FILED
05/21/19
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.	Rulemaking 13-11-005 (Filed November 14, 2013)

COMMENTS OF THE UTILITY REFORM NETWORK RESPONDING TO THE ADMINISTRATIVE LAW JUDGE'S RULING INVITING COMMENTS ON DRAFT 2019 POTENTIAL AND GOALS STUDY

[PHASE III]

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May 21, 2019

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I. INTRODUCTION

On May 1, 2019, the Commission issued *Administrative Law Judge's Ruling Inviting Comments on Draft Potential and Goals Study* (P&G Ruling), which may be used by the Commission to consider and adopt an appropriate set of post-2019 energy efficiency (EE) goals.[1] The P&G Ruling invites parties to respond to specific questions related to the draft 2019 Potential and Goals (P&G) Study, attached to the ruling and prepared by Navigant Consulting on behalf of the Commission, by May 21, 2019, with reply comments due May 31, 2019.[2] Accordingly, The Utility Reform Network (TURN) respectfully submits these comments addressing one of the questions raised in the P&G Ruling. TURN may address additional questions in reply comments.

II. RESPONSE TO QUESTION 3: SHOULD THE COMMISSION ADOPT GOALS THAT INCLUDE ENERGY SAVINGS POTENTIAL FROM THE LOW-INCOME SECTOR? EXPLAIN WHY OR WHY NOT.

One of the new features of the 2019 P&G Study is its inclusion of a bottom-up forecast of energy savings from the residential low-income sector.[3] Whereas the 2017 P&G Study included a top-down analysis of low-income potential, the analysis reflected in the 2019 Study uses data for individual measures and incorporates low-income market

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[1] P&G Ruling, p. 3.

[2] P&G Ruling, p. 1.

[3] P&G Ruling, p. 2.

characterization data.[4]

The inclusion of a more robust analysis of low-income potential was required by the Commission in D.16-11-022, issued in A.14-11-007 et al. That decision directed Commission Staff to include in the 2017 P&G Study scope an analysis and determination of the potential energy savings from the ratepayer-funded low-income energy efficiency program, the Energy Savings Assistance (ESA) Program.[5] The Commission in D.16-11-022 indicated that it might incorporate the resulting P&G Study findings on ESA Program potential into a future decision providing guidance for the next ESA Program cycle.[6] However, due to the timing of D.16-11-022, the development of the 2017 P&G Study "could not take account of D.16-11-022 (adopted in November 2016) in its entirety, without jeopardizing the schedule for timely completion."[7] The Commission accordingly deferred the implementation of the directive in D.16-11-022 until the 2019 P&G Study.[8]

As explained below, TURN recommends that the Commission exclude the low-income potential estimated by Navigant from the EE goals that will result from the 2019 P&G Study. Instead, the Commission should follow the procedural path anticipated in D.16-11-022 and use the low-income sector outputs of the 2019 P&G study, with the revisions recommended by TURN, to inform energy savings goals for the ESA Program in A.14-11-007 et al. That proceeding, the current docket addressing the ESA and

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[4] Draft 2019 P&G Study, pp. 10, 14, 15.

[5] D.16-11-022, as modified by D.17-12-009, p. 52.

[6] D.16-11-022, as modified by D.17-12-009, p. 53.

[7] D.17-09-025, p. 31.

[8] D.17-09-025, p. 31.

California Alternate Rates for Energy (CARE) Programs, is where the Commission is providing guidance to the utilities for the development of their post-2020 ESA Programs.

A. The Commission Should Exclude the Low-Income EE Potential Estimated by Navigant, as Presented in the Draft P&G Study, When Adopting EE Goals for 2020 and Beyond.

The draft 2019 P&G Study includes an estimate of EE "market potential" within the low-income sector. Market potential reflects a calculation of "the EE savings that could be expected in response to specific levels of incentives and assumptions about existing CPUC policies, market influences, and barriers."[9] The Commission has historically used market potential to inform the EE goals it adopts for the utilities' EE portfolios.[10]

Market potential is a subset of "economic potential" – defined as the total EE potential available when limited to only cost-effective measures – which in turn is a subset of "technical potential."[11] Navigant defines "technical potential" as the "amount of energy savings that would be possible if the highest level of efficiency for all technically applicable opportunities to improve EE were taken."[12] While Navigant reports the results of its technical potential analysis for most customer sectors and technology groups, "[t]echnical potential for low income programs and BROs are undefined" in the draft P&G Study.[13]

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[9] Draft 2019 P&G Study, p. 9.

[10] Draft 2019 P&G Study, p. 9.

[11] Draft 2019 P&G Study, p. 9.

[12] Draft 2019 P&G Study, p. 9.

[13] Draft 2019 P&G Study, p. 18.

Navigant estimates market potential for the low-income sector (as well as rebate programs more generally) using a bottom-up, dynamic Bass diffusion approach to simulate customer adoption of efficient measures.[14] The model employs three steps, including the determination of the annual number of installation decisions expected to occur for each measure in each year; a simulation of the adoption of each measure, based on customer measure awareness and willingness to adopt; and then an estimate of measure savings and portfolio benefits and costs.[15] Navigant obtained data to inform its low-income potential analysis primarily from secondary data regarding building stock, retail rates, and measure-level data.[16]

TURN recommends that the low-income market potential calculated by Navigant be excluded from the EE goals because it muddies the usefulness of study outputs. The low-income potential is not comparable to the EE potential from other sectors and technology groups modeled by Navigant, nor do the utilities seek to capture it through programs in their rolling portfolios (at least not explicitly at this time). As Navigant explains, it did not apply any cost-effectiveness screen to low income sector measures; it applied a NTG of 1.0 rather than the deemed or evaluated NTG applied to residential programs; it assumed that rebates would cover 100% of measure costs; and it highlighted that low-income includes a significant portion of program spending (disproportionate to EE potential) because low-income programs are higher cost than traditional rebate

[14] Draft 2019 P&G Study, pp. 15, 19, 25.

[15] Draft 2019 P&G Study, pp. 18-19. Navigant did not apply a cost-effectiveness measure screening to low-income measures, although other rebate programs were screened for cost-effectiveness as part of estimating market potential. Draft 2019 P&G Study, p. 32.

[16] Draft 2019 P&G Study, pp. 54-57.

programs.[17]

Furthermore, the market adoption approach relies on certain assumptions about the ESA Program that may not make sense going forward. For instance, Navigant modeled potential from all low-income homes, irrespective of prior treatment, and excluded measures it assumed were not likely to be rebated through the ESA Program.[18] Based on the recently issued Proposed Decision in A.14-11-007 et al., providing guidance to the utilities for the preparation of their 2021-2026 ESA Program applications, the Commission may intend for the next iteration of ESA to take a much more targeted approach, and the program could include very different measures.[19] TURN also questions the appropriateness of using the Bass diffusion approach to simulate market adoption for the low income sector.

For these reasons, including the low-income market potential calculated by Navigant in the goals would jeopardize the realistic achievability of the goals, contrary to the Commission's long-standing intent for its EE goals. As the Commission articulated most recently in D.17-09-025:

> Our intent with respect adopting energy efficiency goals is to use the best available assessment of what is realistically achievable, based on our most accurate assumptions regarding technical feasibility, cost-effectiveness and customer adoption. …
>
> Another closely related standard we have used for setting goals is that they should be "aggressive yet achievable," reflecting our intent to both

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[17] Draft 2019 P&G Study, pp. 55, 83-84.

[18] Draft 2019 P&G Study, p. 94.

[19] *See* Proposed Decision of Administrative Law Judge MacDonald, titled *Decision Issuing Guidance to Investor-Owned Utilities for California Alternate Rates for Energy / Energy Savings Assistance Program Applications for 2021-2026 and Denying Petition for Modification*, issued in A.14-11-007 et al. on 4/30/19, Attachment A, pp. 7, 11-12 (requiring prioritization of households to treat); pp. 14-16 (inviting changes in measure mix).

> provide reliable estimates of energy savings for resource planning purposes, as well as to set ambitious expectations for ratepayer-funded programs.[20]

B. The Commission Should Facilitate the Adoption of Energy Savings Goals for the ESA Program in A.14-11-007 et al. by Directing Staff to Supplement the P&G Study with an Estimate of Low-Income Technical Potential.

Instead of using the low-income market potential included in the draft 2019 P&G Study, TURN recommends that the Commission look to Staff and Navigant to provide an estimate of the <u>technical potential</u> from the low-income sector, based on Navigant's work on the 2019 P&G Study. This potential would be useful for informing the Commission's consideration of appropriate energy savings goals for the ESA Program. More specifically, the Commission should direct Staff to provide an estimate of the low-income technical potential in a form that lends itself most readily to the ESA Program, which should include potential by housing type (single family, multifamily, and mobile home) and by Climate Zone (as measure eligibility has historically varied by climate zone), to the extent feasible.

Additionally, TURN recommends that the Commission direct Staff and Navigant to propose a methodology for deriving energy savings goals for the ESA Program from the low-income technical potential. The Commission should consider the reasonableness of that methodology with input from parties in A.14-11-007 et al. That proceeding is the proper procedural home because the parties are those well-positioned to comment on what the ESA Program can and should be expected to deliver in terms of energy savings,

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[20] D.17-09-025, pp. 6, 8 (footnote citing to D.07-09-043 omitted).

given the multiple policy objectives for that program.[21]

III. CONCLUSION

For the foregoing reasons, TURN recommends that the Commission exclude the market potential estimated by Navigant for the low-income sector from the EE goals. Instead, the Commission should direct Energy Division Staff, with the help of Navigant, to identify an estimate of the technical potential for the low-income sector, based on Navigant's work in the 2019 P&G Study. The Commission should additionally direct Staff to prepare a proposal for deriving reasonable goals for the Energy Savings Assistance Program from the low-income technical potential and present that proposal for the Commission's consideration in A.14-11-007 et al.

Date: May 21, 2019

Respectfully submitted,

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[21] TURN presented these same recommendations in comments filed yesterday, 5/20/19, on the Proposed Decision currently pending in A.14-11-007 et al.