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 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 Council[1] ("The Council") respectfully submits these Reply 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 Reply 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 makes the following recommendations via these comments:

- The Council agrees with the PD's appraisal of Public Utilities Code 381(b) ("P.U. Code 381(b)").
    - A 1.0 Total Resource Cost ("TRC") is appropriate for the Resource Acquisition category of energy efficiency ("EE") portfolios.
    - Market support programs are a necessary part of the Commission's segmentation of EE portfolios.

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

- The Council agrees with Recurve, Gridium, and Marin Clean Energy ("MCE") that the Program Administrator Cost-Effectiveness Test ("PAC Test") represents the necessary evolution of cost-effectiveness assessment.

III. THE COUNCIL AGREES WITH THE PD'S APPRAISAL OF PUBLIC UTILITIES CODE 381(b)

A. 1.0 TRC IS APPROPRIATE

The Council believes the PD's appraisal of P.U. Code 381(b) is accurate. As stated in the PD:

> "The exact language of § 381(b)(1) states that "the Commission shall allocate funds...to cost-effective energy efficiency and conservation activities." This does not prohibit the Commission from allocating funds to other energy efficiency and conservation activities beyond the cost-effective level, if they are appropriate and provide value. While the Commission historically has not gone beyond the minimum requirements to fund cost-effective energy efficiency and conservation, it does not mean that the law prohibits going beyond that level."[2]

We do not agree with the Public Advocates Office ("PAO") and The Utility Reform Network ("TURN") in their interpretation of this statute. PAO asserts that "The persistent decrease from claimed to evaluated savings indicates that a 1.0 ex ante TRC threshold would continue to be insufficient for cost-effective EE on an evaluated basis."[3] However, the fact that certain programs, in the course of complex deployments, have not achieved their intended goals is not an argument for an arbitrarily higher 1.25 TRC threshold. The PD correctly appraises the current reality facing the EE marketplace that, "…cost-effectiveness is becoming much more difficult to achieve…"[4] Particularly during a period in which third-party ("3P") implemented programs are finally beginning to ramp up, it is inappropriate to require an unreasonable buffer beyond a 1.0 TRC in the form of a blunt instrument 1.25 TRC that has repeatedly proven no better at incentivizing programs to generate higher levels of cost-effectiveness.

Rather than set an arbitrarily high TRC threshold, the Commission, the EE marketplace, and ratepayers would be better served by thoughtful improvements to the cost-effectiveness methodology and framework to more appropriately capture the true benefits provided by EE

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[2] Proposed Decision, at pp. 18–19.
[3] Opening Comments of PAO, at p. 8.
[4] Proposed Decision, at p. 19.

programs. The Council and other parties have advocated repeatedly for this shift in numerous sets of comments (including as set forth in Section IV of these Reply Comments), ex parte meetings, workshops, and other venues related to this proceeding.

B. MARKET SUPPORT PROGRAMS ARE A NECESSARY PART OF THE COMMISSION'S SEGMENTATION OF EE PORTFOLIOS

The Council believes the PD appropriately adopts the recommendations of The Council, the Natural Resources Defense Council ("NRDC"), and others in segmenting EE portfolios into Resource Acquisition, Market Support, and Equity categories. Each of the three "pillars" are critical to successful EE portfolios, a robust and vibrant EE marketplace, meeting Commission and State energy and climate goals, and moreover are in-line with P.U. Code 381(b). As stated in the PD:

> "Therefore, we clarify that the provisions of § 381(b)(1) represent a budget "floor," requiring that the Commission must ensure that all cost-effective energy efficiency receives investment, but not that this is a limitation on the Commission requiring additional energy efficiency expenditures, where warranted."[5]

Market Support programs are defined by the Commission as programs, "…with a primary objective of supporting the long-term success of the energy efficiency market by educating customers, training contractors, building partnerships, or moving beneficial technologies towards greater cost-effectiveness."[6] As illustrated by this definition, the value streams provided by these critical programs include, but are not limited to, increased uptake in EE programs (and, therefore, higher energy savings) through marketing, education, and outreach, and invaluable employment, job skills (and skills improvement), and upward mobility for workers in (and entering) the EE industry. Up to the point of implementation of this PD, "non-resource" programs (the term formerly used for Market Support programs) put downward pressure on portfolio cost-effectiveness by delivering little to no savings despite the host of valuable outcomes they drive. As a result, PAs were compelled to drop these vital programs from their annual EE portfolio filings which caused significant disruption in the EE ecosystem.

The PD not only appropriately transforms non-resource programs into Market Support programs to enhance EE portfolios as described above and represent a key facet of the three

[5] Proposed Decision, at p. 19.
[6] *Id.*, at p. 14

"pillars," but also appropriately exempts these programs from cost-effectiveness requirements they cannot reach since the Commission generally does not ascribe energy savings to these programs. Further, this appropriate, warranted segmentation has widespread and explicit support among parties, including The Council, NRDC, Southern California Edison ("SCE"), MCE, Recurve, the Center for Sustainable Energy, Regional Energy Networks ("RENs") BayREN, 3C REN, and SoCalREN, the Local Government Sustainable Energy Coalition, and The City and County of San Francisco.[7] These critical programs provide strategic value to EE programs that cannot be measured in kilowatt-hours, and as such must remain part of the "three-legged stool" as proposed in the PD.

IV. THE COUNCIL AGREES WITH RECURVE, GRIDIUM, AND MCE THAT THE PAC TEST REPRESENTS THE NECESSARY EVOLUTION OF COST-EFFECTIVENESS ASSESSMENT

The Council appreciates the Opening Comments provided by Recurve, Gridium, and MCE that the PAC test represents a significant improvement over the TRC in assessing EE cost-effectiveness. These parties express views similar to those put forward by The Council in numerous sets of comments, ex parte meetings, stakeholder workshops, and other fora that the PAC test represents a more accurate appraisal of costs and benefits while avoiding the asymmetry of the TRC.[8] MCE states:

> "The TRC reduces cost effectiveness, and thus viability of projects, based on participant contributions. These individual contributions do not impair the ratepayer or the Program Administrator and should not inhibit projects. In fact, the opposite is true; removing the participant costs from cost-effectiveness creates an incentive for PAs to accomplish projects with the lowest possible program rebates."[9]

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[7] Opening Comments of The Council, at pp. 2 and 3; Opening Comments of NRDC, at pp. 2-3; Opening Comments of SCE, at p. 2; Opening Comment of MCE, at p. 2; Opening Comments of Recurve, at pp. 5-6; Opening Comments of the Center for Sustainable Energy, at p. 4; Opening Comments of BayREN and 3C REN, at p. 3; Opening Comments of SoCalREN, at p. 4; Opening Comments of the Local Government Sustainable Energy Coalition, at p. 2; and The City and County of San Francisco, at pp. 5-6.
[8] See, for example, R.13-11-005 "Opening Comments of The California Efficiency + Demand Management Council on Administrative Law Judge's Ruling Inviting Responses to Potential and Goals Policy Questions" (May 22, 2020).
[9] MCE Opening Comments, at p. 6.

Recurve states, "…a cost test for optimizable energy efficiency as a resource needs to recognize the value of leveraging external capital (including participant contributions), not penalize it."[10] Similarly, Gridium states, "[t]he Program Administrator Cost (PAC) test would more fairly represent the interests of customers vis-a-vis the hundreds of millions in PPP ["Public Purpose Program"] funds they pay into the system every year."[11]

The Council believes the 1.0 TRC ordered by the PD will help provide some near-term relief from a cost-effectiveness methodology that inappropriately treats participant benefits and costs asymmetrically. This is a necessary interim step, but the medium- and longer-term health of the EE industry depends on the Commission beginning a transition to a cost-effectiveness methodology that more appropriately captures the benefits and costs of EE programs by adopting the PAC test for EE portfolios. As always, The Council stands ready to represent the voice of the EE industry in advancing those discussions.

V. CONCLUSION

The Council appreciates consideration of these Reply Comments, and encourages the Commission to adopt the assertions provided herein.

Respectfully submitted,

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[10] Recurve Opening Comments, at pp. 7 – 9.
[11] Gridium Opening Comments, at p. 4.