

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Advance
Demand Flexibility Through Electric Rates.

Rulemaking 22-07-005
(Filed July 14, 2022)

**OPENING COMMENTS OF
THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL ON
ADMINISTRATIVE LAW JUDGE'S RULING ON IMPLEMENTATION BUDGET AND
TIMING ISSUES (TRACK A)**

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I. INTRODUCTION

The California Efficiency + Demand Management Council (“the Council”)¹ respectfully submit these Opening Comments on the Administrative Law Judge’s Ruling on Implementation Budget and Timing Issues (Track A) (“ALJ Ruling”), mailed in R.22-07-005 (“Demand Flexibility”) on December 18, 2023. These Opening Comments are timely filed and served pursuant to Commission’s Rules of Practice and Procedure and the instructions accompanying ALJ Ruling.

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.² 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 DER policies, programs, and technologies to create sustainable jobs, long-term economic growth, stable and reasonably priced energy infrastructure, and environmental improvement.

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

² 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.

III. SUMMARY

The ALJ Ruling asks parties to respond to questions on the timing of implementation of first income-graduated fixed charges (“IGFCs”). As discussed below, the Council responds to Question 4b regarding impacts on electrification goals.³ The Council concludes that delaying the implementation of the first IGFCs beyond year-end 2025 would have a negligible impact on achieving state’s electrification goals in light of where electrification programs stand today. Based on new research, Evaluators, Program Administrators and Implementers have identified important barriers and recommendations to address the challenges in current and future electrification pilot programs, which will take time. In the interim, the state will continue to move forward with direct install programs, but now with the benefit of more timely information. The Council also presents additional documentation that simply increasing fixed charges while lowering volumetric rates will not result in greater adoption of electrification measures absent other considerations. Rather, the Council is more concerned that electrification will now be impacted by higher prices.

IV. THE COUNCIL’S RESPONSE TO ALJ RULING QUESTION 4B

ALJ Ruling Question 4b asks the following: “[w]hat are the potential impacts on achieving state electrification goals if the Commission delays the implementation of the first income-graduated fixed charges for [Pacific Gas and Electric Company (“PG&E”)] or all investor-owned utilities beyond year-end 2025?” The Council’s response to this question is below.

A. Impacts From Delaying Implementation of the First Income-Graduated Fixed Charges for PG&E or all Investor-Owned Utilities Beyond Year-End 2025 Will Be Negligible in the Near Term.

The Council notes that recent Commission Studies⁴ are beginning to yield meaningful insights on how residential customers will evaluate electrification opportunities. On November 9, 2023, Pacific Gas and Electric Company (“PG&E”), Southern California Edison Company (“SCE”), Southern California Gas Company (“SoCalGas”), and San Diego Gas & Electric Company (“SDG&E”) held an Income-qualified and Clean Energy Programs Workshop which was a forum for California's income-qualified program administrators (“PAs”) to connect,

³ ALJ Ruling, at p. 5.

⁴ Commission Studies which can be found here: <https://pda.energydataweb.com/#!/>

collaborate, and improve program coordination for the benefit of households and communities the programs are intended to serve.⁵ Objectives of this Workshop included providing program administrators with information on initiatives and programs plus approaches for customer engagement and participation, and program collaboration; discussing barriers, lessons learned and shared successes to building program partnerships and customer involvement; and highlighting examples of successful program coordination that could be modeled and/or expanded.⁶

PG&E's Pilot Plus Pilot Deep focused on integrating decarbonization to gain insight into the impacts of electrifying customers, highlighting that for electrification in the low-income segment, bill impacts are critically important in the low-income segment⁷. PG&E also identified other challenges with electrifying customers, including permitting and the costs of remediation, and their plans to learn more through the pilots and monitoring customer bill impacts.⁸

TECH Clean California identified three pillars to TECH: (1) transition the market to heat pumps through statewide strategies, (2) implement pilots and quick start grants to address market barriers, and (3) inform long-term building electrification planning.⁹ The Ortiz Group stated that the pilots are the foundation for building a long-term plan whereby TECH can identify a scalable way to make the state's goals and serve low-income customers with electrification, concluding **"The critical barrier for heat pump technologies is bill impact prediction. Customers, implementers, and contractors all need confidence in the outcome."**¹⁰

SCE summarized their 'Lessons Learned on Adoption of Electrification' as follows:

Customers and contractors are learning more about the heat pump technologies and the benefits; however, other obstacles pose a risk on low-income customers adopting electrification:

- Insufficient savings –a bill analysis is performed to determine eligibility for the Pilot and some customers do not qualify

⁵ Income-Qualified and Clean Energy Programs Workshop which can be found here: <https://pda.energydataweb.com/#!/documents/3878/view>

⁶ Income-Qualified and Clean Energy Programs Workshop which can be found here: <https://pda.energydataweb.com/#!/documents/3878/view>

⁷ *Id.*, Workshop Summary Report, at p. 6.

⁸ *Id.*

⁹ *Id.*, Workshop Summary Report, at p. 15.

¹⁰ *Id.*, Workshop Summary Report, at p. 16.

- Electrical panel upgrades –although many existing appliances (e.g., water heater) may be near or exceed its effective useful life (EUL), dual-fuel homes are likely to require an upgrade
- Program Overlap –coordinating and/or leveraging funds is the ideal scenario, but there may be unintentional competition which may create customer confusion (or distrust)¹¹

Regardless of a potential time delay, California will continue its pursuit to achieve the state’s electrification and decarbonization goals. For example, the California Energy Commission’s (“CEC’s”) Equitable Building Decarbonization Programs will provide continuous learning opportunities through the implementation of their Direct Install Programs.

B. There is No Evidence to Support Claims that Increasing Fixed Charges While Lowering Volumetric Rate Will Result in Greater Adoption of Electrification Measures; To the Contrary, the Overwhelming Number of Residential Customers Consider the Total Bill When Evaluating Energy Efficiency and Electrification Measures, In Addition to Other Criteria

The Residential PUSLE study describes the electric efficiency needs and priorities of non-low-income, residential customers in single-family and manufactured and mobile homes within the three California investor-owned utility (“IOU”) electric service territories.¹² While the research is limited to resource acquisition program opportunities, many of the Pulse Study findings on customer energy needs and priorities are applicable to electrification opportunities.

Results from the Pulse Check survey indicated that, contrary to what PAs and implementers mentioned during their interviews, most customers do track their households’ energy usage (95%) primarily by reviewing their monthly energy bill and make changes as a direct response to tracking their homes’ energy usage (79%); approximately 21% of respondents reported they did not make any changes as a direct response to tracking their home’s energy usage. Results were similar across utility, housing type, income, and IOU-sponsored program participation subsegments.¹³

¹¹ *Id.*, Final Slides, at p. 25.

¹² Residential EE Program Pulse Check Final Research Plan which can be found here: <https://pda.energydataweb.com/#!/documents/2743/view>

¹³ *Id.*, at p. 68.

Table 29 Ways Respondents Monitor Their Home Energy Usage

	Overall	Utility			Housing Type		Income Status		Program Participation	
		SDG&E (a)	PG&E (b)	SCE (c)	Single family (d)	Mobile home (e)	Moderate Income (h)	Market Rate (i)	Participant (p)	Non-participant (q)
n	924	315	309	300	833	91	316	429	238	686
Monthly energy bills	86%	83%	84%	89% ^{a,b}	86%	86%	87%	86%	84%	87%
Online real time utility accounts	18%	27% ^{b,c}	19%	15%	19%	13%	16%	21% ^h	28% ^q	15%
Other web-based tools provided by utility	14%	19% ^c	14%	13%	14%	15%	14%	16%	21% ^q	12%
Other management or monitoring systems	15%	19% ^c	17% ^c	9%	15% ^e	8%	11%	18% ^h	24% ^q	11%
Other	3%	3%	4%	4%	3%	7%	4%	3%	4%	3%
Don't know	<1%	<1%	<1%	2% ^{a,b}	<1%	2%	<1%	<1%	<1%	1%

Note: a/b/c/d/e/h/i/p/q indicates significant differences at a 90% confidence level and 0.10 alpha between the following tests: abc, de, hi, pq; A/B/C/D/E/H/I/P/Q indicates significant differences at a 90% confidence level and 0.01 alpha between the following tests: ABC, DE, HI, PQ

Note: Chi-squared tests revealed a significant relationship between this question and the listed subsegments; however, measures of effect size were not calculated

Pulse Check Survey Question: How are you tracking your home's energy usage? (Multiple responses permitted)

The Pulse Check survey explored barriers that prevent customers from pursuing two specific types of equipment: air source heat pumps and HPWHs. According to the Pulse Check survey, only 12% of customers currently have a heat pump for space heating/cooling and less than one percent of customers currently have a heat pump water heater. The barriers to adoption for air source heat pumps and HPWHs are listed in the table below.¹⁴

Table 31. Adoption Barriers by Heat Pump Technology

Barriers	Air Source Heat Pump	Heat Pump Water Heater
Lack of Awareness	60% of customers "never heard of" air source heat pumps before or "only knew the name"; renters and those who have not recently participated in an IOU-sponsored program were less familiar with the technology than owners and recent program participants (69% and 65% vs. 59% and 43%, respectively).	Half of customers "never heard of" HPWHs and an additional 25% were only "somewhat familiar." Market rate and recent IOU-sponsored program participants were more familiar with HPWHs than moderate-income participants and non-participants (29% and 37% vs. 21% and 21%, respectively).
Lack of Interest	Over half (55%) of customers were "slightly interested" or "not interested." Customers residing in mobile homes were less interested than those in single-family residences (69% vs. 53%).	Over half (51%) of customers were "slightly interested" or "not interested." Customers residing in mobile homes were less interested than those in single-family residences (58% vs. 50%).
No Need for Accelerated Replacement	Of those who were not interested in an air source heat pump, nearly half (49%) indicated it was because they simply were not in the market for a new system.	Of those who were not interested in an HPWH, 28% indicated it was because they simply were not in the market for a new system.
Cost	78% of customers cited cost as something that would keep them from considering energy-efficient HVAC in the future; moderate-income customers were more likely to cite this as a barrier than market rate customers (84% vs. 76%).	73% of customers cited cost as something that would keep them from considering an energy-efficient water heater in the future.
Need for Additional Construction	44% of customers cited the need for additional construction to install the unit as a barrier to them considering energy-efficient HVAC in the future.	38% of customers cited the need for additional construction to install the unit as a barrier to them considering an energy-efficient water heater in the future. Customers residing in a single-family residence were more likely to indicate this as a barrier than those residing in mobile/manufactured homes (74% vs. 67%).
Performance Information	One-fourth of customers felt that there was limited information on the performance of energy-efficient HVAC.	One-fourth of customers identified the capacity of HPWHs as a barrier.

¹⁴ Residential EE Program Pulse Check Final Research Plan which can be found here: <https://pda.energydataweb.com/#!/documents/2743/view>, at p. 74.

V. CONCLUSION

The Council appreciates the opportunity to provide these Opening Comments to the ALJ Ruling. Based on the latest research findings, a delay in implementing the First Version is prudent, knowing the State is committed to its Electrification Goals. It also protects ratepayers by allowing sufficient time to plan and implement changes which may help avoid potential change orders associated with moving too fast.

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Respectfully submitted,

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