CALIFORNIA

Efficiency + Demand Management

COUNCIL

Advancing Our Clean Economy

Monthly Member Readout

January 3, 2025

REC

This call is being recorded.

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Today's Agenda

- **Issues/Topics**
  - New 2025 Member Call Schedule
  - CEDMC's EM&V Forum is February 5 – Register Before 1/10 and Save!
  - Meet the 2025 CEDMC Board of Directors
  - Issues/Topics
  - Recent Filings
  - Q&A

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New 2025 Member Call Schedule

In December, we sent the 2025 Member Call calendar invitations via email. The call details and schedule are listed below. We also post call details in the Member Portal on the Council website. Your password is the same for your entire company.

- **Monthly Member Readout:** Monthly, on the First Friday from 9:00-10:00 am Pacific
- **EE + DR/DER Call:** Monthly, on the First Tuesday from 9:30 - 10:30 am Pacific
  This call is new in 2025 and combines the previously separate EE and DR/DER calls.
- **State Policy (formerly Capitol) MWG:** Monthly, on the Second Friday from 10:00 am – 11:00 am Pacific
- **Federal Policy MWG:** Quarterly, on the Second Wednesday from 8:15-9:15 am Pacific
- **EM&V Call:** Quarterly, on the Third Wednesday from 9:30-11:00 am Pacific
- **CAISO Special Member Working Group:** Monthly, on the Second Thursday from 9:00-10:00 am Pacific
- The **CEDMC Newsletters** are switching to one per month, the date will be determined soon.

To sign up for any of the calls listed above or get your Portal password, please email Kira at kkimick@cedmc.org.

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CEDMC's EM&V Forum – Register Before Jan. 10 and Save!

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Wednesday, February 5, 2025

The Role of EM&V in Ensuring Affordability

10am-5pm with networking reception until 6:30pm

Berkeley, CA

The EM&V Forum highlights research and evaluation concerns and findings across the energy efficiency, demand response, and DER communities by bringing together professionals from consulting, implementation, regulatory and utility organizations to explore critical topics that are essential for addressing California's clean energy policies.

See agenda descriptions and register at https://cedmc.org/events/emv-forum/ - Early Bird Rate ends January 10th!

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CEDMC's EM&V Forum on February 5 – AGENDA*

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- **Keynote Speaker: EM&V and the role it can play in achieving CA's decarbonization and affordability goals**
  - Jeorge Tagnipes, Program Manager Energy Efficiency, CPUC
- **Session 1 – How can we better communicate the value of EE programs to those outside our industry?**
  - Jeana Swedenburg, Director, Opinion Dynamics
  - Moderator: Amul Sathe, Director, Guidehouse
- **Session 2 – Load Flexibility: Revisiting Settlement and Impact Assessment**
  - Steven Lanziria, Renew Home
  - Leap (Speaker Pending
- **Session 3 – Innovations in Equity Through EM&V**
  - Megan Campbell – Senior Vice President, Opinion Dynamics
  - The Energy Coalition and Evergreen Economics Speakers
  - Moderator: Andrea Marr, Senior Vice President, Cadmus
- **Session 4 – Emerging Trends: Insights into EPIC**
  - Moderator: Abhijeet Pande, Vice President, TRC
- **Session 5 – Custom Review Project Continuous Improvement Process**
  - Leanne Hoadley, Supervisor Planning and Forecasting, CPUC
  - Arlis Reynolds, Future Energy Enterprise
  - Sam Harms, CPR Continuous Improvement Study Project Manager, DNV
  - Justin Wesmoreland, Custom Platform Supervisor, EE QC&C, PG&E
  - Sam Skidmore, Director Cascade Energy
  - Moderator: Tyler Mahone, Director, DNV

Agenda is still being planned, subject to change

See agenda descriptions and register at https://cedmc.org/events/emv-forum/ - Early Bird Rate ends January 10th!

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Meet the 2025 Board of Directors

CALIFORNIA Efficiency + Demand Management COUNCIL

We are pleased to announce the CEDMC Board of Directors for 2025!
Learn more about them and what we do on our website,
https://cedmc.org/about-us/board-of-directors

- Chris Burmester (Chair), Energy Solutions
- Kim Rodriquez (Vice Chair), Resource Innovations
- Matt O'Keefe (Treasurer), Opower/Oracle Utilities
- Andrea Marr (Secretary), Cadmus
- Sharyn Barrata, Opinion Dynamics
- Cody Coeckelenbergh, ICF
- Kim DiCello, CLEAResult
- Yeshpal Gupta, Lincus
- Amit Kanungo, DNV
- Abhijeet Pande, TRC
- Michael Romeo, Franklin Energy
- Laurel Rothschild, The Energy Coalition
- Amul Sathe, Guidehouse
- Siva Sethuraman, Cascade Energy
- Boaz Ur, Nostromo
- Ying Wang, Okapi Architecture

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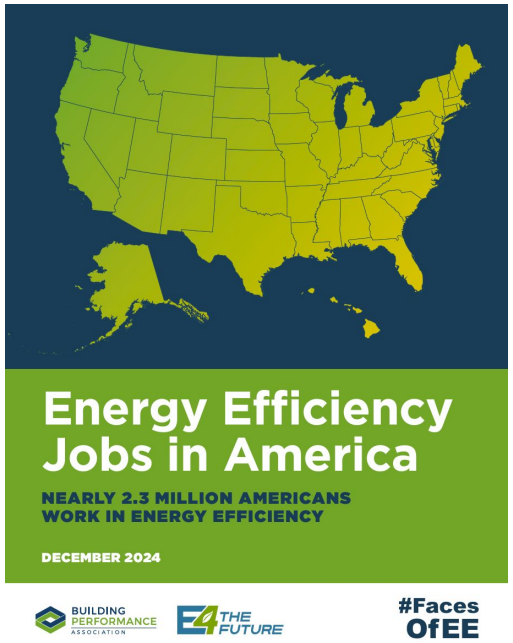
Energy Efficiency Jobs Report 2024

CALIFORNIA Efficiency + Demand Management COUNCIL

NEARLY 2.3 MILLION AMERICANS WORK IN ENERGY EFFICIENCY



This report focuses solely on the EE sector of the U.S. economy. It emphasizes the built environment, capturing only the jobs where workers use certified energy efficiency products, those installed according to ENERGY STAR guidelines, and high-performance building materials. It omits EE jobs in transportation and electric grid technologies, water use, or waste management, among others.

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Energy Efficiency Jobs - California Still #1

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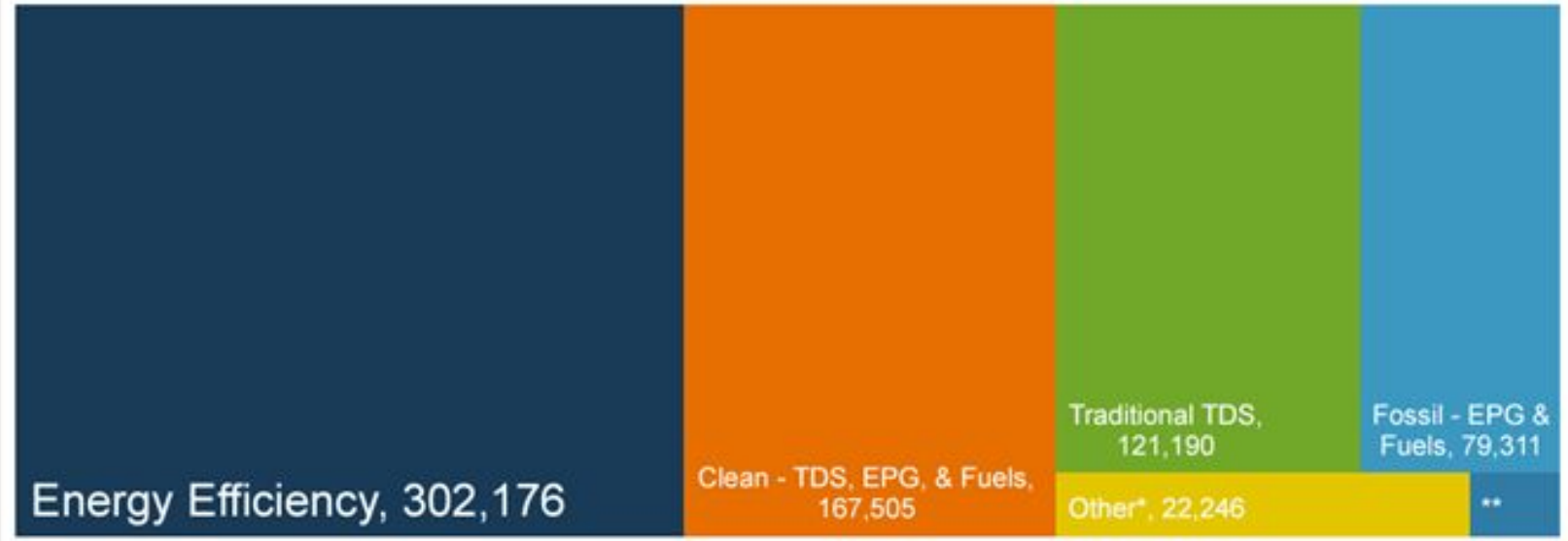
How does EE compare in California?

Energy efficiency is the largest energy sector in California.



TDS = Transmission, Distribution & Storage
EPG = Electric Power Generation
**Nuclear (EPG & Fuels) = 4,913
*Includes other energy subsectors such as corn ethanol, woody biomass, large hydropower, and others.

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Energy Efficiency Jobs Report 2024

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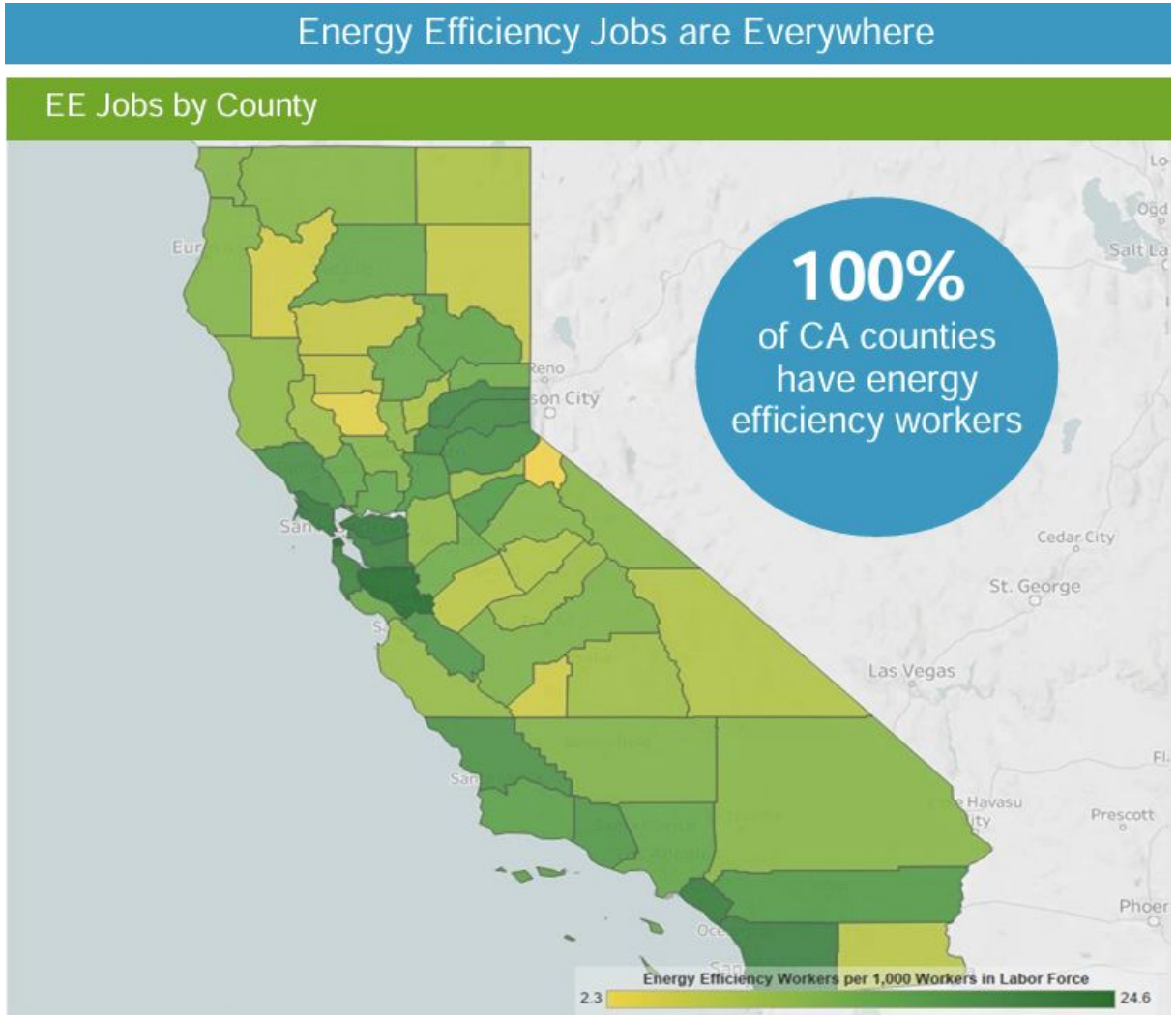

For CEDMC Members who engage with legislators, local governments and communities, this report provides valuable, detailed job figures for:

- 27 Metropolitan Areas
- 40 State Senate Districts
- 80 State Assembly Districts, and
- 53 Congressional Districts.

Link to Report: [Energy Efficiency Jobs in America 2024]

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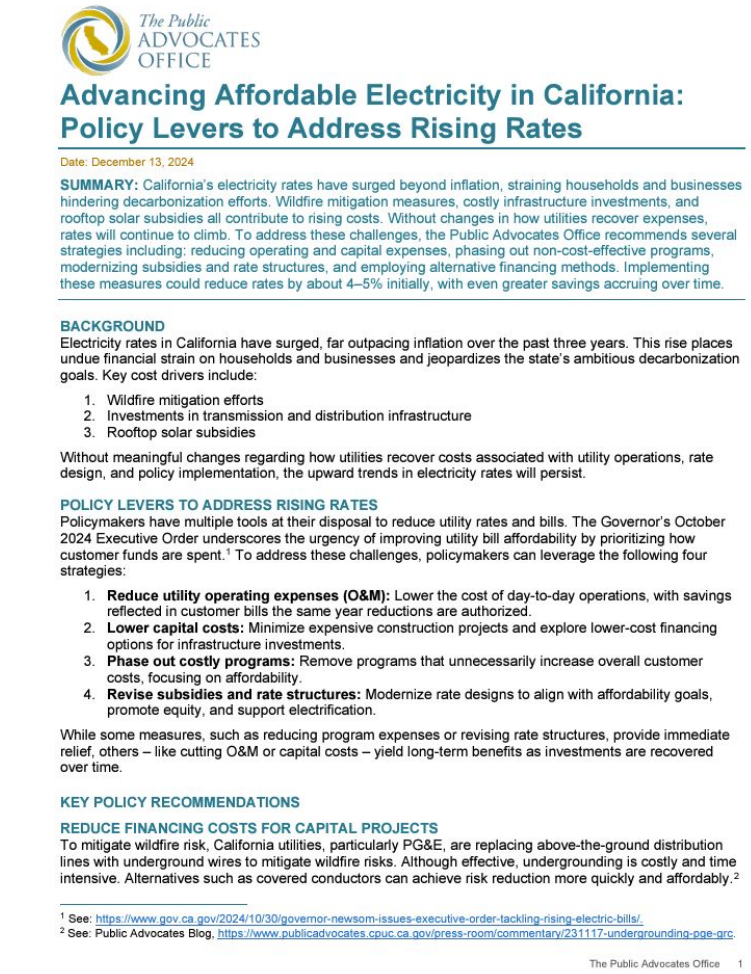
Cal Advocates: Advancing Affordable Electricity in California: Policy Levers to Address Rising Rates Dec. 13, 2024

CALIFORNIA Efficiency + Demand Management COUNCIL



The Public ADVOCATES OFFICE

Advancing Affordable Electricity in California: Policy Levers to Address Rising Rates

Date: December 13, 2024

SUMMARY: California's electricity rates have surged beyond inflation, straining households and businesses hindering decarbonization efforts. Wildfire mitigation measures, costly infrastructure investments, and rooftop solar subsidies all contribute to rising costs. Without changes in how utilities recover expenses, rates will continue to climb. To address these challenges, the Public Advocates Office recommends several strategies including: reducing operating and capital expenses, phasing out non-cost-effective programs, modernizing subsidies and rate structures, and employing alternative financing methods. Implementing these measures could reduce rates by about 4–5% initially, with even greater savings accruing over time.

BACKGROUND

Electricity rates in California have surged, far outpacing inflation over the past three years. This rise places undue financial strain on households and businesses and jeopardizes the state's ambitious decarbonization goals. Key cost drivers include:

1. Wildfire mitigation efforts
2. Investments in transmission and distribution infrastructure
3. Rooftop solar subsidies

Without meaningful changes regarding how utilities recover costs associated with utility operations, rate design, and policy implementation, the upward trends in electricity rates will persist.

POLICY LEVERS TO ADDRESS RISING RATES

Policymakers have multiple tools at their disposal to reduce utility rates and bills. The Governor's October 2024 Executive Order underscores the urgency of improving utility bill affordability by prioritizing how customer funds are spent.[1] To address these challenges, policymakers can leverage the following four strategies:

1. **Reduce utility operating expenses (O&M):** Lower the cost of day-to-day operations, with savings reflected in customer bills the same year reductions are authorized.
2. **Lower capital costs:** Minimize expensive construction projects and explore lower-cost financing options for infrastructure investments.
3. **Phase out costly programs:** Remove programs that unnecessarily increase overall customer costs, focusing on affordability.
4. **Revise subsidies and rate structures:** Modernize rate designs to align with affordability goals, promote equity, and support electrification.

While some measures, such as reducing program expenses or revising rate structures, provide immediate relief, others – like cutting O&M or capital costs – yield long-term benefits as investments are recovered over time.

KEY POLICY RECOMMENDATIONS

REDUCE FINANCING COSTS FOR CAPITAL PROJECTS

To mitigate wildfire risk, California utilities, particularly PG&E, are replacing above-the-ground distribution lines with underground wires to mitigate wildfire risks. Although effective, undergrounding is costly and time intensive. Alternatives such as covered conductors can achieve risk reduction more quickly and affordably.[2]

[1] See: https://www.gov.ca.gov/2024/10/30/governor-newsom-issues-executive-order-tackling-rising-electric-bills/.
[2] See: Public Advocates Blog, https://www.publicadvocates.cpuc.ca.gov/press-room/commentary/231117-undergrounding-pge-grc.

The Public Advocates Office 1

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Link to Report: Cal Advocates: Advancing Affordable Electricity in California: Policy Levers to Address Rising Rates

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Cal Advocates: Advancing Affordable Electricity in California: Policy Levers to Address Rising Rates Dec. 13, 2024 (Cont.)

CALIFORNIA Efficiency + Demand Management COUNCIL

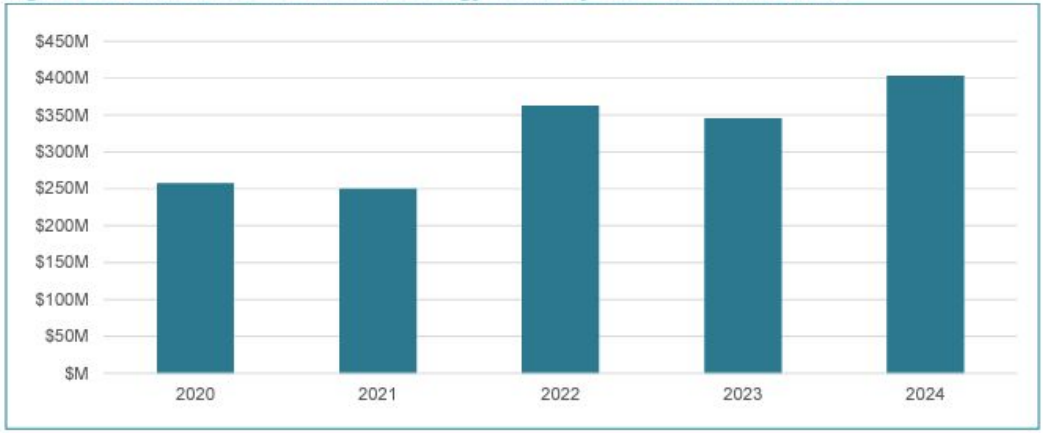
PHASE OUT NON-COST-EFFECTIVE PROGRAMS FROM ELECTRICITY RATES

Despite facing a crisis in electricity rates, many programs funded through utility bills continue to expand even though they are not cost-effective. These programs often cost more than the savings they deliver and fail to meaningfully reduce utility operating expenses. Although most of these programs are funded through the CPUC's energy efficiency program, many have very little to do with reducing energy consumption. While some programs may provide important social benefits, funding them through customers' energy bills effectively acts as a regressive tax. A more equitable approach would shift funding for these non-cost-effective programs to alternative sources.

To balance the social value of these programs with the need for affordability, we recommend at least prohibiting new, non-cost-effective programs from being funded by electricity rates and gradually phasing out such funding for existing programs. The Public Advocates Office suggests several cost-reduction strategies:

- **Eliminate Non-Cost-Effective Programs:** Removing all energy efficiency programs that do not provide safe, reliable service or do not deliver measurable energy savings would cut costs by about $527 million annually for the state's three largest utilities.[8] For example, some programs addressing food deserts or supporting high school and community college courses, while socially beneficial, are better suited for taxpayer funding than ratepayer funding.
- **Sunset the CalSHAPE Program in 2025:** Ending the CalSHAPE program and returning unallocated funds to the California Energy Commission would deliver hundreds of millions of dollars in immediate relief. CalSHAPE currently uses customer funds for a state-administered grant program for school infrastructure improvements. A sunset provision by 2025 would create near-term savings.
- **Cap Energy Efficiency Budgets at 2020 Levels:** Setting a budget cap at 2020 levels would immediately reduce overall customer costs by roughly $387 million in 2025.[9] Despite increasing investment, many of the programs funded today are not cost-effective and do not primarily focus on cutting energy use. Capping the budget and prioritizing spending would still achieve energy savings while easing the financial burden on customers.

Figure 3. Growth of Non-Cost-Effective Energy Efficiency Over the Last Five Years[10]



CUMULATIVE BENEFITS OF COST SAVING OPPORTUNITIES

Removing non-cost-effective energy efficiency (EE) programs,[11] transitioning legacy NEM accounts,[12] and securitizing grid hardening expenditures would reduce electric rates as shown below for each IOU.[13] Figures 4 to 6 show the potential residential electric rate reduction, with bundled average rates from December 31, 2024, as the baseline.

Link to Report: [Cal Advocates: Advancing Affordable Electricity in California: Policy Levers to Address Rising Rates]

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Cal Advocates: Advancing Affordable Electricity in California: Policy Levers to Address Rising Rates Dec. 13, 2024

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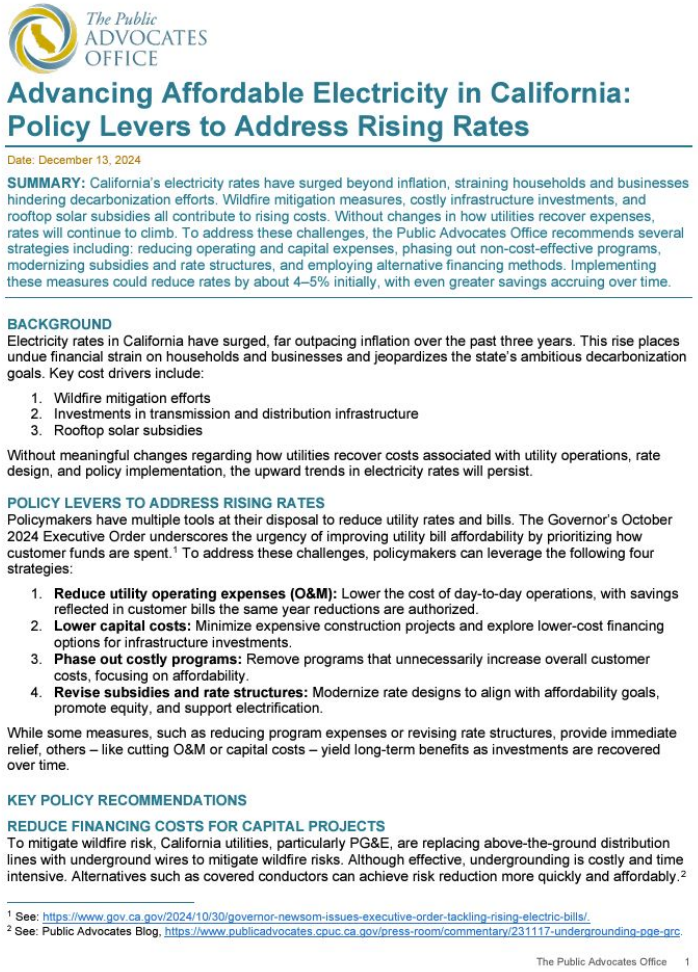

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Link to Report: [Cal Advocates: Advancing Affordable Electricity in California: Policy Levers to Address Rising Rates]

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Cal Advocates: Cost-Shift Fact Sheet: Rooftop solar incentive to cost customers without solar an estimated $8.5 billion by the end of 2024 (August 22, 2024)

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SUMMARY: California's main rooftop solar incentive program (Net Energy Metering) will cost customers without solar an estimated $8.5 billion by the end of 2024, a figure that has more than doubled since 2021. The recent cost increases are driven by: (1) a surge in interconnections of new rooftop solar systems prior to the phase out of unsustainable program compensation terms, and (2) higher compensation to rooftop solar customers for the energy their systems generate.

Link to Report: Cal Advocates: **Rooftop solar incentive to cost customers without solar an estimated $8.5 billion by the end of 2024**

Twelve Energy Experts Rebut the Solar Cost Shift Argument in a Letter to Governor Newsom

CALIFORNIA Efficiency + Demand Management COUNCIL

Dear Governor Newsom,

Your Executive Order N-5-24 rightfully points out the need for California to lower its electric rates. Over the past few years, they have risen to a level that impedes the adoption of heat pumps and electric vehicles by Californians, both of which are important elements in the state's decarbonation policy.

You rightfully direct the California Energy Commission and the California Public Utilities Commission to examine programs and recommend changes that could reduce electric rates.

However, we are concerned that some of the language in the Executive Order puts a significant portion of the blame for rising rates on customers who install solar panels on their roof. This echoes the argument that the state's electric utilities have espoused for years: that solar customers create a "cost shift" that raises rates for non-solar customers. Much to our surprise, the Public Advocates Office (PAO), which is supposed to represent the interests of the public and not of the utilities, published a fact sheet that validates the claims being made by the utilities. It asserted that net metering and net billing create a subsidy totaling $8.5 billion per year.[1]

We do not find the PAO analysis to be credible and would like to refer you to a critique produced by the M.Cubed economic consulting firm.[2] M.Cubed documented five major problems with the PAO analysis:

- **PAO used incorrect inputs for rates and for solar output. They claim their average rate is weighted by typical solar output, but the result does not align with a correct solar weighting of average rates. In calculating the average rates experienced by solar customers, they fail to include the fact that 15% of solar customers are on CARE rates. They also use a 20% solar capacity factor, which is far out of step with well-established typical values on the order of 17.5%.**

- **They include self-generation as a cost to the utilities, as if customers are obligated to buy all of their electricity from the utilities. Generating and consuming electricity onsite in real time simply results in purchasing less electricity from the utilities, just like energy efficiency. It is incorrect to count this as a cost to the utilities.**

- **They use the Avoided Cost Calculator (ACC) to measure the current benefits from previous solar installations. The ACC is a forward-looking tool that is not built to measure the benefits of previous activity. Pretending that all existing solar systems were installed this year and estimated the utility cost reduction only within this year is an egregious flaw in the fundamental approach of PAO.**

- **PAO ignores the fact that when CARE customers generate their own energy, they reduce the cost of the CARE subsidy that is borne by other ratepayers.**

- **They ignore the bill payments that are made by solar customers after installing solar. Again, PAO's basic approach does not match the purpose. They set out to determine if solar customers are paying their fair share of utility fixed costs, but they only look at part of the solar customers' bills.**

In our opinion, M. Cubed Research used reasonable assumptions to correct these five major errors with the PAO analysis. It finds that the roughly two million customer-sited solar systems installed to date create a net benefit to all ratepayers in California of $2.3 billion.

It is also worth noting that customers who have installed solar panels used to be large users of electricity prior to installing solar panels. For years, if not decades, they overpaid their share of utility fixed cost. The so-called cost shift ran in the opposite direction. Viewed over their lifetime, they have been subsidizing other customers and lowering electric rates, as discussed in this article.

We recognize the urgency of addressing electricity affordability in California. Changing the terms of solar tariffs is not the place to look for changes. Doing so would harm efforts to meet the state's climate targets affordably.

In fact, the state, under your leadership, should do all it can to promote the installation of rooftop solar panels and to make them affordable for all income segments. Customers with solar panels are more likely to install heat pumps and drive electric vehicles.

Respectfully,

Link to Letter: Twelve Energy Experts Rebut the Solar Cost Shift Argument in a Letter to Governor Newsom, Dec. 26, 2024

Recent Filings

- CEDMC-Comments-on-RA-MPD-Issue-Paper-December-5-2024.pdf

- CEC is conducting an analysis of barriers and opportunities for reaching California's goal of 7 GW load flexibility by 2030 created under Senate Bill 846.
  - CEC seeking CEDMC Response to 4 Questions:
    - Are there any policy barriers in California impacting the full utilization of customer resources for load flexibility?
    - Do you recommend any successful market or regulatory models/approaches for utilizing load flexibility based on your experience outside California?
    - Do you see any emerging trends in California's market and electricity consumers that may impact the state's load flexibility potential?
    - Do you have any other conceptual ideas or feedback for the state to consider?
  - CEC seeking 3 pages (or one thousand words)
- Response will inform the next SB 846 Load Shift Goal Analysis to be published under the 2025 Integrated Energy Policy Report.
- No attribution beyond organization type
- Due January 17

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Discussion and Questions

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Thank You!

Please contact us if you have any questions.

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