BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company (U 39 E) for Approval of its Demand Response Programs, Pilots and Budgets for Program Years 2023-2027	Application 22-05-002 (Filed May 2, 2022)
And Related Matters.	Application 22-05-003 Application 22-05-004

OPENING COMMENTS OF
THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL ON PROPOSED DECISION APPROVING INVESTOR-OWNED UTILITIES' DEMAND RESPONSE PROGRAMS, PILOTS, AND BUDGETS FOR BRIDGE YEAR 2023

Dated: November 17, 2022

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I. INTRODUCTION

The California Efficiency + Demand Management Council (the "Council") respectfully submits these Opening Comments on the Proposed Decision Approving Investor-Owned Utilities' Demand Response Programs, Pilots, and Budgets for Bridge Year 2023 ("Proposed Decision" or "PD"), mailed in this proceeding on November 4, 2022. 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. BACKGROUND

The Council is a statewide trade association of non-utility businesses that provide energy efficiency, demand response, and data analytics services and products in California.[1] Our member companies employ many thousands of Californians throughout the state. They include energy efficiency ("EE"), demand response ("DR"), and distributed energy resources ("DER") service providers, implementation and evaluation experts, energy service companies, engineering and architecture firms, contractors, financing experts, workforce training entities, and energy efficient product manufacturers. The Council's mission is to support appropriate EE, DR, and

[1] Additional information about the Council, including the organization's current membership, Board of Directors, antitrust guidelines and code of ethics for its members, can be found at http://www.cedmc.org. The views expressed by the Council are not necessarily those of its individual members.

DER policies, programs, and technologies to create sustainable jobs, long-term economic growth, stable and reasonably priced energy infrastructures, and environmental improvement.

III. SUMMARY OF THE COUNCIL'S POSITIONS

The Council generally supports the Proposed Decision but recommends the following revisions:

- The Commission should approve higher Pacific Gas and Electric Company ("PG&E") Capacity Bidding Program ("CBP") incentives in order to spur the program's growth
- PG&E should be authorized to submit a Tier 2 Advice Letter containing its proposal to expedite CBP energy payments

IV. THE COUNCIL GENERALLY AGREES WITH THE PROPOSED DECISION ON THE INVESTOR-OWNED UTILITY APPLICATIONS WITH A FEW EXCEPTIONS

The Proposed Decision correctly treats a vast majority of the investor-owned utilities' ("IOUs'") 2023 bridge funding proposals as noncontroversial and approves them accordingly. The Southern California Edison Company ("SCE") and San Diego Gas & Electric Company ("SDG&E") proposals are essentially a continuation of their respective 2022 program. PG&E's revised CBP operating hours and incremental IT funding for expanding its Electric Rule 24 ("Rule 24") capabilities are practical proposals meant to respond to clear needs. Revised CBP operating hours is a common-sense proposal that will better align PG&E's CBP with the Resource Adequacy ("RA") Availability Assessment Hours ("AAH").

The additional IT funding prudently reflects what the PD has correctly stated is a reasonable request in light of the projected growth in Rule 24 authorizations.[2] The Proposed Decision's deferred consideration of PG&E's CBP nomination window, revised CBP Elect bid prices, and cost recovery of RA market-based penalties is also appropriate given that IOU DR programs are not currently required to be on their supply plans.[3] However, the Council believes there are other non-controversial proposals the PD should adopt. These are addressed below.

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[2] Proposed Decision, at pp. 17-18.
[3] *Id*., at pp. 11-12.

A. Higher PG&E CBP Incentives Are Reasonable in Light of Inflationary Pressures.

The Proposed Decision declines to adopt higher incentives for PG&E's CBP due to questions about the "overall viability" of CBP based on its Total Resource Cost ("TRC") score below 1.0 for 2024-2027.[4] The Council respectfully notes that the CBP has been one of the longest-running IOU DR programs and as such, its viability has been clearly demonstrated. Furthermore, the fact that, despite the significant growth in PG&E's CBP that has been observed already and the further growth projected in PG&E's 2024-2027 DR application, the TRC is still less than 1.0 indicates a potentially serious problem with how DR cost-effectiveness is calculated. No party in this proceeding has argued that the DR cost-effectiveness protocols do <u>not</u> need to be reassessed. For these two reasons, the Commission should not place so much weight on cost effectiveness given such a counter-intuitive outcome.

The impact of higher incentives on CBP nominations is demonstrated by the significant growth in PG&E's October CBP nominations since the incentives for that month were increased.[5] The Council understands that the Commission may be reticent to so easily increase incentives for a DR program but, as the Council pointed out in its Reply Testimony, inflation over the past five years has clearly depressed the value of the CBP incentives and a correction is warranted.[6]

B. PG&E Should Be Authorized to Submit Its Expedited CBP Energy Payments Proposal with Clear Specifications.

The Proposed Decision declines to consider PG&E's proposal to expedite its CBP energy payment process because "it is not clear what benefits PG&E's proposal will provide", and because PG&E has not provided a clear proposal for how it would work.[7] The Council respectfully disagrees with these arguments because 1) PG&E has adequately described the benefits of its proposal, and 2) the PD appears to overlook the fact that the Commission would be under no obligation to approve PG&E's Tier 2 Advice Letter containing its proposal.

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[4] Proposed Decision, at p. 14.
[5] <u>*Id*</u>.
[6] Reply Testimony of the California Efficiency + Demand Management Council, submitted in this proceeding on August 3, 2022 ("Ex. Council-01"), at pp. 3-4.
[7] Proposed Decision, at p. 16.

In its testimony, PG&E explained that its proposal to accelerate CBP energy payments will "enable PG&E to align the energy and capacity payment processes, while increasing operating efficiency" as well as providing "a better customer experience."[8] These benefits are real in that they would likely reduce PG&E's administrative costs while significantly shortening the CBP incentive payment process which would likely make it more attractive to CBP aggregators who rely on these energy payments to pay their customers for their performance. The Proposed Decision errs in dismissing these benefits out of hand without addressing why they are not sufficient to warrant what is, fundamentally, a program revision of an operational rather than policy nature.

The Council respectfully notes that PG&E is not requesting the Commission to approve this change to its CBP settlement process in this proceeding, only that it be authorized by the Commission to submit a proposal to make this change. By approving PG&E's request to submit a Tier 2 Advice Letter, the Commission would be under no obligation to approve it if the proposal did not address the concerns provided in the Proposed Decision. Put another way, it would make little sense for PG&E to present a detailed proposal in its testimony only to request that the Commission allow it to submit the same proposal in an advice letter.

Furthermore, if the Commission were to allow PG&E to submit a detailed proposal via advice letter, the Commission would retain the ability to make changes to the proposal based on party feedback. The Public Advocates Office ("Cal Advocates") has already provided constructive initial feedback in this proceeding that would surely inform PG&E's detailed proposal.[9] The Council sees very little risk in authorizing PG&E to submit a detailed proposal via Tier 2 Advice Letter.

V. THE COUNCIL SUPPORTS CONSIDERATION OF THE OHMCONNECT, INC. AND SMALL BUSINESS UTILITY ADVOCATES PROPOSALS TO PHASE 2

The Proposed Decision declines to adopt the two OhmConnect, Inc. ("OhmConnect") proposals, one to create an on-ramp for Emergency Load Reduction Program ("ELRP") Pilot participants to market-integrated DR programs, the other to update the Group B.1 trigger to

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[8] Pacific Gas and Electric Company 2023-2027 Demand Response Programs, Pilots, and Budgets – 2023 Bridge Funding Prepared Testimony, submitted in this proceeding on May 2, 2022 ("Ex. PG&E-1"), at p. 1-12, lines 6-21.

[9] Public Advocates Office Opening Testimony, submitted in this proceeding on July 13, 2022 ("Ex. CalAdvocates-01"), at p. 1-4, lines 16-18.

include Flex Alerts.[10] The Proposed Decision also declines to approve the Small Business Utility Advocates ("SBUA") proposal to use the Societal Cost Test ("SCT") rather than the TRC to determine DR program cost effectiveness.[11] The Council accepts the Proposed Decision's determination that, due to the expedited schedule of Phase 1, these proposals are out of scope.[12] In all three instances, the PD appears to leave the door open for these proposals to be re-submitted in Phase 2 of this proceeding. The Council continues to support the OhmConnect proposal and appreciates the Commission being open to considering them in Phase 2. With regard to the SBUA proposal, it should be considered in the broader context of potential changes to DR cost effectiveness requirements.

VI. CONCLUSION

The Council requests that the Proposed Decision be modified for the reasons stated above. Those needed modifications to the Proposed Decision are included in Appendix A (Proposed Modifications to Findings of Fact, Conclusion of Law, and Ordering Paragraph) attached and incorporated by reference hereto.

Dated: November 17, 2022

Respectfully submitted,

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[10] Proposed Decision, at pp. 31-36.
[11] *Id.*, at pp. 37-38.
[12] *Id.*, at p. 45 (Finding of Fact 31).

APPENDIX A

THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL PROPOSED FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDERING PARAGRAPHS FOR THE PROPOSED DECISION APPROVING INVESTOR-OWNED UTILITIES' DEMAND RESPONSE PROGRAMS, PILOTS, AND BUDGETS FOR BRIDGE YEAR 2023

The California Efficiency + Demand Management Council (the "Council") proposes the following modifications to the Findings of Fact, Conclusions of Law, and Ordering Paragraphs in the Proposed Decision Approving Investor-Owned Utilities' Demand Response Programs, Pilots, and Budgets for Bridge Year 2023, mailed in A.22-05-002, et al. on November 4, 2022 ("Proposed Decision").

Please note the following:

- A page citation to the Proposed Decision is provided in brackets for each Finding of Fact, Conclusion of Law, or Ordering Paragraphs for which a modification is proposed.
- Added language is indicated by **bold type**; removed language is indicated by **bold strike-through**.
- A new or added Finding of Fact, Conclusion of Law, or Ordering Paragraph is labeled as "**NEW**" in **bold underscored** capital letters.

PROPOSED FINDINGS OF FACT:

[NEW] Approving PG&E's proposal to submit a proposal for expedited CBP energy payments via a Tier 2 Advice Letter does not obligate the Commission to accept this proposal.

[NEW] Inflation has increased significantly since the IOUs' 2018-2022 DR program were approved.

[NEW] PG&E's higher October CBP incentive payments approved in D.21-03-056 resulted in significant increased participation.

<u>PROPOSED CONCLUSIONS OF LAW</u>:

1. [43] Due to the expedited schedule of this Phase I, it is reasonable to delay until Phase II of this proceeding consideration of PG&E's proposed CBP RA-related changes, **with the exception of its proposals to increase its CBP incentives and expedite CBP energy payments,** as well as PG&E's proposed electronic enrollment process changes.

6. [43] PG&E**'s** ~~**has not provided sufficient justification to support its**~~ proposed change to the incentive levels of the CBP **is reasonable**.

7. [43] PG&E**'s** ~~**has not provided sufficient justification to support its**~~ proposed change to the method of payment for CBP Aggregators **is reasonable**.

~~**8. [43] It is reasonable to reduce PG&E's proposed budget for 2023 DR funding by $1.31 million to reflect a reduction in its proposed CBP incentive levels.**~~

13. [44] PG&E should be authorized to recover $~~**67,957,528**~~ **69,274,601** for its 2023 Bridge Year DR program activities.

<u>PROPOSED ORDERING PARAGRAPHS</u>:

1. [46] Pacific Gas and Electric Company shall recover its 2023 Bridge Year Demand Response revenue requirement of $~~**67,957,528**~~**69,274,601** through distribution rates using the Distribution Revenue Adjustment Mechanism by filing Annual Electric True-up Advice Letters. Pacific Gas and Electric Company shall continue using the Demand Response Expenditure Balancing Account to track Demand Response program expenses and authorized budget.