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COUNCIL

Advancing Our Clean Economy

State Policy Call

March 14, 2025

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Today's Agenda

- **Issues/Topics**
  - Coalition Letter
  - Myth vs.Facts
  - Lobby Day
  - Lobbyist Update
  - Q&A

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Coalition Letter

March 11, 2025

The Honorable Josh Becker
Chair, Senate Committee on Energy, Utilities and Communications
1021 O Street, Suite 3350
Sacramento, CA 95814

Subject: Joint Comments on Oversight Hearing to Address Electricity Utility Bill Affordability While Advancing the State's Clean Energy Goals: Energy Efficiency Programs are Vital to an Equitable Clean Energy Transition and Maintaining Grid Reliability

Dear Senator Becker,

We, the undersigned organizations, write to thank you for focusing on ratepayer affordability during your first hearing of 2025. Our organizations represent a broad cross section of local governments, community choice aggregators, regional energy networks, businesses, and non-profit organizations that are committed to the state's clean energy transition and who share the concern that unaffordable electric bills could undermine our important efforts to stem the impacts of climate change through clean electricity. We believe the state can and must advance both climate progress and electric affordability for all Californians, and energy efficiency programs are a vital tool for gaining ground in both areas.

Throughout the course of your recent oversight hearing, several stakeholders suggested that bill savings could be achieved by repealing, or otherwise altering, ratepayer-funded energy efficiency programs. To the contrary, we respectfully urge you to consider the vital role that energy efficiency plays in California's clean energy future and in supporting the most marginalized members of our communities, including low- and middle-income households.

This letter provides information that we hope you will find valuable in informing your deliberations on legislative solutions to the ratepayer affordability crisis. We stand ready to work with you to find the appropriate balance of program offerings, as well as opportunities to improve existing programs to better meet today's energy needs.

Energy Efficiency Delivers Important Benefits Including Affordability

The Governor's Executive Order N-5-24 tasked the California Public Utilities Commission (CPUC) and the California Energy Commission (CEC) with, among other things, examining the benefits and costs to ratepayers of programs they oversee that may be unduly adding to rates or whose funding should more appropriately come from a non-ratepayer source. While the CPUC's report states that shifting programs could reduce rates minimally, it also cautions that repealing the programs would eliminate the benefits they provide. The data, as outlined below, actually show that energy efficiency programs provide myriad benefits and that repealing them would undermine affordability and the state's clean energy transition.

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- **Energy efficiency programs are a small and declining component of customer bills and are not driving up bills or exacerbating the affordability crisis.** The CPUC's report in response to Executive Order N-5-24 shows that energy efficiency was 1.5% of revenue collected from ratepayers in 2024.[1] This is down from 2.2% of revenue collected from ratepayers in 2023.[2] This is because energy efficiency revenues declined slightly while the revenue requirement of the investor-owned utilities (IOUs)[3] increased significantly from $39.6 billion to $54 billion. According to an independent analysis, energy efficiency program costs to ratepayers decreased by 32% on an inflation adjusted basis over the past 10 years.[4] California's programs are more cost-effective on a per customer basis than the programs in 39 other states.[5]

- **Energy efficiency is critical for California's world-leading clean energy transition.** In 2023 alone, energy efficiency programs helped Californians:
  - Avoid using 11,276 gigawatt-hours (GWh) of electricity,
  - Avoid using 153,559,891 therms of gas,
  - Shave 1.9 gigawatts (GW of demand, and
  - Avoid 11,353,046 tons of GHG emissions.
  - Combined, energy efficiency provided enough energy savings and environmental benefits to avoid over 11.3 million tons of GHG emissions, which is equivalent to the annual energy use of over 1.5 million homes.[6]

  These results are achievable because California law has long recognized energy efficiency as a key strategy for enacting the state's clean energy goals in an affordable manner. For example, California's loading order calls for energy efficiency as a priority resource to address electric demand, and the Clean Energy and Pollution Reduction Act of 2015 established the goal of doubling energy efficiency savings by 2030.[7] Beyond energy savings, EE programs also provide the training, support and education needed for workers and contractors to advance California's clean energy transition.

- **Statewide, energy efficiency is overwhelmingly cost-effective.** California's full ecosystem of EE programs is designed to meet both statewide goals and the needs of all customers. The CPUC evaluates EE spending and performance at the individual program, portfolio and collective statewide level. Under even the strictest cost-effectiveness tests, including the one referenced by the CPUC in its response to the Executive Order,[8] the statewide suite of EE programs is highly cost-effective.[9]

- **Energy efficiency is critical for maintaining a stable grid in an era of rapidly increasing demand for electricity.** The CEC estimates that total electricity consumption will increase by as much as 74%, and peak demand will increase by as much as 45%, by 2040.[10] Many ratepayer-supported energy efficiency programs help shave peak load through measures that enable demand response and load flexibility measures, making them vital tools for managing this substantial load growth. Importantly, the CEC's load forecasts, which are the basis for electricity procurement, assume at least 1.9 GWs in achievable energy efficiency savings. Without these programs, load serving entities (LSEs) will need to buy an additional 1.9 GW statewide to cover the shortfall, and those costs will be passed on to customers.

- **Many energy efficiency programs are designed to provide energy and bill savings to disadvantaged customers and communities.** Energy efficiency is one of the only tools customers can use to protect themselves against high rates, and energy efficiency helps to reduce power procurement costs and GHG emissions at the same time. If customers cannot reduce their usage through energy efficiency, they are more at risk of falling behind on their bills and even being disconnected. For example, the Energy Savings Assistance Program (ESA) serves exclusively low-income customers, but a significant portion of the non-income qualified energy efficiency portfolio also serves customers earning less than the area or statewide median income, rural customers, affordable multi-family housing, and small businesses.

- **Successful energy efficiency programs depend on reliable, predictable multi-year funding.** Funding certainty allows administrators to plan ahead with confidence, which h elps ensure that all customers can participate. It also improves cost-effectiveness by allowing for bulk purchasing, efficient use of administrative resources, and other economies of scale. Sustainable and reliable funding is also essential to support nearly 300,000 energy efficiency jobs and 53,000 EE businesses across California.[11] Neither the State General Fund nor the Greenhouse Gas

[1] CPUC, CPUC Response to Executive Order N-5-24, Table A-2, p. 31.
[2] CPUC, Table 1.1 (revenue requirement) and Table 5.1 (energy efficiency costs) from the 2023 California Electric and Gas Utility Costs Report, https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/office-of-governmental-affairs-division/reports/2024/2023-ab-67-report.pdf.
[3] The revenue requirement is the amount of money an IOU must collect from customers to pay for its costs.
[4] Edward Randolph and Michel Florio, What is Driving Up Electric Rates in California?.
[5] ACEEE, 2022 State Energy Efficiency Scorecard, available at: https://www.aceee.org/sites/default/files/pdfs/u2206.pdf, pp. 26 (CA highest for public benefits nationwide), 37-40 (ranked 40th and 24th for highest electric EE and gas EE spending nationwide).
[6] California Energy and Data Reporting System (CEDARS), 2023 Confirmed Claim Summary.
[7] Public Utilities Code Section 454.5 and Public Resources Code Section 25310.
[8] CPUC Response to Executive Order N-5-24, pp. 12-13.
[9] The CPUC measures EE portfolio cost-effectiveness with multiple tests including the Program Administrator Cost (PAC) test and the Total Resource Cost (TRC) test. In 2023, under the PAC test each dollar invested in EE produced $8 of benefits and under the TRC test each dollar invested in EE avoided $3 of otherwise necessary electric and gas costs. *See*, CPUC, CEDARS, 2023 Claims available at: https://cedars.cpuc.ca.gov/claims/all-confirmed-dashboard/ (2023 Claims, Portfolios, All Sectors).
[10] Peak demand refers to the time when statewide energy usage is highest, typically 4-9pm on summer days, and power is most expensive to supply during this time.
[11] E4TheFuture, Energy Efficiency Jobs in America 2023, available at: https://e4thefuture.org/wp-content/uploads/2023/10/Energy-Efficiency-Jobs-in-America-2023.pdf.

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Reduction Fund (GGRF) are able to provide the necessary funding certainty to sustain these valuable programs and ensure they remain cost effective.

Revisiting Energy Efficiency Metrics

While we firmly believe in the value of energy efficiency programs, we also recognize that any program can be improved and welcome the opportunity to do so through a fair and deliberative process. As part of its response to Executive Order N-5-24, the CPUC evaluated ratepayer costs and benefits of energy efficiency programs and concluded that opening a new energy efficiency proceeding that focuses on cost-effectiveness in 2025 is the optimal pathway and venue to further reduce ratepayer costs.[12] **We agree with the CPUC that opening a new energy efficiency proceeding is the best course of action to affirm that energy efficiency programs are meeting their intended goals.** The CPUC has already committed to opening a new proceeding later this year that will utilize a more modern lens to examine energy efficiency programs.[13] The CPUC is also creating a dashboard that will facilitate greater public and legislative oversight by visualizing program impacts. We are confident that the new energy efficiency proceeding is well suited to refine energy efficiency programs consistent with the legislature's commitment to energy affordability.

We look forward to working with you on solutions to the affordability crisis that preserve the state's energy efficiency programs to ensure they can be administered to reduce customer bills, benefit the neediest communities, play a role in supporting the clean energy transition, and help manage the state's growing load.

Sincerely,

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[12] CPUC, CPUC Response to Executive Order N-5-24, p. 18.
[13] CPUC, Decision (D.) 25-01-006, p. 5. The Commission recognized that "energy efficiency programs have evolved significantly since we opened R.13-11-005 in 2013" and that the new proceeding would have a modern focus that ensures "effective oversight of these energy efficiency programs moving forward."

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Energy Efficiency and Affordability

MYTH vs. FACT

MYTH

Energy efficiency programs are not cost-effective

FACT

The CPUC subjects energy efficiency program spending to several layers of cost-effectiveness analysis, including two most prominent tests: the Total Resource Cost (TRC) and Program Administrator Cost (PAC) test. Under even the strictest analytical framework, the statewide suite of EE programs is highly cost-effective. In 2023, the TRC test found that **each $1 invested in energy efficiency saved $3.30 in otherwise necessary electric and gas costs.** Under the PAC test, each $1 invested in energy efficiency produced **$8.11 in benefits.**

MYTH

Ratepayer energy efficiency programs are driving the energy affordability crisis.

FACT

Energy efficiency is a fraction of bills and declining. In 2024, **only 1.5% of customer bills went towards energy efficiency programs and these costs have declined by 32% over the past 10 years on an inflation adjusted basis**. In contrast, bundled electric rates for the three large IOUs increased between 73%-133% since 2012.

As the California Public Utilities Commission **explains**: "... the biggest drivers of rate increases: the growth in spending to address wildfire mitigation and the cost shift that results from legacy Net Energy Metering programs. Secondarily, energization and energy transition related investments in transmission and distribution infrastructure are also putting upward pressure on rates."

MYTH

Energy efficiency programs are a waste of money if they are not cost-effective.

FACT #1

Energy efficiency programs have resulted in tremendous benefits. In 2023, programs overseen by the CPUC collectively saved 11,276 gigawatt-hours (GWh), 153.5 million therms, and shaved 1.9 gigawatts (GWs) of demand, resulting in **avoidance of nearly 11.4 million tons of greenhouse gas (GHG) emissions. This is the equivalent to the energy use of over 1.5 million homes for one year**.

FACT #2

Energy efficiency programs are the only California energy programs that are examined for cost-effectiveness. Statewide, legislatively mandated programs are not subject to cost-effective tests, including the Renewables Portfolio Standard, the California Schools Healthy Air, Plumbing, and Efficiency Program (CalSHAPE), and the California Alternative Rates for Energy (CARE) and Family Electric Rate Assistance Program (FERA) programs that provide essential electric bill discounts to low-income families.

FACT #3

Some energy efficiency programs are intentionally designed to help customers and communities with the greatest needs, which inherently requires different program designs from market rate programs. **A "cost-effective above all else" approach risks widening the existing energy affordability and climate gaps for low-to-moderate income Californians.** The Legislature and many state agencies have consistently recognized the need for equity focused program rules to ensure investments reach historically underserved communities.

MYTH

There are non-ratepayer sources for energy efficiency programs.

FACT

The State General fund is volatile and already overcommitted. According to the Legislative Analyst's Office (LAO), the state faces annual multiyear deficits around $20 billion. The Greenhouse Gas Reduction Fund (GGRF) is also similarly volatile and there is current financial uncertainty. Additionally, federal funds for energy efficiency, including existing energy efficiency tax breaks and rebates, are experiencing shifts due to the new federal administration and much remains uncertain.

Funds for the majority of energy efficiency programs are collected at a regional level to fund locally-designed programs that are tailored to best meet the diverse needs of the customers in those communities. Funding these programs through rates allows administrators to plan with confidence, which helps ensure that all customers can participate. It also improves cost-effectiveness by allowing for bulk purchasing, efficient use of administrative resources, and other economies of scale.

Sustainable and reliable funding is also essential to support nearly 300,000 energy efficiency jobs and 53,000 energy efficiency businesses across California. Program administrators also often use energy efficiency programs as vehicles to stack other available incentives, meaning ratepayer energy efficiency programs help leverage other funding sources.

MYTH

Energy efficiency programs do not support safe and reliable service.

FACT

In 2023 alone, energy efficiency reduced peak electric demand by nearly 1.9 GW – this is more than 80% of the capacity provided by the Diablo Canyon nuclear power plant, which the Legislature and Governor adopted emergency legislation for, in orderto keep the plant online for an extra 5 years to help maintain grid reliability.

Energy efficiency programs evolve to meet state priorities, including safety and reliability. **Today's energy efficiency programs increasingly focus not just on reducing usage overall, but on reducing usage during peak demand hours when power is the most expensive and least clean.** Reducing peak usage supports grid reliability without needing to build new generation resources or transmission lines, which can take years or even decades to complete. According to the CPUC's data, every dollar spent on energy efficiency results in around $8.50 in total system benefit, including reliability and long-term GHG emissions reduction. Additionally, many energy efficiency programs are increasingly configured to enable the growth of virtual power plants, which further help shift load and reduce peak demand.

MYTH

Energy efficiency programs are optional.

FACT

For nearly 30 years, California has successfully used ratepayer funds to significantly reduce energy demand and provide greater grid reliability through various administrations, economic conditions, and technological developments. Today, as climate impacts intensify, grid reliability needs expand, and the increasing costs of distribution continue to raise energy bills, **the legislature should not abandon one of its most reliable levers to decrease and shift loads.**

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Lobbyists Report and Q&A

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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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