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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Order Instituting Rulemaking Concerning
Energy Efficiency Rolling Portfolios, Policies,
Programs, Evaluation, and Related Issues.

Rulemaking 13-11-005

**REPLY COMMENTS OF PACIFIC GAS AND ELECTRIC
COMPANY (U 39 M) REGARDING ENERGY
EFFICIENCY POTENTIAL AND GOALS FOR 2018 AND
BEYOND**

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I. INTRODUCTION

Pacific Gas and Electric Company (PG&E) submits these reply comments in accordance with the Administrative Law Judge's (ALJ) Ruling Inviting Comments on Draft Potential and Goals Study (Ruling), dated May 1, 2019.

The Ruling seeks comments on a DRAFT 2019 Energy Efficiency Potential and Goals Study (Navigant Study) prepared by Navigant Consulting, Inc. (Navigant), for the California Public Utilities Commission (Commission or CPUC) staff and, through a series of questions, invites parties to comment on the Navigant Study.¹

PG&E filed its comments (PG&E's Opening Comments) on May 21, 2019. PG&E now replies to certain parties' comments as permitted by the Ruling.² In brief, PG&E respectfully recommends the following:

- A. The Commission should reconsider its reliance on a single-cost effectiveness test and refresh its cost-effectiveness policies.

¹ Ruling, p. 1.

² Ruling, p. 1.

- B. Certain assumptions used in the Navigant Study should be revised to more accurately estimate market potential.
- C. Low-income potential should be excluded from energy efficiency savings goals.
- D. The Commission should approve energy efficiency portfolio budgets through existing, established procedures that allow for consideration of all costs.
- E. An exemption or revision of General Order (GO) 96-B advice letter requirements is unnecessary for the disposition of energy efficiency program administrators' Annual Budget Advice Letters (ABAL).

PG&E provides its reply comments in Section II below.

II. DISCUSSION

A. The Commission should reconsider its reliance on a single cost-effectiveness test and refresh its cost-effectiveness policies.

PG&E shares California Efficiency and Demand Management Council's (CEDMC) concern that the Navigant Study "overly relies on a single test."³ PG&E agrees that by not following the multi-test and multi-perspective approach for energy efficiency recommended by the *California Standard Practice Manual*,⁴ the CPUC may be missing key information regarding energy efficiency potential in California.

PG&E respectfully reiterates the recommendation made by several parties in recent years--that the Commission take steps to holistically refresh its energy efficiency cost-effectiveness policies. PG&E respectfully requests these issues be addressed within a reasonable time through Phase III of Rulemaking 13-11-005.

³ Comments of the California Efficiency and Demand Management Council on Administrative Law Judge's Ruling Inviting Comments on Draft Potential and Goals Study (CEDMC's Opening Comments), p.3.

⁴ *California Standard Practice Manual Economic Analysis Of Demand-Side Programs and Projects*, p. 6. Available at https://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Utilities_and_Industries/Energy_-_Electricity_and_Natural_Gas/CPUC_STANDARD_PRACTICE_MANUAL.pdf.

B. Certain assumptions used in the Navigant Study should be revised to more accurately estimate market potential.

PG&E agrees with several comments made by stakeholders questioning certain assumptions used in the Navigant Study.

The stakeholders generally characterize the assumptions used in the Navigant Study as inaccurate because, among other things, the assumptions may not correctly reflect Commission guidance. Therefore, the Navigant Study often overestimates market potential. For example, PG&E agrees with Southern California Edison (SCE) and supports the use of more recent data, if calibrating against past program performance.⁵ Given the shift to a portfolio based primarily on programs designed and implemented by third-parties, analysis that is calibrated against the historic performance of programs designed and implemented by investor owned utilities (IOUs) is unlikely to accurately predict future results. PG&E encourages future Potential and Goals studies to consider that past program performance may not indicate future program performance.

PG&E also recognizes that Navigant's compressed timeframe may not have allowed for more in-depth measure characterization by climate zone. PG&E agrees with Natural Resources Defense Council (NRDC), Nest Labs, Inc. (Nest), and the Public Advocates Office (Public Advocates) that future Potential and Goals studies should reflect the significant differences that occur among climate zones.⁶

Ruling Question 2(b): Behavioral, retrocommissioning, and operational (BRO) savings assumptions. PG&E agrees with SCE's opening comment that a key element in forecasting savings for BRO programs is penetration, and there are "limited historic penetration rates upon

⁵ Southern California Edison Company's (U 338 E) Comments on Administrative Law Judge's Ruling Inviting Comments on Draft Potential and Goals Study (SCE Opening Comments), p. 9.

⁶ Comments of Natural Resources Defense Council (NRDC) on Administrative Law Judge's Ruling Inviting Comments on Draft Potential and Goals Study (NRDC Opening Comments), pp. 19-20. Comments of Nest Labs, Inc. on Administrative Law Judge's Ruling Inviting Comments on Draft Potential and Goals Study (Nest Opening Comments), pp. 4-5. Comments of the Public Advocates Office on Administrative Law Judge's Ruling Inviting Comments on Draft Potential and Goals Study (Public Advocates Opening Comments), p. 15-16.

which to base a forecast.”⁷ PG&E also agrees with the observation made by San Diego Gas & Electric (SDG&E) that some BRO programs will provide savings but that the estimates “appear to be overly optimistic particularly as BRO savings exceed equipment savings in future years.”⁸

Ruling Question 2(b)(i): Home Energy Reports (HER) savings assumptions. When taken as a whole, PG&E agrees with the body of the opening comments from SCE, SDG&E, and Public Advocates that relate to HER. PG&E agrees with SCE’s opening comment that “future savings will not be able to sustain the same savings trajectory and [will] flatten significantly over time”⁹ because of the need to increase the proportion of mid- to lower-use customers in future HER experiments. PG&E also agrees with SDG&E’s comments that the medium-term viability of the HER measure may be questioned by the interplay of various forces including: mandatory residential Time-Of-Use (TOU) rates, increases in rooftop solar and storage adoption, and ongoing requirements for experimental design.¹⁰ Public Advocates’ opening comments states, “a rapid expansion of the Home Energy Reports programs...cannot feasibly be achieved while maintaining the effectiveness of these programs.”¹¹

Ruling Question 2(b)(ii): Building benchmarking and universal audit tool assumptions. PG&E agrees with SCE and SDG&E’s opening comments regarding uncertainty about whether IOUs can claim savings for building benchmarking activities mandated by California Assembly Bill (AB) 802.¹² Regarding savings from Whole Building programs in the Industrial and Agricultural sector, PG&E agrees with SCE’s observation that “[a]t the May 9, 2019 Draft [Navigant Study] Results workshop, multiple parties agreed that there is insufficient data to accurately forecast energy efficiency potential in the Industrial and Agricultural sectors,

⁷ SCE Opening Comments, p. 7.

⁸ Comments of San Diego Gas & Electric Company (U 902 M) on Draft Potential and Goals Study (SDG&E Opening Comments), p. 4.

⁹ SCE Opening Comments, p. 7.

¹⁰ SDG&E Opening Comments, pp. 5-6.

¹¹ Public Advocates Opening Comments, p. 12.

¹² SCE Opening Comments, p. 8. SDG&E Opening Comments, p. 6.

specifically an up-to-date saturation survey.”¹³ Further, PG&E concurs with SCE’s suggestion that the savings forecast for Whole Building savings in this sector be revised to reflect the 2.1 percent annual decrease applied to generic custom savings in the Navigant Study.¹⁴

C. Low-income potential should be excluded from energy efficiency savings goals.

PG&E agrees with the opening comments of The Utility Reform Network (TURN), NRDC, Public Advocates, SCE, and SDG&E recommending against using the Navigant Study’s low-income potential assessment to inform energy efficiency savings goals.¹⁵ As NRDC notes, “[market] potential estimates for the low income sector should not be calculated through the same algorithm applied to determine market potential for the residential and commercial sectors.”¹⁶ The usual parameters driving customer adoption (payback period, marketing, willingness to adopt, word-of-mouth, etc.) do not apply in low-income programs which market directly and provide measures and services at no cost to qualifying customers.

Additionally, in Application (A.) 14-11-007, et al., Proposed Decision of ALJ MacDonald Issuing Guidance to the IOUs for California Alternate Rates for Energy (CARE)/Energy Savings Assistance (ESA) Program Applications for 2021-2026 and Denying Petition for Modification, PG&E and TURN’s comments recommended that low-income potential be excluded from energy efficiency savings goals because they are more appropriately considered and addressed in the upcoming ESA proceeding.¹⁷ PG&E supports TURN’s proposal

¹³ SCE Opening Comments, p. 9.

¹⁴ SCE Opening Comments, p. 3-4.

¹⁵ TURN’s Comments Responding to the Administrative Law Judge’s Ruling Inviting Comments on the Draft 2019 Potential and Goals Study (TURN Opening Comments), p.2. NRDC’s Opening Comments, p.3. Public Advocates Opening Comments, p.25. SCE Opening Comments, p.11. SDG&E Opening Comments, p.10.

¹⁶ NRDC Opening Comments, p. 3.

¹⁷ Pacific Gas & Electric Company’s (U 39 M) Comments to Proposed Decision in A.14-11-007 et al., pp.1-4. Comments of The Utility Reform Network on the Proposed Decision of ALJ MacDonald in A.14-11-007 et al., p.4.

to conduct a low-income technical assessment in the low-income proceeding, A.14-11-007, et al.¹⁸

D. The Commission should approve energy efficiency portfolio budgets through existing, established procedures that allow for consideration of all costs.

PG&E reiterates its position in its Opening Comments requesting that the Commission continue to use energy efficiency Business Plans and/or ABALs to holistically assess the reasonableness of energy efficiency portfolio budgets. Instead of increasing the scope of the Navigant Study to include budget approval, the reasonableness of energy efficiency budgets should be based on the goals, planned programs, and measures that make up the forecast portfolio.¹⁹ The Navigant Study and the subsequent adoption of energy efficiency goals can serve as inputs to the budget development process, however other factors must be considered, such as costs outside of rebate programs. Examples of these costs include, but are not limited to: non-resource costs, transition costs associated with ramping up new programs and ramping down existing programs through 2022, and expenditures related to equity and community goals, such as serving hard-to-reach customers.

E. An exemption or revision of GO 96-B advice letter requirements is unnecessary for the disposition of energy efficiency program administrators' ABALs.

In its Opening Comments, Public Advocates states, “if an ABAL is protested by any party on factual, technical, legal, or compliance grounds, the Commission should require the Energy Division to prepare a resolution for the Commission to review the ABAL.”²⁰

In Ordering Paragraph (OP) 4 of Decision (D.)15-10-028, the Commission directed energy efficiency program administrators to file Tier 2 annual budget advice letters.²¹ A Tier 2

¹⁸ A.14-11-007, TURN Opening Comments, p.6. A.14-11-007, PG&E Reply Comments, p.2.

¹⁹ PG&E Opening Comments, pp. 19-20.

²⁰ Public Advocates Opening Comments, p. 28.

²¹ D.15-10-028, OP 4, pp.123-4.

advice letter is effective after staff approval and is subject to GO Rule 96-B, Rule 7.6.1,²² where the Commission has lawfully assigned the disposition to the Industry Division.²³ GO 96-B, Rule 7.6.1 states, in part, the “Industry Division will review each submitted advice letter, together with any timely protests, responses, and replies.”

GO 96-B, Rule 7.3.4 provides in part,

(2) If the advice letter is protested or suspended, the advice letter will become effective upon written approval by the reviewing Industry Division or (if an issue requires determination by the Commission) upon adoption by the Commission of a resolution approving the advice letter...

Public Advocates’ request removes the authority the Commission has given the Energy Division and instead creates an automatic mandate for Energy Division to place a resolution on the Commission agenda. PG&E believes an exemption or revision of GO 96-B advice letter requirements is unnecessary for the disposition of energy efficiency program administrators’ ABALs.

III. CONCLUSION

PG&E appreciates the Commission’s attention to this matter and the opportunity to file reply comments on parties’ opening comments on the Navigant Study and ALJ Kao’s questions. For the foregoing reasons, PG&E respectfully recommends:

- A. The Commission should reconsider its reliance on a single cost-effectiveness test and refresh its cost-effectiveness policies.
- B. Certain assumptions used in the Navigant Study should be revised to more accurately estimate market potential.
- C. Low income potential should be excluded from energy efficiency savings goals.
- D. The Commission should approve portfolio budgets through existing, established procedures that allow for consideration of all costs.
- E. An exemption or revision of GO 96-B advice letter requirements is unnecessary for the disposition of energy efficiency program administrators' ABALs.

²² GO 96-B, Industry Rules 5 and 5.2.

²³ GO 96-B, General Rule 7.6.1.

Respectfully Submitted,

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