

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
PROPOSED DECISION ADDRESSING CODES AND STANDARDS SUBPROGRAMS
AND BUDGETS AND STAFF PROPOSAL ON REDUCING RATEPAYER-FUNDED
INCENTIVES FOR GAS ENERGY EFFICIENCY MEASURES**

March 28, 2023

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I. INTRODUCTION

The California Efficiency + Demand Management Council (the “Council”) submits these Reply Comments on the Proposed Decision Addressing Codes and Standards Subprograms and Budgets and Staff Proposal on Reducing Ratepayer-Funded Incentives for Gas Energy Efficiency Measures (“Proposed Decision”), mailed in this proceeding on March 3, 2023. 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 OF THE COUNCIL’S POSITION

The Council appreciates the opportunity to submit reply comments to stakeholder Opening Comments on the Proposed Decision. The Council reiterates its support for the state’s ongoing decarbonization efforts largely through our work to unlock energy efficiency and demand management resources that are vital to lower energy bills, cleaner energy, reliable power, and equitable access to clean energy technologies - all of which are critical to achieving California’s ambitious energy and climate goals. The Council acknowledges the broad spectrum of feedback and apparent discrepancies in interpretation of the Proposed Decision which

underscore the importance of the Final Decision to establish a thorough and deliberative stakeholder. Though there are several aspects of other Opening Comments the Council agrees with, the Council focus these Reply Comments on the following areas:

- Concerns regarding potential consequences of National Resource Defense Council’s (“NRDC”) Section II.b. suggestion: “The Commission Should Eliminate Non-Cost-Effective Gas Appliance Measures for Retrofits Across All Segments Immediately.”
- Concerns regarding NRDC’s vague statements that also in Section II.b.
- Concerns regarding limiting incentives to electric measures only, including for lower-income customers as recommended by Southern California Edison (“SCE”).
- Concerns regarding Sierra Club’s recommendation to effectively remove bill impacts and infrastructure impacts from viable electric alternative (“VEA”) considerations.

III. THE COMMISSION SHOULD AVOID UNINTENDED CONSEQUENCES OF ELIMINATING INCENTIVES “IMMEDIATELY” BY ENGAGING IN A THOROUGH STAKEHOLDER PROCESS

As the state looks to achieve its clean energy and climate goals, Californians are experiencing rapid changes to how they consume and engage with their energy, including how they can generate or store energy or shift their demand. Energy efficiency is an important resource in the equitable, affordable, and effective transition to a clean energy economy. Policy changes that may reduce or eliminate support for energy efficiency measures must be considered carefully, based on objective data and validated resources, and informed by research and input from stakeholders. A long-term view on energy affordability and equity is crucial.

NRDC’s recommendation in their Opening Comments that “non-cost-effective gas appliance measures for retrofits should be phased out starting in PY 2024, alongside the phase-out for new construction incentives”¹ would effectively eliminate those incentives immediately, effectively placing the Commission in the position of making substantial policy decisions before defining VEA or engaging in research and stakeholder processes to develop technical guidance regarding VEA. Foregoing those processes risks eliminating energy efficiency measures without objective data, validated resources or deliberations among subject matter experts. The Council urges the Final Decision to preserve the working group(s) and workshop(s) framework

¹ NRDC Opening Comments, at p. 3.

established in the Proposed Decision and incorporate the Council’s recommendations in our Opening Comments empowering public processes to inform substantial policy decisions.

IV. THE COMMISSION SHOULD PRIORITIZE ACCURATELY CAPTURING COST OR ENERGY SAVINGS POTENTIAL

The Council is concerned with NRDC’s vague characterizations regarding the cost-effectiveness and energy efficiency benefits of certain efficient gas appliance measures, stating: “Not only are most gas appliance measures not cost-effective, but most programmatic appliance efficiency measures offer minimal efficiency gains, at minimal incremental costs, over their standard practice alternatives.”² The Council acknowledges there will be cost impacts (both reductions and increases) associated with electrification. In the commercial kitchen sector, a highly efficient electric stock pot can be 461% more expensive than its highly efficient gas counterpart. However, a highly efficient electric steamer could be 33% cheaper than its high efficient gas counterpart.³

In the residential sector, older, low-efficiency gas heating systems can range in efficiency from 56% -70% Average Fuel Utilization Efficiency (“AFUE”) while high-efficiency gas heating systems can range in efficiency from 90% - 98.5% AFUE.⁴ The California Energy Commission (“CEC”) has assessed examples of gas savings that may come from switching to high efficiency gas appliances from low efficiency gas appliances, including a 60% anticipated reduction in gas consumption through a high efficiency space heating project implementation.⁵ Eligible water heaters in the Statewide Midstream Water Heater Program⁶ are also more efficient than current California or Federal code. For example, code compliant small gas fired storage water heaters are less than 0.6 Uniform Energy Factor (“UEF”) depending on their tank sizes, but minimum UEF requirements for such units in the Program is 0.64. For gas fired

² NRDC Opening Comments, at p. 3.

³ CalNEXT “All-Electric Commercial Kitchen Electric Requirements Study Final Report” which can be found here: https://calnext.com/wp-content/uploads/2023/02/ET22SWE0010_All-Electric-Commercial-Kitchen-Electrical-Requirements-Study_Final-Report.pdf

⁴ Department of Energy – Furnaces and Boilers which can be found here: <https://www.energy.gov/energysaver/furnaces-and-boilers>

⁵ California Energy Commission “Gas Research and Development Program: 2022 Annual Report”) which can be found here: <https://www.energy.ca.gov/publications/2022/gas-research-and-development-program-2022-annual-report>

⁶ Statewide Midstream Water Heating Program which can be found here: <https://www.statewide-waterheating.com/>

instantaneous water heaters, Title 20 requirement⁷ is 80% thermal efficiency (“TE”), but the minimum TE in the midstream program is 84% and the maximum TE is 96% and above.

There is a myriad of factors that contribute to challenges and benefits with retrofitting or installing new construction high efficiency gas appliances or high efficiency electric appliances. This complexity underscores the clear need for a thoughtful yet timely stakeholder process.

V. LIMITING LOWER-INCOME INCENTIVES TO ELECTRIC-ONLY COULD LEAVE VULNERABLE CUSTOMERS WITH COSTLIER OPTIONS

The Council is concerned with Southern California Edison’s (“SCE”) recommendation to “include the equity segment in the phase out of non-exempt non-cost-effective EE incentives starting in 2024....”⁸ The Council is sensitive to SCE’s reasoning, including the Commission’s Environmental and Social Justice goals to emphasize the clean energy transition does not unduly increase rate burdens on lower income communities nor increase existing disparities between lower-income communities and others.⁹ The Council also acknowledges SCE’s concern regarding the implications of long-term gas consumption associated with new gas measures.

However, the Council reiterates our observation raised in our Opening Comments: When replacing an old or purchasing a new appliance, the Council has observed that absent financial incentives, customers have tended to pursue the cheaper, less efficient gas appliance option, where the choice is between a minimally efficient gas appliance and (what may be deemed a) VEA option.¹⁰ In other words, if a lower-income or otherwise disadvantaged customer were to select a less efficient gas appliance in the absence of incentives for a high efficiency gas appliance, they would be utilizing an appliance that consumes greater amounts of gas, costing that lower-income or disadvantaged customer more money and emitting more greenhouse gases.

The Council urges the Final Decision to preserve the Proposed Decision’s proposal to promote and deploy exempt measures in the equity segment and retain customer’s perspectives, infrastructure costs, and bill impacts in VEA definition considerations. The Final Decision should also clarify that bill impacts (negative and positive) will be assessed over short-, medium-, and long-term time horizons to better assess measure cost impacts.

⁷ California Energy Commission – Appliance Efficiency Regulations – Title 20 which can be found here: <https://www.energy.ca.gov/rules-and-regulations/appliance-efficiency-regulations-title-20>

⁸ SCE Opening Comments, at p. 9.

⁹ ESJ Action Plan 2.0, at p. 4.

¹⁰ Council Opening Comments, at p. 12.

VI. THE COMMISSION SHOULD ENGAGE IN A STAKEHOLDER PROCESS

The Council finds value in further engaging stakeholders, as the Proposed Decision proposes for the working group(s) and workshop(s) to examine and recommend technical guidance regarding VEAs and custom projects. As observed across the stakeholders' Opening Comments, the Proposed Decision leaves several questions unanswered. There are issues raised by the Proposed Decision and Opening Comments that would benefit from thorough and deliberate discussions among agencies and stakeholders. The Final Decision should ensure any potential reduction or elimination of energy efficiency measures must be considered carefully, based on objective data and validated resources, and informed by research and input from stakeholders with a long-term view on energy affordability and equity - key factors in decarbonizing California's economy.

VII. CONCLUSION

The Council asks that the Proposed Decision be modified for the reasons stated above and in Opening Comments.

Dated: March 28, 2023

Respectfully submitted,

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