BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of 2024-2031 Energy Efficiency Business Plan and 2024-2027 Portfolio Plan (U 39 M).	Application 22-02-005 (Filed February 15, 2022)
And Related Matters.	Application 22-03-003 Application 22-03-004 Application 22-03-005 Application 22-03-007 Application 22-03-008 Application 22-03-011 Application 22-03-012

REPLY COMMENTS OF
THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL ON ADMINISTRATIVE LAW JUDGE'S RULING INVITING COMMENTS ON STAFF PROPOSAL FOR GAS ENERGY EFFICIENCY INCENTIVES AND CODES AND STANDARDS SUB-PROGRAMS AND BUDGETS

Dated: October 3, 2022

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The California Efficiency + Demand Management Council[1] ("The Council") appreciates the opportunity to submit these Reply Comments on the Administrative Law Judge's Ruling Inviting Comments on Staff Proposal for Gas Energy Efficiency Incentives and Codes and Standards Sub-Programs and Budgets, submitted in these proceedings on August 2, 2022 ("ALJ Ruling"). These Reply Comments have been timely filed and served pursuant to the Commission's Rules of Practice and Procedure, the instructions contained in the ALJ Ruling, and the instructions contained in an ALJ Ruling, submitted on August 18, 2022.

I. THE DEFINITION OF VARIABLE ELECTRIC ALTERNATIVES SHOULD BE BASED ON A COMBINATION OF BENEFIT-COST ANALYSES AND DISTRIBUTIONAL EQUITY ANALYSES

Several commenters, including Pacific Gas and Electric Company ("PG&E"), San Diego Gas & Electric Company ("SDG&E"), Small Business Utility Advocates ("SBUA"), and Southern California Gas Company ("SoCalGas") expressed concerns about the rate and cost impacts when defining "Viable Electric Alternatives" ("VEA") and the need to understand its

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

impact on Energy Equity.[2] In addition, PG&E urged the Commission to establish a working group on defining VEA (emphasis added):

> **…PG&E recommends a stakeholder working group** to discuss whether the **116%** threshold percentage is appropriate in general, and whether it should be applied uniformly across all customer sectors (e.g. industrial and residential) given that the range of costs between gas measures and viable electric alternatives can vary widely and result in instances when combined total project costs (direct and indirect costs) are prohibitively expensive for some customers even when an electric alternative does not meet this percentage threshold criteria.[3]

How "VEA" is defined will have impacts on the equity of the energy system. An equitable energy system is one where the economic, health, and social benefits of participation extend to all levels of society, regardless of ability, race, or socioeconomic status. Achieving energy equity requires intentionally designing systems, technology, procedures, and policies that lead to the fair and just distribution of benefits in the energy system.[4]

Benefit-cost analysis ("BCA") assesses program cost-effectiveness, but is not able to fully assess energy equity, as it cannot account for structural or procedural equity, nor does it fully address distributional equity. Pursuant to the National Standard Practice Manual:

> A better way to assess customer equity is through rate, bill, and participation analyses. These analyses provide information about the extent to which rates and bills might change for DER host customers relative to non-host customers. They also provide information about how many customers are host customers versus non-host customers. Because DER host customers typically experience greater benefits than non-host customers, customer participation rates provide very useful information about customer equity (see NSPM 2020 Appendix A)[5]

Rate, bill, and participation analyses address different answers from BCAs because they answer different questions:[6]

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[2] PG&E Opening Comments, at pp. 8-9; SBUA Opening Comments, at pp. 3-4; SDG&E Opening Comments, at pp. 6-9; and SoCalGas Opening Comments, at pp. 18-22.

[3] PG&E Opening Comments, at p. 4.

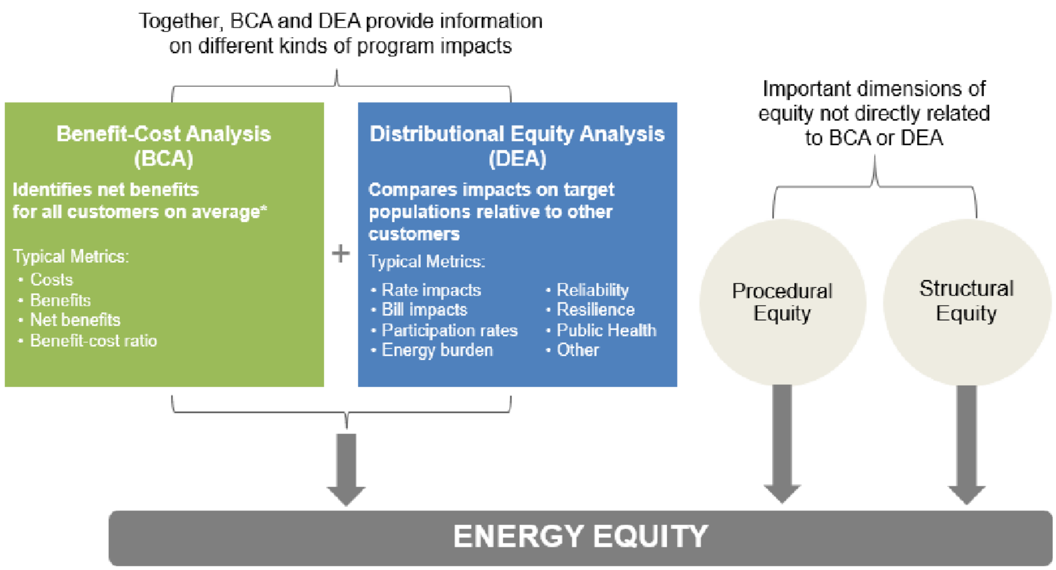
[4] Pacific Northwest National Laboratory. (PNNL 2021). 2021. *Review of Energy Equity Metrics*. Tarekegne, Pennell, Preziuso, O'Neil. https://www.pnnl.gov/main/publications/external/technical_reports/PNNL-32179.pdf

[5] National Standard Practice Manual. https://www.nationalenergyscreeningproject.org/national-standard-practice-manual/ Chapter 9, Energy Equity, p.186

[6] *Id.*, at p. 187.

- BCAs typically address the question of which DERs will have net benefits across customers and perhaps society on average, and therefore might merit utility acquisition or support on behalf of all customers.
- Rate, bill, and participation analyses address the question of whether and how much will DERs increase or reduce rates for host customers and non-host customers. They also address the question of what portion of customers will be host customers and thereby experience greater benefits than non-host customers. This provides very useful information regarding equity between host and non-host customers.

Distributional equity analyses ("DEAs") can help address the limitations of BCAs and rate, bill, and participation analyses in assessing energy equity because DEAs can explicitly account for the difference in impacts between target populations and other customers. The conceptual framework for how BCAs combined with DEAs can address energy equity issues and inform utility investment decisions is illustrated below.[7] It also indicates how the procedural and structural dimensions of equity are not directly related to BCA practices.



The Council encourages Commission Staff to consider adopting a similar framework to the DEA when defining "VEA" in order to address the issues the Council identified above. Such a framework can build upon the metrics identified in the CEC report,[8] *California Clean Energy*

[7] National Standard Practice Manual, at p. 188.
[8] Doughman, Pamela, Michael J. Sokol. 2017. *California Clean Energy Equity Framework and Indicators: An Approach for Tracking Progress of Energy Efficiency and Renewables for Low-Income Customers and Small Business Contracting Opportunities in Disadvantaged Communities*. California Energy Commission. Publication Number: CEC-300-2017-051-SD.

Equity Framework and Indicators: An Approach for Tracking Progress of Energy Efficiency and Renewables for Low-Income Customers and Small Business Contracting Opportunities in Disadvantaged Communities.

II. CONCLUSION

The Council appreciates the opportunity to provide these Reply Comments.

Respectfully submitted,

October 3, 2022

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