BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

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| Petition of the Public Advocates Office to Adopt, Amend, or Repeal a Regulation Pursuant to Pub. Util. Code § 1708.5. | Petition 24-03-013<br>(Filed March 18, 2024) |

# REPLY COMMENTS OF THE CALIFORNIA EFFICIENCY + DEMAND MANAGEMENT COUNCIL ON PROPOSED DECISION DENYING THE PUBLIC ADVOCATES OFFICE'S PETITION TO OPEN A RULEMAKING TO ADOPT, AMEND, OR REPEAL A REGULATION PURSUANT TO PUBLIC UTILITIES CODE SECTION 1708.5

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## I. INTRODUCTION

The California Efficiency + Demand Management Council ("The Council") respectfully submits these Reply Comments on the Proposed Decision Denying the Public Advocates Office's Petition to Open a Rulemaking to Adopt, Amend, or Repeal a Regulation Pursuant to Public Utilities Code Section 1708.5 ("Proposed Decision" or "PD"), mailed in Petition ("P.") 24-03-013 (Public Advocates Office ("Cal Advocates") Petition) on September 13, 2024. 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. EXISTING COST-EFFECTIVENESS REQUIREMENTS ENSURE RATEPAYER FUNDING IS USED EFFICIENTLY

San Diego Gas & Electric Company ("SDG&E") attempts to perpetuate the myth that demand-side programs are not cost-effective by misleadingly citing testimony, provided by senior leadership of the Cal Advocates at the State Assembly, which asserts that "zero" Commission-managed programs are cost-effective.[1] As SDG&E well knows, and as the Council explained in its Response to the Petition, the truth is that it is longstanding Commission policy that energy efficiency ("EE") programs be cost-effective at the portfolio level and demand response ("DR") programs be cost-effective at the program level.[2] Furthermore, non-resource acquisition EE programs inclusive of equity, market support and market transformation programs

[1] SDG&E Opening Comments, at pp. 2-3.
[2] Council Response, at pp. 2-3.

(among others), and program portfolios by Regional Energy Networks ("REN") are not required to be cost-effective.

Almost all of the programs the Cal Advocates listed, in this testimony, as non-cost-effective EE programs are not resource acquisition, but they play a critical role in establishing the market readiness for new technology; without this pre-work, new codes and standards are not possible.[3] A closer look at the Cal Advocates list includes: Workforce Education and Training (WET) programs that are designed to support electrification; Industrial and Agricultural Normalized Metered Energy Consumption ("NMEC"), which is a pay-for-performance program and as such, poses no risk to ratepayers; Codes and Standards programs; Evaluation, Measurement and Verification ("EM&V") required by the Commission; targeted Decarbonization programs; On-bill Financing; Residential New Construction; California Analysis Tool for Locational Energy Assessment ("CATALENA"), a tool supporting distributional equity analysis that was transferred to the CEC in 2023; Technical Services in support of decarbonization, equity and education, and local governments; Deemed Incentives; Small Hard-to-Reach Multifamily Direct Install; and Emerging Technologies, to highlight just a few.[4]

EE portfolio-level cost-effectiveness is critical because the entire universe of EE programs work together, and eliminating the specific non-cost-effective programs will make it more challenging for California to achieve its clean energy, equity, decarbonization and electrification goals. For example, Codes and Standards creates a legal and/or regulatory requirement for *everyone* to adhere to a particular efficiency standard going forward. One can only make a case for a new building code or appliance standard when it is both "technologically feasible to support the entire market" and "cost effective". Additionally, the work of other non-cost-effective programs in the EE portfolio from Emerging Technology to Market Incentive programs is critical to advancing new measures by reducing market barriers to achieving full market adoption.

[3] *See,* SDG&E Opening Comments, at p. 2 (Footnote 7).
[4] *See,* Council Response, at p. 7.

## III. DEMAND-SIDE PROGRAMS ADVANCE EQUITY, RELIABILITY, DECARBONIZATION, AND RATE AFFORDABILITY GOALS

In reviewing the opening comments of Pacific Gas and Electric Company ("PG&E"), SDG&E, and Cal Advocates on the Proposed Decision, the Council observes that they continue to believe that reducing demand-side program funding will somehow improve affordability.[5] However, neither describes exactly how defunding programs that reduce energy consumption would improve affordability, nor do they address the additional loss of the equity, reliability, and decarbonization benefits these programs provide. The Council respectfully cautions the Commission that reducing or outright eliminating ratepayer-funding for demand-side programs would significantly undermine the State's policy goals of reliability, equity, decarbonization, and, ironically, rate affordability as well.

PG&E sees Cal Advocates' request as an opportunity "for the Commission to holistically consider how demand side management (DSM) programs can collectively effectuate cross-cutting Commission goals of equity, decarbonization, and reliability most effectively and at the least cost to ratepayers."[6] In plain terms, this high-level, benign-sounding phrase implies that demand-side program funding should be reduced to improve affordability. PG&E appears to overlook the fact that demand-side programs promote equity, decarbonization, reliability, and affordability, and that they are subject to cost-effectiveness requirements to ensure that ratepayer benefits exceed the cost of funding them.

In its Response to the Petition, the Council refuted the notion that demand-side programs compete with decarbonization, reliability, and affordability goals by citing a recent study by the American Council for an Energy Efficient Economy ("ACEEE") entitled, "Energy Efficiency in a High Renewable Energy Future" which demonstrates that EE plays a crucial role in facilitating greater renewable energy generation and decarbonization while mitigating rate increases.[7] No party has refuted this study which undermines the entire premise of Cal Advocates' Petition, a premise that PG&E appears to support.

Eliminating funding for demand-side programs would have a reverberating effect throughout the State's resource and transmission planning efforts that would increase reliability

[5] Cal Advocates Opening Comments, at pp. 2-5; PG&E Opening Comments, at pp. 1-2; and SDG&E Opening Comments, at pp. 2-3.
[6] PG&E Opening Comments, at pp. 1-2.
[7] Council Response, at p. 5.

risks and raise overall ratepayer costs. For example, the California Energy Commission's ("CEC's") California Energy Demand ("CED") Forecast accounts for forecasted incremental EE and load-modifying DR savings and peak load impacts. This forecast is then used by the Commission to inform its short-term (through the Resource Adequacy proceeding) and long-term (Integrated Resource Plan proceeding) resource procurement efforts. Similarly, the California Independent System Operator ("CAISO") uses the CED Forecast as the basis of its Transmission Planning Process which informs new transmission needs. Finally, the supply-side DR provides valuable capacity that is used to meet short-term and long-term resource needs. Reducing funding for these programs will lead to the loss of these valuable benefits.

The Commission should also consider that in 2023, EE programs generated over five billion dollars of total energy system benefits for California investor-owned utility ("IOU") ratepayers at a cost of less than six hundred million dollars. For every dollar spent on EE programs, ratepayers receive approximately $8.00 of benefits. Consumers will continue to save money by saving energy, and they should be encouraged to take advantage of the many EE and DR programs that are available to them. The monthly charge that funds these programs is a tiny fraction – less than two percent – of every consumer's monthly electric bill, but it is the only portion of the bill that helps to lower electricity costs for everyone.

## IV. CONCLUSION

The Commission should reject the false choice of either eliminating, or reducing the scope of, demand-side programs in the belief that doing so will promote equity, reliability, decarbonization, and affordability. Neither Cal Advocates nor any other party in this proceeding have provided any evidence to support this premise. Therefore, the Commission should reject the Cal Advocates petition and adopt the Proposed Decision.

Respectfully submitted,

October 8, 2024

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