 TRC test result requirement for all measures to be considered in the estimation of economic potential. We believe this requirement is far too punitive. The purpose of the measure-level cost effectiveness screen is to give all measures a reasonable chance for inclusion in the economic and achievable potentials. As such, the economic screen should err on the side of being more inclusive. Further, we find fault with the CPUC's current requirement to include all measure costs, regardless of whether they are directly related to the purpose of saving energy. This means that high measure costs without the allowance of corresponding non-energy benefits means that more measures will fail the economic screen and thus never find their way to economic or achievable potential. We would like to see these methodological flaws corrected in the current study. Further, we believe it is appropriate to reduce EE measure costs when there are situations of measures where co-benefits exist between EE and DR programs.

Second, when considering achievable potential, it is indicated that achievable potential represents the *EE that is expected to be adopted by programs*. We have concerns that the previous methods of Bass Diffusion and payback acceptance by which Guidehouse has used to predict customer uptake as a result of program interventions are severely limited and not reflective of all the parameters needed to carry out such an assessment. We believe these methods lead to a significant undercounting of achievable potential and as such must not be considered as the only means for predicting program adoption for the current potential study. While we were pleased that Guidehouse intends to update their method for calculating customer uptake,¹ we have yet to see any details. We encourage Guidehouse to incorporate an experience-based approach that will serve to enhance any model-based estimates of the EE that is expected to be adopted by programs. To that end, we are offering to host a forum with the Guidehouse study team and our third-party program implementation members. These program experts can provide insights and

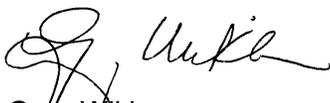
¹ As referenced on Slide 53.

perspectives on the program design features that must be considered to bring about maximum levels of participation. Further, we encourage Guidehouse to reach out to utilities and implementers from other regions of the country that are experiencing more successful levels of EE program participation that what we have seen in recent years here in California.

2. **Residential & Commercial Measure Characterization (Slide 41):** We were pleased to see that Guidehouse intends refresh the measure list to capture a greater range of high impact measures. However, we are concerned that a simple “refresh” of the existing measure list will ultimately leave out several promising residential & commercial measures that prior potential studies have left out due to CPUC policies. These measures included broader categories of BROS measures for residential and commercial applications that were initially proposed in the 2018 study but were ultimately excluded in the final potential analysis. Further, we have concerns that by only taking a measure-based approach for the residential & commercial sectors there is no possibility that packages or groups of measures that would ultimately be delivered through Custom or NMEC programs will ever be included in the estimates of residential & commercial potential.
3. **Industrial & Agricultural Measure Characterization (Slide 43):** We were pleased to learn that Guidehouse is currently in the process of conducting a primary data collection study to gather California-specific data on market penetration, saturation and adoption characteristics within the industrial & agricultural sectors. However, the slide indicates that primary data collection results will be the only data source used for the top-down analysis of industrial & agricultural potential. We believe that this approach limits the amount of potential since the primary data effort is only inclusive of 6 segments. California’s industrial & agricultural sectors are numerous and diverse and stretch well beyond any 6 segments that Guidehouse intends to center its industrial & agricultural focus for this study. In addition, as we noted in our informal comments submitted to the CPUC on December 10, 2019 in response to the October 30-31, 2019 P&G workshop, using historical programmatic accomplishments from other states will be a useful guide, particularly for states that don’t have the same restrictive policies regarding custom projects and industry standard practice baselines that California currently has in place. We urge Guidehouse to reach out to many of its own colleagues and potential study industry experts from other consultancies who are collecting data and conducting potential studies in other states to learn from those experiences and apply data sources that can be used to better inform top-down industrial and agricultural potential estimates.
4. **Normalized Metered Energy Consumption (Slide 44):** According to our understanding of Section 6 the SB 350 Clean Energy and Pollution Reduction Act of 2015, all energy efficiency savings must be measured taking into consideration the overall reduction in normalized metered electricity and natural gas consumption where these measurement techniques are feasible and cost effective. Given the important role that NMEC-based programs will play in the future, we would like to see Guidehouse consider conducting a separate all-NMEC scenario for NMEC energy savings potential applied across the board and applicable in the situations specified for the most common residential and commercial situations. However, for industrial, we would like to see this scenario stretch beyond just SEM programs and look at all applications of industrial/agricultural efficiency, including all top-down approaches suggested in Slide 43 (i.e., generic custom and emerging technologies).

The Council Appreciates the opportunity to provide these comments and looks forward to continued dialogue regarding the P&G study. If you have any questions, feel free to reach out to me by email at gwikler@cedmc.org or by phone at 925-286-1710.

Sincerely,



Greg Wikler
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