

**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 13-11-005
(Filed November 14, 2013)

**REPLY COMMENTS OF THE
CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL
ON ADMINISTRATIVE LAW JUDGE'S RULING INVITING RESPONSES TO
POTENTIAL AND GOALS POLICY QUESTIONS**

Date: June 5, 2020

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I. INTRODUCTION

The California Efficiency + Demand Management Council (the “Council”) appreciates this opportunity to submit these Reply Comments on the Administrative Law Judge’s Ruling Inviting Responses to Potential and Goals (“P&G”) Policy Questions (“ALJ Ruling”), issued in R.13-11-005 on March 12, 2020. These Reply Comments are timely filed and served pursuant to the Commission’s Rules of Practice and Procedure and the instructions accompanying the ALJ Ruling.

II. SUMMARY

The Council offers the following Reply Comments in response to Opening Comments filed by numerous parties. We were particularly pleased to see nearly unanimous support for the notion that the CPUC needs to address various policy and technical issues with respect to Energy Efficiency (“EE”) objectives, how EE serves to achieve those various objectives, how EE goals are set, and how to address the cost-effectiveness of various EE savings streams. We also would like to offer our insights and perspectives to just a few specific issues where we differed from the perspectives offered by other parties. These Reply Comments specifically respond to opening comments from the Public Advocates Office (“PAO”), Southern California Edison (“SCE”), Pacific Gas & Electric (“PG&E”), San Diego Gas & Electric (“SDG&E”), Southern California Gas (“SCG”), the Joint Regional Energy Networks (“Joint RENS”), The Utility Reform Network (“TURN”), the Natural Resources Defense Council (“NRDC”), Small Business Utility Advocates (“SBUA”), Enervee, Recurve, and Oracle. Our Reply Comments are limited to the following four points:

- What is the primary objective for the EE portfolio (Ruling Question 1)?
- How should the Commission set EE goals (Ruling Question 2)?
- Should EE opportunities be analyzed using optimization procedures and how should non-optimized EE be treated (Ruling Questions 3 and 4)?
- Should EE portfolio cost-effectiveness assessment methods be modified (Ruling Questions 7 and 9)?

III. DISCUSSION

What is the primary objective for the EE portfolio (Ruling Question 1)?

The Council was pleased to learn that a number of parties agreed with our position that the primary objective for EE should continue to be about energy savings.¹ As TURN and SCG point out, the Commission’s statutory mandate maintains that EE is the preferred energy procurement resource, citing the Commission’s EE Policy Manual as the basis.² While PAO cites that the Commission “must continue to require a cost-effective EE portfolio in accordance with these statutory provisions”³, there is no explicit requirement that greenhouse gas (“GHG”) reductions also be explicitly achieved. Fortunately, as we pointed out in our Opening Comments,⁴ GHG reductions are an ancillary benefit of EE programs. Other parties agree with our position that EE achieves multiple objectives, including GHG reductions.⁵ The Council does not believe that there is a need to change the primary objective of EE toward multiple objectives, as many if not all of those objectives are achieved as a result of cost-effective energy savings brought about through well-designed and efficiently implemented EE programs.

With regard to the primary objective question, TURN claims, without evidence, that the current EE portfolio has negative impacts on grid management and associated ratepayer costs,⁶ citing the possibility that “EE investments could exacerbate renewables curtailment, which results from an oversupply of renewable energy relative to demand.”⁷ While the Council does not disagree that such situations are possible, there is no evidence that we are aware of to support

¹ Council Opening Comments, at p. 5.

² TURN Opening Comments, at p. 2 and SCG Opening Comments, at p. 1.

³ PAO Opening Comments, at p. 1.

⁴ Council Opening Comments, at p. 6.

⁵ Joint RENs Opening Comments, at p. 5 and Oracle Opening Comments, at p. 2.

⁶ TURN Opening Comments, at p. 3.

⁷ *Id.*, at p. 4.

the direct connection between EE program impacts and renewable curtailments. Furthermore, the Council maintains that the potential grid issues identified by TURN should be mitigated or entirely avoided via the avoided cost calculator (“ACC”), since such programs that generate savings in the middle of the day, when avoided costs are low or even negative, will not be cost-effective. Since the ACC reflects these generation dynamics, EE programs will naturally have to be tailored and targeted to achieve savings when they are helpful to the grid while avoiding reductions during times when renewables are at maximum output. Recurve notes that EE programs must be well designed and properly valued to effectively manage loads over the course of the day in order to minimize the risk of net negative loads on the grid leading to undesirable renewable curtailments.⁸

How should the Commission set EE goals (Ruling Question 2)?

The Council was pleased to see that several parties held viewpoints that are similar to ours regarding how the EE goalsetting needs to be segmented into different delivery channels, each delivering on unique and important aspects of the Commission’s current EE policy landscape.⁹ We agreed with a number of parties who pointed out that the SB 350 statute specifies the goal for EE, and that is to double the EE resource by 2030 relative to 2015 levels.¹⁰

Furthermore, a number of parties outlined a vision of the EE goalsetting process that was very much in line with the vision that we outlined in our EE pillars diagram.¹¹ NRDC recommends that the EE portfolio be cleaved into three sub-portfolios: resource energy efficiency, market transformation, and equity energy efficiency.¹² PG&E stresses that it may not be suitable to set goals entirely based on one EE pathway – integrated resource plan (“IRP”) optimization – as has been suggested by some parties commenting on this question.¹³ PAO points out that optimization through the IRP cannot be the exclusive means by which to design budgets for EE programs.¹⁴

⁸ Recurve Opening Comments, at p. 6.

⁹ Council Opening Comments, at p. 7.

¹⁰ PG&E Opening Comments, at p. 6 and SCE Opening Comments, at p. 2.

¹¹ Council Opening Comments, at p. 3.

¹² NRDC Opening Comments, at p. 2.

¹³ PG&E Opening Comments, at p. 4.

¹⁴ PAO Opening Comments, at p. 3.

Should EE opportunities be analyzed using optimization procedures and how should non-optimized EE be treated (Ruling Questions 3 and 4)?

Nearly all parties supported the notion that IRP optimization techniques can be used for a portion of the EE market potential. Furthermore, there appears to be widespread support for the Commission to address non-optimizable EE market potential through alternative mechanisms for setting goals and addressing cost-effectiveness. That said, there were some recommendations which should not be adopted by the Commission. First, SBUA argues that the Societal Cost Test (“SCT”) should be applied for cost-effectiveness of optimized programs going forward.¹⁵ While a more holistic view of benefits is a laudable goal in theory, the SCT is both nascent and highly complex. We believe that a more appropriate and simpler approach to comparing various resources in the context of IRP should be the Program Administrator Cost (“PAC”) test.

The PAC test is the most appropriate basis for assessing the costs incurred by program administrators for implementing various electric resource solutions, whether those resources are EE, demand response (“DR”), distributed energy resources (“DERs”), grid-scale renewables, and traditional generation. The primary reason for this is that the PAC does not include participant costs, just as participant costs are not included in the cost-benefit analysis of other competing resources in a procurement context. Second, NRDC argues that “most, if not all, resource energy efficiency should be optimizable through the IRP.”¹⁶ Based on the fact that the current cost-effectiveness framework puts EE resources on an unlevel playing field with other resources, we do not believe that this statement is accurate. Taking a closer look at Navigant’s 2018 IRP Technical Analysis, it would appear that only about half of the EE goals made it could be met through the IRP optimization process.¹⁷ Without significant changes to the way in which EE resources are judged from a cost-effectiveness perspective, we think it is a stretch to make the argument that most EE could be optimized and ultimately pass through the IRP process.

¹⁵ SBUA Opening Comments, at p. 4.

¹⁶ NRDC Opening Comments, at p. 9.

¹⁷ Navigant Consulting (2018), "IRP Technical Analysis: Considerations for Integrating Energy Efficiency into California’s Integrated Resource Plan," at p. 17.

Should EE portfolio cost-effectiveness assessment methods be modified (Ruling Questions 7 and 9)?

It appears that there is broad support among a wide range of parties for the need to modify how cost-effectiveness is carried out, as we advocated for in our Opening Comments.¹⁸ Regarding Question 7 about whether the Commission should consider modifying the assessment of cost-effectiveness to different paradigms that are complementary the types of interventions (e.g., resource, non-resource, market transformation, equity), along with the Council, we noticed that at least 9 other parties answered this question in the affirmative.¹⁹ The Council strongly recommends that the Commission enlist the expertise of various parties and the industry as a whole to identify and correct flaws with the current cost-effectiveness treatments for resource programs, and develop new cost-effectiveness methods for the other three interventions identified above. With regard to cost-effectiveness treatments for resource programs, it is not appropriate for non-resource program costs to be included in the portfolio cost-effectiveness calculations. As Enervee argues in their Opening Comments, resource acquisition portfolio cost-effectiveness is distorted by including the costs of non-resource interventions that, by definition, do not deliver any benefits captured by the ACC.²⁰ We fully agree with this concern and request that the Commission take immediate steps to remove the non-resource cost burden for all resource program interventions.

To adequately address the cost-effectiveness issue for Market Transformation Initiatives, we urge the CPUC to delegate this responsibility to the California Energy Efficiency Coordinating Committee (“CAEECC”) working group, which is just now forming. The Council recommends that the Commission create additional public workshops and technical forums for the other intervention areas to address the appropriate benefit streams that need to be considered for non-resource and equity interventions.

Regarding Question 9, it was encouraging that nearly all parties supported the Council’s contention that the 1.25 TRC threshold is not reasonable and should be immediately reviewed for possible modification.²¹ The Council reiterates its position that the issue of cost-effectiveness

¹⁸ Council Opening Comments, at p. 13.

¹⁹ See, Opening Comments from PG&E, SCE, SDG&E, Joint CCAs, Joint RENs, NRDC, SBUA, Enervee and Recurve.

²⁰ Enervee Opening Comments, at p. 5.

²¹ Council Opening Comments, at p. 18.

methods and testing must be re-evaluated depending on the type of EE intervention. For the resource intervention, the Council recommends that the Commission switch from the 1.25 TRC requirement to a PAC test and allow all measures/programs that achieve a PAC test of 1.0 or greater to be included in the IRP optimization modeling steps. This will ensure that more EE resources will be included in the IRP optimization steps. For other interventions, the Council recommends that appropriate stakeholder venues be established for the development of appropriate and equitable cost-effectiveness treatments.

IV. CONCLUSION

The Council appreciates the opportunity to offer these Reply Comments. We continue to look to this process with great optimism in order to find a path that leads us toward a clean and resilient energy future. To that end, we urge the Commission to act swiftly and boldly to adopt as many of the important suggestions that have come out of this process and ultimately put EE back on track to once again be a major contributor during these critical times.

Dated: June 5, 2020

Respectfully submitted,

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