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)

**RESPONSE OF
THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL TO
SIERRA CLUB MOTION TO PROHIBIT ENERGY EFFICIENCY FUNDING FOR NON-COST-EFFECTIVE GAS APPLIANCE INCENTIVE MEASURES**

Dated: January 28, 2022

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I. INTRODUCTION

The California Efficiency + Demand Management Council[1] ("The Council") respectfully submits this Response to the Motion to Prohibit Energy Efficiency Funding for Non-Cost-Effective Gas Appliance Incentive Measures ("Motion"), submitted by Sierra Club in this proceeding on January 13, 2022. This Response is timely filed and served pursuant to Rule 11.1(e) of the Commission's Rules of Practice and Procedure.

II. BACKGROUND

The Council is a statewide trade association of non-utility businesses and organizations that provide energy efficiency ("EE"), demand response ("DR"), distributed energy resources ("DER") and data analytics services and products in California. Our member companies and organizations employ many thousands of Californians throughout the state. They include EE, DR, DER, and grid services technology providers, implementation and evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training.

The Council's members represent every facet of the EE, demand response, and distributed energy resources industries, delivering the programs and services that allow California to pursue its nation-leading goals for addressing climate change while also keeping energy affordable, reliable, and resilient.

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

III. ASSESSING COST-EFFECTIVENESS AT THE MEASURE-LEVEL SETS A CONCERNING PRECEDENT

The Council is concerned about the reimposition of measure-level cost effectiveness requirements (as contrasted with portfolio-level cost effectiveness). This would be a giant step backwards for California's ability to reach all of its policy goals for clean energy, and moreover would be in direct opposition to Commission requirements. Decision ("D.") 21-05-031 states that, "[t]he Commission should continue to require all program administrators to report their energy efficiency <u>total portfolio cost-effectiveness</u> ratios using both the TRC and PAC tests" [emphasis added].[2] This clearly indicates that cost-effectiveness is determined at the portfolio level, rather than at a measure-level.

The Council appreciates that California's policymakers and regulators are tasked with making important decisions that will allow our state to strike an optimal balance between sometimes competing policy objectives. With this in mind, The Council is concerned that adoption of Sierra Club's recommendations would result in the removal of gas efficiency options that the state may need to reach its overall objectives and deny consumer choice and efficiency opportunities that the Commission may wish to preserve.

A vital aspect of engaging market actors to transform markets and drive meaningful efficiency is having the broadest overlap of measures and measure categories with the inventory they sell. Broader overlap means deeper impact on their business and, therefore, more program impacts and influence and, thus, attribution. An effective strategy for creating broad measure coverage and diversity in a program is to field a portfolio with a mix of more and less cost-effective measures. Supporting measures that may presently be non-cost-effective is also a key way of piloting newer measures with higher cost and greater market barriers that are early in their adoption. Without support for less cost-effective measures, the EE industry would have less ability to seed the newer measures that will become the core of future savings.

[2] D.21-05-031 is the Decision Regarding Assessment of Energy Efficiency Potential and Goals and Modification of Portfolio Approval and Oversight Process ("D.21-05-031") issued in this proceeding on May 26, 2021, at p. 75 (Conclusion of Law 4). TRC stands for Total Resource Cost ("TRC") and PAC stands for Program Administrator Cost ("PAC").

IV. SIERRA CLUB'S ANALYSIS DEMONSTRATES THE SHORTCOMINGS OF THE CURRENT APPROACH TO COST-EFFECTIVENESS

As The Council has reiterated in numerous previous comments in this proceeding (and other Commission proceedings), the Commission's current approach to cost-effectiveness utilizing the Total Resource Cost ("TRC") test does not capture the full benefits of a wide range of measures and programs.[3] Employing a cost-effectiveness test that more accurately and appropriately measures the costs *and* benefits of energy efficiency programs, notably the Program Administrator Cost ("PAC") test, would provide a clearer appraisal of the value efficiency measures provide. We encourage Sierra Club to join The Council and other stakeholders in seeking structural cost-effectiveness reform in order to achieve our shared goals of lowering energy bills, reducing carbon emissions, and creating meaningful employment opportunities throughout the state.

V. ELIMINATING GAS MEASURES WILL NEGATIVELY IMPACT RATEPAYER EQUITY AND ACCESS

Another key point of concern is the impact immediate elimination of efficient gas measures will have on disadvantaged communities. If incentives are removed for efficient gas measures before the replacement gas to electric measures for the same category are widely available and cost-competitive, then those who are least able to afford higher cost measures are disproportionately affected. As a social equity issue, this is clearly problematic and likely an unintended consequence of removing support for efficient gas measures that will have a particularly strong impact on financially vulnerable customers who are not eligible for the low-income Energy Savings Assistance ("ESA") programs. A prohibition of funding for efficient gas measures could further disadvantage those customers with modest means, widening the gap between these customer groups and more affluent groups.

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[3] *See*, for example: "Opening 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", filed in this proceeding on August 31, 2021, and "California's Cost-Effectiveness Approach Precludes Valuable Energy Efficiency", published October 2020. Available at: https://cedmc.org/wp-content/uploads/2020/11/CEDMC-Cost-Effectiveness-Position-Paper.pdf

VI. CONCLUSION

The Council respectfully submits this Response and appreciates the opportunity to provide input on Sierra Club's Motion. Particularly during a period of transition to third-party program implementation, it is essential that program delivery is free from overly prescriptive and constraining predetermination of the measure set available to drive efficiency. As such, The Council does not support the wholesale removal of gas measures at this time. We nonetheless welcome a thoughtful exploration of future efficiency measures as part of the scope of this proceeding – as well as part of the broader discussion on the future of EE as a resource, including as part of an integrated decarbonization strategy.

Respectfully submitted,

January 28, 2022

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