FILED
05/31/19
04:59 PM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs, Evaluation, and Related Issues.	R.13-11-005

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338 E) REPLY COMMENTS ON ADMINISTRATIVE LAW JUDGE'S RULING INVITING COMMENTS ON DRAFT POTENTIAL AND GOALS STUDY

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Dated: **May 31, 2019**

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Pursuant to the Rules of Practice and Procedure of the California Public Utilities Commission (Commission or CPUC), and in compliance with the Administrative Law Judge's (ALJ) Ruling Inviting Comments on draft potential and goals study, issued on May 1, 2019 (Ruling), Southern California Edison Company (SCE) respectfully submits these reply comments.

I.

INTRODUCTION

SCE appreciates the opportunity to provide reply comments on the California Public Utilities Commission's (CPUC) Draft Potential and Goal Study Report as part of the 2020 Energy Efficiency (EE) Potential and Goals and provides the following comments to respond to the opening comments of several parties filed on May 9, 2019.

Parties demonstrated that there are significant concerns with the Draft 2019 Energy Efficiency Potential and Goals Study's (Draft 2019 EE Potential Study) analysis and results, warranting a holistic evaluation and update of EE policies and decisions affecting the utilities' ability to achieve all available EE and demand reductions that are cost-effective, reliable, and feasible. Specifically, the California Efficiency + Demand Management Council (the "Council") asserted that "if California is going to achieve the goals identified in SB 350, SB 100 Executive Order ("EO") B-55-18, and maintain its title as a world leader in energy efficiency, it must update the policies and decisions that feed into Potential and Goals studies to ensure they are designed to achieve those objectives."[1] As discussed in opening comments, SCE shares these concerns and agrees with the need to modernize EE and re-assess EE's primary purpose in the current policy environment.

Regarding the Draft 2019 EE Potential Study, several parties commented on technical and policy related issues, providing viable recommendations for improvements to the overall study. SCE provides the following reply comments on the technical and policy issues raised in the various parties' opening comments so the final 2019 EE Potential and Goals study better reflects realistic and achievable EE potential.

II.

DISCUSSION

A. SCE supports the Council's recommendation to include a modified Program Administrator Cost (PAC) Test as an additional scenario to inform EE goals.

The Council recommends the inclusion of a modified PAC test, on a weighted basis with the TRC to calculate cost-effectiveness.[2] SCE agrees that an alternate scenario using the PAC test can provide valuable future planning insights to stakeholders and related proceedings. SCE agrees with the Council that including a PAC test will provide an important comparison data point that can inform the Commission and relevant stakeholders. The PAC test can demonstrate the existing cost-effectiveness barriers degrading EE potential and straining the utilities' ability to achieve all available EE and demand reductions that are cost-effective, reliable, and feasible.

[1] Council Comments, p. 1.

[2] *Id*., p. 4.

Conversely, SCE disagrees with the Joint REN's assertion that Scenario 3 and 4 are most appropriate to inform 2020 goals.[3] While Scenario 3 uses a 1.0 TRC screen for all measures, it assumes increased marketing strength and aggressive behavior, retro commissioning and operational (BROs) assumptions. The BROs assumptions in Scenario 3 and 4 are overly optimistic as they are based on limited and uncertain data inputs. Alternate Scenario 4's levers are also unreasonable for goal setting, because the 0.85 TRC screen is not aligned with current commission policy on cost-effectiveness.

B. Costs related to non-resource programs should either be included in the Potential and Goals Study, or be shifted to a different budget source.

As discussed in opening comments, SCE's EE portfolio contains several non-resource programs funded from the EE portfolio but do not directly contribute to goals. SCE agrees with SoCalGas that including non-resource program costs in program spending and spending scenarios will provide a more accurate picture of portfolio cost effectiveness and thus a more accurate forecast[4].

Further, SoCalGas notes that "while non-resource programs do not provide incentives to customers nor directly claim resource savings, many of these programs support short and long-term program saving strategies that facilitate a customer's implementation of EE projects."[5] SCE agrees with SoCalGas, because omitting these costs that have direct impacts on EE portfolio goals and budgets will continue to exacerbate cost-effectiveness challenges.

Alternatively, as stated in opening comments, SCE urges the Commission to re-evaluate whether non-resource support programs impacting portfolio cost-effectiveness such as Workforce Education and Training can be funded from a different budget such as income qualified programs. This approach will not only alleviate budgetary and cost-effectiveness

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[3] Joint REN Comments, p. 3-4.

[4] SoCalGas Comments, p. 4.

[5] Ibid.

challenges, but it can also increase the responsiveness of the EE budget to reductions in the EE goals.

C. **Multiple parties acknowledge that factors other than goals, affect the portfolio budget.**

In Question 5 of the Ruling, the Commission asks whether reduced savings goals should result in smaller portfolio budgets.[6] All parties who responded to this question, which include PG&E, SDG&E, SoCalGas, Joint REN, and SBUA, echo SCE's position that there are factors, other than energy saving goals that can affect the portfolio budget. Specifically, PG&E explains that "not all expenditures would be reduced on a one-to-one basis"[7] and SDG&E explains that "the relationship between savings and budgets is not linear."[8] As low-cost measures are removed from the energy efficiency portfolios, certain costs, such as marketing and outreach and/or rebate dollars[9], may need to be increased to acquire additional EE savings.

Aside from diminishing returns, additional metrics can drive the budget planning process. SCE agrees with SoCalGas that cost-effectiveness and program success are examples of factors that can affect the budget.[10]

SCE agrees with Joint REN that "instead of contemplating reductions in funding, focus should be put on potential resource/funding shifts to maximize the potential."[11] Shifting funds from non-resource support programs such as Workforce Education and Training to income qualified programs could increase the responsiveness of the EE budget to reductions in the EE goals. However, SCE expects that portfolio budgets will likely trend lower as potential and goals trend lower.

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6 Ruling, p.5.

7 PG&E Comments, p. 20.

8 SDG&E Comments, p. 10.

9 *Id.*

10 SoCalGas Comments, p. 10.

11 Joint REN Comments, p. 5.

D. SDG&E's recommendation to align EE savings forecasts with the upcoming avoided cost updates supports EE goals that are cost-effective, reliable, and feasible.

The California Public Utilities Code states that the Commission, in consultation with the Energy Commission, shall identify all potentially achievable cost-effective EE savings and establish efficiency targets for an electrical corporation to achieve.[12] The Commission needs a comprehensive analysis of the Potential and Goal Study to be able to adopt goals and targets, inform strategic contributions to SB 350 targets, inform Integrated Resource Planning, and guide IOUs in portfolio planning.

The Draft 2019 EE Potential Study uses avoided costs published in 2018. However, year after year, stakeholders have raised concerns with the Potential and Goal Studies' use of outdated avoided costs. The timing of the annual avoided cost updates consistently misaligns with the Rolling Portfolio Framework's scheduling for Potential and Goal updates, resulting in the adoption of goals that do not meet the standard of being cost-effective and achievable.[13] While the Potential and Goals Studies are based on outdated avoided costs, IOUs must use the latest avoided cost values in cost-effectiveness calculations, regardless of the values used to forecast and adopt EE goals. This structural misalignment between the avoided costs used to set goals and the avoided costs used to evaluate IOUs' portfolios diminishes the ability of IOUs to cost-effectively meet the goals.

SCE understands that the study development process for potential and goals must meet the needs of several critical state policy objectives. However, the Commission's previous responses contradict this purpose. For example, statements such as "recommendations for modifying either the inputs or the timing of Avoided Cost Calculator updates should be addressed to the Commission in the [Integrated Distribution Energy Resources] rulemaking, R.14-10-003"[14] and "SCE's recommendation implicates a significant change to our adopted bus-

[12] Cal. Pub. Util. Code § 454.55(a)(1)

[13] *Id.*

[14] D.17-09-025, p. 33.

stop approach, which we are not inclined to address in this decision*"*[15] disregard the severity and ramifications of the misalignment issues.

Ignoring the timing mismatch poses an even greater threat to the current forecasted targets. The recent IDER Decision D.19-05-019[16] outlines a formal process for minor and major updates to avoided cost assumptions, such as GHG emissions estimation, avoided distribution value, day ahead shape, marginal unit, generation capacity values, etc. These updates will have significant impacts to avoided cost, which affects cost-effectiveness. This may further diminish the ability of IOUs to cost-effectively meet the goals.

Thus, SCE recommends that the Commission align future Potential and Goal Studies with the avoided cost calculator minor and major update schedules as defined in D.19-05-019 to avoid future misalignment and set goals that are cost-effective, feasible, and achievable.

E. <u>SCE shares other IOUs' timing concerns with the Annual Budget Advice Letter (ABAL)</u>

In question 6 of the Ruling, the Commission asked if there should be any changes to the required components of annual budget advice letters (ABALs) due from the Program Administrators (PAs) in September 2019, and/or to the process or criteria for reviewing the September 2019 ABALs.[17] Multiple parties, including SCE, PG&E, SDG&E, and SoCalGas, raised such concerns. For example, SoCalGas notes that "the Commission should consider the closeness in timing of the study and the ABAL filing as it may present challenges with filing thoroughly planned 2020 ABALs."[18] Like SCE, PG&E also identified concerns that there are several challenging factors impacting ABAL planning, which includes increased uncertainty about Potential and Goals measures, activities related to the transition to statewide program

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[15] *Id*., pp.41-42.

[16] D.19-05-019, p. 69.

[17] Ruling, p.5.

[18] SoCalGas Comments, p. 10.

management, and timing of Third-Party program solicitations.[19] In addition, SCE shares SDG&Es concerns regarding the ability to propose a cost-effective ABAL under the current TRC threshold.[20]

SCE appreciates the Public Advocates Office's recent "Straw Proposal on EE Approval Process Improvements"[21] and welcomes the opportunity to address concerns for process improvements. The proposal admits "the current EE portfolio approval and budget authorization process has proven to be ineffective in balancing meaningful oversight of ratepayer-funded EE activities with timely, predictable portfolio approval and budget authorization,"[22] and has "led to constant regulatory churn."[23]

SCE agrees with PG&E that there are multiple issues that can diminish the accuracy of the ABAL forecasts due in September. These issues include the exclusion of non-resource program costs from cost-effectiveness tests, use of outdated avoided costs resulting in misalignment with the impending substantial avoid cost calculator updates, uncertainty about inclusion of some measures in Potential and Goals, activities related to the transition to statewide program management, timing of third party program solicitations, and current ineffective EE portfolio approval and budget authorization processes. Given these uncertainties at this time and subject to change, SCE plans to file an ABAL forecast in September using the best available information for the relevant factors included in the ABAL.

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19 PG&E Comments, pp. 20-21.

20 SDG&E Comments, p.11.

21 *See* Public Advocates Office Straw Proposal on EE Approval Process Improvements available at https://www.caeecc.org/6-10-19-coordinating-committee-meet

22 *Id.*, p.1.

23 *Id*.

F. **<u>SCE agrees with NRDC that the Commission and the Commission's consultants should "first address all the errors and areas for improvement" in the Draft 2019 EE Potential Study before developing goals for 2020 and beyond.</u>**

In opening comments, and throughout informal comments submitted during the 2019 Potential and Goals Study process, SCE and multiple parties have raised significant technical and non-technical concerns with modeling inputs and assumptions affecting high impact markets, which include commercial, residential, industrial, cross-cutting BROs, and the low-income sector. However, the Draft 2019 EE Potential Study forecasts do not reflect the collective stakeholder feedback provided by SCE and other parties through multiple Potential and Goals Study webinars, workshops, and informal comments. At a minimum, some of the Commission's industry standard practice baseline updates, dispositions, and federal standard changes on lighting are not incorporated in the forecasts. Not incorporating these policy changes will overstate achievable EE potential relative to savings that program administrators can claim in their portfolios, and make it more difficult for PAs to provide 2020 ABAL numbers that accurately reflect EE operating conditions.

SCE recommends that the Commission and the Commission's consultants first address and correct the errors and areas for improvements before adopting goals so that all PAs have a level basis from which to undertake their 2020 planning activities.

III.

CONCLUSION

SCE appreciates the opportunity to provide these reply comments.

Respectfully submitted,

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Date: May 31, 2019