

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)

**OPENING COMMENTS OF THE
CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL ON PROPOSED
DECISION ON ASSESSMENT OF ENERGY EFFICIENCY POTENTIAL AND GOALS
AND MODIFICATION OF PORTFOLIO APPROVAL AND OVERSIGHT PROCESS**

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I. INTRODUCTION

The California Efficiency + Demand Management Council¹ (“The Council”) respectfully submits these Opening Comments on the Proposed Decision on Assessment of Energy Efficiency Potential and Goals and Modification of Portfolio Approval and Oversight Process (“Proposed Decision” or “PD”), mailed in R.13-11-005 (Energy Efficiency Rolling Portfolio) on April 16, 2021. These Opening Comments are timely filed and served pursuant to Rule 14.3 of the Commission’s Rules of Practice and Procedure and the instructions accompanying the Proposed Decision.

II. SUMMARY

The Council appreciates the opportunity to comment on this PD. Through these comments, we make the following assertions:

- The Council is pleased overall with the PD, and wishes to laud the Commission for the many improvements made therein. These changes will improve the energy efficiency (“EE”) ecosystem, and we appreciate that the many stakeholders voices calling for such improvements have been heard.
- The Total System Benefit (“TSB”) must be appropriately implemented to maximize energy efficiency.

¹ The views expressed by the California Efficiency + Demand Management Council are not necessarily those of its individual members.

- The PD should be modified to re-examine Behavioral, Operational, and Retrocommissioning measures (“BROs”) Efficient Useful Life (“EUL”).
- AB 841 implementation should not impact third-party (“3P”) solicitations.
- The PD should be amended to count 3P non-incentive costs in approved funding.

III. THE COUNCIL LAUDS THE COMMISSION FOR THE MANY IMPROVEMENTS MADE BY THIS PROPOSED DECISION

The Council wishes to laud the Commission for the many important improvements the PD makes to energy efficiency policy. It is clear the Commission has heard the voice of the EE industry, and we wish to clearly appraise each of the many facets of the PD that bode well for the EE marketplace and ecosystem.

First, we are very pleased to see much-needed changes made to cost-effectiveness. Not only does the PD appropriately convey the difficulty in continuing to deliver cost-effective EE programs, the reduction of the Total Resource Cost (“TRC”) Test threshold to 1.0 for resource programs will enable a significantly larger volume of both shovel-ready EE projects and future developments to be deployed. The Council has advocated repeatedly –in many sets of comments, ex parte meetings, and other venues– for critical changes to cost-effectiveness assessment. While there are further opportunities to enable additional EE via more accurate and appropriate cost-effectiveness assessment that should be examined in future Commission policy actions, we commend the Commission for this important first step towards a more robust, and realistic, ecosystem of EE measures and programs. Moreover, the Council appreciates the exemption of market support and equity programs from cost-effectiveness assessment. This will facilitate a blossoming of critical support initiatives that can deepen and advance the value of resource EE programs.

Second, The Council wishes to express our deep appreciation for the cementing of EE funding at least at current levels for the foreseeable future. This provides critical stability to the EE marketplace, enabling third-parties in particular to plan for reliable, repeatable business opportunities in California. COVID has had myriad business impacts on our EE ecosystem (to say nothing of the enormous impacts to communities and individuals). Providing certainty of EE funding is a critical step to increasing the predictability of available opportunities particularly in the wake of COVID.

Third, The Council thanks the Commission for hearing the voice of the California Energy Efficiency Coordinating Committee (“CAEECC”) and its attendant stakeholders (including The Council) in implementing a return to 4-year portfolio cycles. We believe this change will improve the unintended and unforeseen issues that plagued the Rolling Portfolio process, replacing the choppy, piecemeal annualized approach with a more stable 4-year process.

Fourth, we similarly appreciate the Commission’s incorporation of the recommendations made by The Council, the Natural Resources Defense Council, and others to segment the EE portfolio into resource, market support, and equity programs. This new approach enables each of these critical types of programs to play to their respective strengths and fully inhabit the role for which they are each intended. The Council, as a CAEECC Coordinating Committee member, looks forward to participating in the process –alongside other stakeholders– in ensuring the appropriate treatment of this filing process.

Finally, we thank the Commission for hearing the voice of the EE industry in retaining a reasonable approach to the advice letter process regarding programmatic changes. By requiring Advice Letters only for programmatic changes in certain, specific circumstances (e.g. creating a new program, closing a program, making a local/regional program statewide), and not requiring individual Advice Letters for each program action, the Commission enables the EE industry to focus its efforts on developing and deploying effective programs to meet Commission and state energy and climate goals.

In enumerating the many positive aspects of this PD, The Council intends to reiterate our appreciation for the tack the Commission has taken. While The Council consistently provides constructive feedback for the improvement of Commission policy (including in these comments), we believe it is equally necessary to laud many improvements to the EE ecosystem the Commission has made via this PD.

IV. TSB MUST BE IMPLEMENTED TO MAXIMIZE ENERGY EFFICIENCY

The Council appreciates implementation of the TSB to enable a more holistic approach to EE portfolio assessment when compared to other energy resources, particularly in the context of the Commission’s and the state’s broader energy and climate goals. The introduction of this new metric elicits many questions, particularly around the technical details of how this metric will be assessed. The majority of those questions will need to be posed in The Council’s comments

responding to the April 23 Administrative Law Judge’s Ruling Inviting Comments On Draft Potential and Goals Study. However, one critical element of implementing the TSB is ensuring the manner in which programmatic success as measured by this new metric is crystal clear – particularly as captured in 3P solicitations. The Commission should focus in particular on providing clarity on exactly what TSB outcomes 3P implementers will need to drive in the first tranche of program solicitations (in The Council’s understanding this would be for the 2024-2028 cycle), as this will have significant implications for both the 3Ps themselves and the PAs. The Council urges the Commission to take this important and rare opportunity of changing the portfolio assessment metric to ensure the TSB enables full and robust deployment of EE resources, in contrast to the muted levels of EE we have seen under recent years as a result of the many issues plaguing the TRC.

V. THE PD SHOULD BE MODIFIED TO RE-EXAMINE BROs EUL

The Council urges the Commission to modify this PD to address the critical issue of BROs EULs. In past policy documents, notably including Resolution E-5082, the CPUC has stated, “The EULs for BROs measures were established in Decision D.16-08-019 and can only be updated by a future decision.”² Particularly because of the implementation of TSB, it is critical that the Commission fully values lifecycle savings of BROs measures and Add-On Equipment; this PD represents the appropriate opportunity to address this issue.

In Decision D.16-08-019, the CPUC clearly states that defining a two-year life for behavioral programs in non-residential settings, and a three-year life for retro-commissioning and operational programs was to “err on the conservative side”.³ There is ample evidence that non-residential measures currently being classified as BROs can demonstrate significantly longer EULs than those currently being accepted for such measures. For example, it was reported in a presentation given by the California Technical Forum that SCE was shutting down its deemed Pump System Overhaul program due to low BROs cost-effectiveness as a result of conservative BROs EUL (larger pumps follow the custom process, which continue to show artificially low

² Resolution E-5082, at p. 13.

³ D.16-08-019, at p. 46.

TRCs because of limited EUL).⁴ Maintaining low EULs for all measures classified as BROs, despite existing evidence supporting longer lifetime impacts, has artificially reduced the net lifecycle savings that could be claimed for these measures since 2016. This conservative estimate has resulted in lower TRC values for such measures than should be reflected, and has resulted in the termination of measures and programs, which otherwise would have proven to be cost-effective. Moreover, inaccurate BROs EULs will have significant implications for the accurate characterization of the TSB as a portfolio metric.

The Council requests that the CPUC use this Proposed Decision to directly request program administrators and implementers, as well as other stakeholders, to provide to the CPUC further evidence to support the lengthening of these estimates as originally intended in D.16-08-019. We similarly request that in this Proposed Decision, the CPUC provide direction to program administrators to allow higher EULs for BROs measures that include supporting documentation that demonstrate longer EULs than the current conservative 3 year limit. Making this critical change will not only more accurately reflect the reality of BROs application types currently being deployed, but broaden the available efficiency potential to meet the Commission and the state's energy and climate goals.

VI. AB 841 IMPLEMENTATION SHOULD NOT IMPACT THIRD-PARTY SOLICITATIONS

The Council understands the Commission's approach to implementing AB 841, and appreciates the discussion contained in the PD of the impact on 3P solicitations. The PD states, that "...while Stimulus Program funding will certainly have an effect on the IOUs' compliance with third-party requirements during the 2021-2026 timeframe, we do not expect it to materially affect the IOUs' solicitation plans such that we would need to modify the Commission's third-party targets or requirements at this time." We have concerns that, given the elongated timeframe in which the initial tranche of 3P solicitations have come to fruition (with many still in process), AB 841 implementation will have a greater impact on these solicitations than surmised in the PD. This is particularly true given that 3P implementers cannot access AB 841 funds as they are

⁴ Ayad Al-Shaikh, California Technical Forum, "Stage 2 Item Prioritization", slides 25–28. Available at: <https://static1.squarespace.com/static/53c96e16e4b003bdba4f4fee/t/5c76cd05e2c4832abdc676aa/1551289616726/2019+Stage+2+Issues+Review.pdf>

restricted to Local Education Agencies; thus counting AB 841 funds towards the 60% mandate in fact results in a net deduction in available EE funds to 3P implementers. While we recognize the temporary nature of AB 841, this inconsistency will impede full deployment of 3P programs. Further, this would set a dangerous precedent of allowing external funds to impact the CPUC's intent regarding 3P implementation. Based on these considerations, the PD should be modified to preclude AB 841 funds from counting towards the 60% mandate.

VII. THE PD SHOULD BE AMENDED TO COUNT THIRD-PARTY NON- INCENTIVE COSTS IN APPROVED FUNDING

Conclusions of Law 17 notes that "Administration costs should continue to be capped at ten percent of the program administrator's portfolio; all other budget caps or targets, including for direct-implementation non-incentive costs and marketing and outreach costs, should remain unchanged." Compare this to the language in Section 5.2.3, "In addition, the current cap of ten percent on administrative costs will continue to be applied to the "portfolio administration" costs of the program administrators, as defined by the CAEECC Proposal above. Likewise, other existing Commission budget cost caps or targets for direct-implementation non-incentive costs, administrative costs, and marketing, education, and outreach costs remain unchanged." The Council requests that "administrative costs" be inserted into Conclusions of Law 17, after the words "non-incentive costs" to assure that 3P administrative costs are explicitly included in approved 3P funding. Therefore, an amended Conclusions of Law 17 should read as follows:

"17. Administration costs should continue to be capped at ten percent of the program administrator's portfolio; all other budget caps or targets, including for direct-implementation non-incentive, **administrative, and** marketing and outreach costs should remain unchanged."

VIII. CONCLUSION

The Council appreciates many aspects of the PD as written, and respectfully requests that the needed modifications to the PD as proposed are made to ensure a vibrant and robust EE marketplace.

May 6, 2021

Respectfully submitted,

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