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 REQUESTING ENERGY EFFICIENCY COMMENTS/PROPOSALS TO ADDRESS GOVERNOR'S PROCLAMATION OF JULY 30, 2021

Dated: September 10, 2021

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I. INTRODUCTION

The California Efficiency + Demand Management Council[1] ("The Council") respectfully submits these Reply Comments on the Administrative Law Judge's ("ALJ's") Ruling Requesting Energy Efficiency Comments/Proposals to Address Governor's Proclamation of July 30, 2021 ("ALJ Ruling"), issued in R.13-11-005 (Energy Efficiency Rolling Portfolio) on August 6, 2021. These Reply Comments are timely filed and served pursuant to the California Public Utilities Commission's ("Commission's" or "CPUC's") Rules of Practice and Procedure and the instructions accompanying the ALJ Ruling.

II. SUMMARY

In these Reply Comments, The Council asserts the following:

- The Council concurs with numerous parties that cost-effectiveness testing requires reform;
- The Council agrees with several parties that the custom review and normalized metered energy consumption ("NMEC") processes need significant alteration during the ruling period;
- The Council agrees with Gridium that the Commission should follow its own precedent and change how TRC is calculated for financed projects.

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

III. THE COUNCIL CONCURS WITH NUMEROUS PARTIES THAT COST-EFFECTIVENESS TESTING REQUIRES REFORM

The Council supports the positions taken by Marin Clean Energy ("MCE"), Gridium, Inc. ("Gridium"), and East Bay Community Energy and California Choice Energy Authority that the Commission should evolve cost-effectiveness testing to use the Participant Cost ("PAC") test.[2] It is clear through the comments provided by these parties that cost-effectiveness reform remains critical to enabling the full and robust deployment of energy efficiency ("EE"). The Council has repeatedly recognized this fact, and accordingly has advocated in many prior comments in this proceeding (including our Opening Comments on this ALJ Ruling), as well as in the Integrated Distributed Energy Resources ("IDER"), Integrated Resource Planning ("IRP") and Microgrid proceedings, for cost-effectiveness to be reformed by moving to the PAC test.

The Council believes the PAC test more accurately addresses resource needs given the grid and climate conditions we are facing today. The PAC test also places EE on equal footing with other behind-the-meter DERs as well as supply-side resources. Finally, the PAC test does not penalize the inclusion of project financing as happens when using the Total Resource Cost ("TRC") test. We believe that removing this barrier to EE financing will unlock significant amounts of additional EE savings that are currently on the sidelines – which is particularly relevant in light of the Governor's Proclamation and the pursuant ALJ Ruling.

While The Council continues to believe that a PAC test is the correct evolution of applying cost-effectiveness to EE, we appreciate that there may be procedural and technical hurdles impeding rollout of a cost-effectiveness test by the CPUC in the near-term period covered by this Ruling. As illustrated in our Opening Comments, we recommend moving to a 0.85 TRC which may be more practical and readily deployed in the period covered by this Ruling. This 0.85 TRC proposal, if applied in lieu of a PAC test, should apply retroactively to approved EE projects being deployed in this timeframe. In applying any reformed cost-effectiveness proposal –that will necessarily mobilize key EE resources during this ongoing period of grid strain– the Commission should direct the investor-owned utilities ("IOUs") to modify existing third-party contracts in order to ensure these ongoing programs are not forced to meet a moving target with outdated contract language.

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[2] Opening Comments of East Bay Community Energy and California Choice Energy Authority, at pp. 2–3; Opening Comments of MCE, at pp. 18–19; and Opening Comments of Gridium, at pp. 2–4.

The clear need for cost-effectiveness relief and reform is further underscored by the proposal put forward by the Natural Resources Defense Council ("NRDC") to adjust cost-effectiveness requirements for qualifying programs and measures to account for emergency reliability avoided costs.[3] Enovity similarly suggested "…including a resiliency benefit in the avoided cost calculator will (more) fully recognize the temporal value of energy savings, realizing the cost-effectiveness of projects that serve the Governor's order in the near term."[4] Creating adders that account for reliability and resiliency value is yet another means to capture the full value that EE drives. While more exploration is likely needed on these new and insightful proposals, they clearly represent both a thoughtful approach to appropriately ascribing demand savings value to EE and underscore the urgent need to evolve cost-effectiveness beyond its current state. Through these many proposals, the Commission has a range of options to ensure EE provides maximum value to the grid.

IV. THE COUNCIL AGREES WITH SEVERAL PARTIES THAT THE CUSTOM REVIEW AND NMEC PROCESSES NEED SIGNIFICANT ALTERATION DURING THE RULING PERIOD

First, The Council agrees with Enovity that significant reforms are needed for the Custom Review Process ("CRP") in order to unlock substantial and immediate savings opportunities.[5] The Council has been an active stakeholder in helping the Commission shape and enhance the CRP since it was first launched in 2011. At the time of launch, it was the understanding of several stakeholders that CRP was being implemented as a temporary measure aimed at reducing Custom project free-ridership which would improve net-to-gross ratios. Over the years, we have participated in numerous stakeholder meetings, offered comments in various proceedings, and led legislative efforts (e.g., Senate Bill ("SB") 1131) all of which aimed at improving the CRP.

Unfortunately, none of these efforts appear to have improved what continues to be an overly cumbersome and unfriendly process for the ratepayers that fund the program. There is overwhelming evidence that gross savings from Custom projects are sharply declining. Figure 1 below illustrates this situation.

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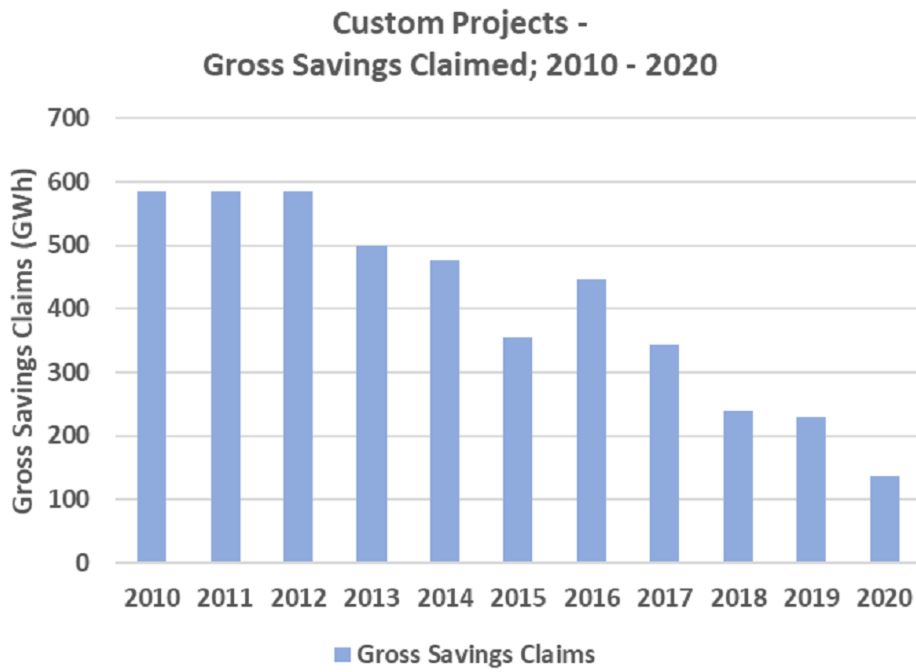
[3] Opening Comments of NRDC, pp. 3 – 4.
[4] Opening Comments of Enovity, at p. 3.
[5] *Id.*, at pp. 3 – 4.

Figure 1:



The Council has pulled together public data from California Measurement Advisory Council ("CALMAC") for the 2010 – 2015 period and California Energy Data and Reporting System ("CEDARS") for the 2016 – 2020 period to document the gross savings claims from Custom projects dating back to 2010. As can be seen, the impacts during the early years (2010 – 2012) were stable. Then as the CRP took hold, those savings began to slide through 2015. In 2016, the Commission switched to the CEDARS database which might explain why there was a temporary bump-up in savings that year. The CEDARS data shows a declining trend continuing. In 2018, the Council sounded the alarm to legislators about problems with the Custom programs, due in large part to the CRP. We worked with the Legislature to pass SB 1131, which was focused on improving the CRP. While the Commission has done an excellent job implementing the requirements of SB 1131, Figure 1 shows that gross savings continue to decline. Furthermore, through CEDARS we were able to track cost-effectiveness of Custom projects during the 2016-2020 timeframe. The cost-effectiveness appears to be dropping in line with the drop in savings. In order to resuscitate the savings from these valuable programs, The Council respectfully requests that the Commission strongly consider Enovity's proposal to significantly alter or eliminate the CRP – at the very least during the period this Ruling concerns.

Short of deep reform of the CPR as proposed by Enovity (as well as in our own Opening Comments), The Council recommends the Commission should at the very least adopt Pacific Gas and Electric's ("PG&E's") proposals to "Expedite Project Reviews and Tighten the Timing of Review and Baseline Modeling Periods for Custom and NMEC, Respectively", as well as to "Treat All Reliability-Focused Custom Projects as Accelerated Replacement."[6] The Council appreciates PG&E's thoughtful comments about CPR as well as NMEC. With respect to NMEC, The Council's members have seen a significant slowdown in the acceptance of site-based NMEC project applications. We believe that these projects can lead to substantial demand savings that will directly benefit the state's grid reliability ambitions over the next few years. As such, we support any proposals that are aimed at expediting the approval process for NMEC projects.

V. THE COUNCIL AGREES WITH GRIDIUM THAT THE COMMISSION SHOULD FOLLOW ITS OWN PRECEDENT AND CHANGE HOW TRC IS CALCULATED FOR FINANCED PROJECTS

The Council agrees with Gridium's Opening Comments that point out Commission precedent demonstrates that different accounting and measurement of cost-effectiveness for EE financing projects is required. Financed projects are already important to the delivery of EE and are becoming more so every year. Since January 2020, financed projects have accounted for 14% of all non-Codes and Standards net first year kW savings claimed by Program Administrators.[7] These projects and programs – and the decarbonization that comes with them – are in jeopardy. Due to changes in the Avoided Cost Calculator and in how TRC is calculated for financed projects, thousands of would-be financed projects will likely never move forward.

As Gridium notes, there is a straightforward resolution to this problem – the Commission has the opportunity, in response to the Governor's Proclamation, to follow its own guidance in Decisions D.09-09-047 and D.19-03-001 and change the way TRC is calculated for financed projects.[8] The Council supports Gridium's proposed method of calculating the Full Measure Cost portion of the TRC as the carrying cost to ratepayers of the loan. Adjusting the TRC calculation in accordance with these decisions would properly allow customers to spend their own money on efficiency, and in so doing help ensure that California has a safe and reliable electricity supply.

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[6] Opening Comments of PG&E, at pp. 5–8.

[7] CEDARS Summary Data, Quarterly Claims 2020-2021

[8] D.09-09-047, *Decision Approving 2010 to 2012 Energy Efficiency Portfolios and Budgets,* September 24, 2009, at p. 288. *See also*, D.19-03-001, March 14, 2019, *Decision Granting Petition for Modification of Decision 09-09-047 Concerning On-Bill Financing,* Ordering Paragraph 5, at p. 19.

VI. CONCLUSION

The Council appreciates this opportunity to provide these Reply Comments. It is clear from the comments of numerous parties that cost-effectiveness relief and reform are central to full and robust deployment of EE, both for near-term grid benefit and long-term environmental improvement and climate change mitigation. We strongly urge the Commission to take up the thoughtful recommendations made by many parties in response to the ALJ Ruling as a critical step towards building a cleaner, more resilient grid.

Respectfully submitted,

September 10, 2021

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