

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Energy Efficiency Rolling Portfolios,
Policies, Programs, Evaluation, and
Related Issues.

Rulemaking 13-11-005
(Filed November 14, 2013)

**REPLY COMMENTS OF THE PUBLIC ADVOCATES OFFICE ON
THE ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENT ON
MARKET TRANSFORMATION WORKING GROUP PROPOSAL**

ALEXANDER COLE

Analyst for

Public Advocates Office
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Telephone: (415) 703-2480
E-mail: alexander.cole@cpuc.ca.gov

TOVAH TRIMMING

Attorney for

Public Advocates Office
California Public Utilities Commission
300 Capitol Mall, Suite 418
San Francisco, CA 95814
Telephone: (916) 823-4836
E-mail: Tovah.Trimming@cpuc.ca.gov

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I. INTRODUCTION

The Public Advocates Office at the California Public Utilities Commission respectfully submits these reply comments pursuant to the *Administrative Law Judge's Ruling Seeking Comment on Market Transformation Working Group Report* issued on April 10, 2019 (Ruling). The Ruling seeks party comments on a report by the Market Transformation Working Group (MTWG Report), which was included as Attachment A to the Ruling.

In the reply comments below, the Public Advocates Office makes the following recommendations:

- The Commission should adopt a single, statewide independent market transformation administrator.
- The Commission should adopt an initial funding level based on a reasonable bottom-up estimation of costs.

II. RESPONSE TO PARTY COMMENTS

1. The Commission should adopt a single, statewide independent market transformation administrator.

In their opening comments, the Joint Investor Owned Utilities (IOUs) argue in support of having IOU program administrators (PAs) act as Market Transformation Administrators.¹ Their argument rests on the assertion of synergies between the IOUs' role as administrators of the resource acquisition portfolio and the role of Market Transformation Administrator.

The Public Advocates Office disagrees with the assertion that the IOUs are best situated to integrate market transformation initiatives with other portfolio activities. The Public Advocates Office stands by the position, developed in its opening comments,² that the State will be better served by a single, independent statewide administrator focused

¹ Response of Pacific Gas and Electric Company (U 39 M) San Diego Gas & Electric Company (U 902 M) Southern California Edison Company (U 338 E) And Southern California Gas Company (U 904 G) to Administrative Law Judge's Ruling Seeking Comment on Market Transformation Working Group Report ("Joint IOU Response"), pp. 4-6.

² Comments of the Public Advocates Office on Administrative Law Judge's Ruling Seeking Comment on Market Transformation Working Group Proposal, pp. 3-4.

exclusively on market transformation. A single, independent statewide administrator will have advantages over IOU PAs when it comes to coordinating with multiple PA and non-PA actors regarding the overlaps between a Market Transformation Initiative (MTI) and other resource and non-resource programs. In particular, a single independent administrator would have no reluctance advocating for market transformation initiatives even if these initiatives conflicts with other IOU goals, such as prioritizing short term energy savings goals over market transformation goals. Additionally, adoption of a single, statewide administrator offers the advantage of economizing on the expert knowledge that will be required to design, administer, and evaluate market transformation programs, and will accelerate the learning process from initiative to initiative.

In the alternative, rather than directly authorizing the existing IOU PAs to act as market transformation administrators, the Commission could consider running a solicitation for a single statewide administrator and allowing any IOU or other existing PA to bid into the solicitation. This alternative would afford the IOUs and other existing PAs an opportunity to demonstrate that they are best suited to managing the State's market transformation portfolio in an impartial solicitation and would allow the Commission an opportunity to compare all options without pre-judging the market.

However, allowing IOUs to bid into the solicitation for a single administrator would present multiple administrative challenges. For example, a PA acting as a market transformation administrator for other PAs would need to create organizational firewalls to ensure that it cannot give itself preferential treatment when programs within the market transformation initiative either support or interfere with programs in its resource acquisition portfolio. It would also require that the Commission oversee the solicitation for the market transformation administrator rather than observing the usual practice of having an IOU fulfill the procurement function. Due to these administrative challenges and potential biases, the Commission should carefully evaluate whether the IOUs or other existing PAs should be permitted to bid into the solicitation.

2. The Commission should adopt an initial funding level based on a reasonable bottom-up estimation of costs.

In opening comments, the Small Business Utility Advocates (SBUA)³ and SoCalREN⁴ argue that the Commission should not pre-determine an initial budget and should instead determine an appropriate budget for each initiative. Similarly, the Joint IOUs⁵ state that budgets should depend on the unique scope and timeframe of each initiative and, therefore, declined to propose a specific funding allocation for the initial funding of market transformation.

The Natural Resources Defense Council (NRDC) recommended an initial market transformation budget of \$100 million over three years, with a process to request additional funds if needed.⁶ Resource Innovations supports an initial budget of \$48 million over two years to fund market transformation start-up activities and the first few market transformation initiatives.⁷ The Utility Reform Network (TURN) recommends that the Commission set a “not to exceed” budget at “a level between 5% and 10% of the total budget for energy efficiency programs.”⁸ However, TURN qualifies that, “In the initial funding allocation, 5% may be more appropriate.”² Based on an overall energy efficiency budget of approximately \$800 million annually, TURN’s

³ Comments of Small Business Utility Advocates in Response to Administrative Law Judge’s Ruling Seeking Comment on Market Transformation Working Group Report, p. 5.

⁴ Comments of The County of Los Angeles on Behalf of The Southern California Regional Energy Network (CPUC #940) on Administrative Law Judge’s Ruling Seeking Comment on Market Transformation Working Group Report, p. 4.

⁵ Joint IOU Response, p. 9.

⁶ Opening Comments of the Natural Resources Defense Council (NRDC) on the Administrative Law Judge’s Ruling Seeking Comment on Market Transformation Working Group Report, pp. 4-5.

⁷ Opening Comments of Resource Innovations on Administrative Law Judge’s Ruling Seeking Comment on Market Transformation Working Group Report, pp. 4-5.

⁸ Opening Comments of The Utility Reform Network on the Market Transformation Working Group Report, p. 7.

² Opening Comments of The Utility Reform Network on the Market Transformation Working Group Report, p. 7.

recommendation is that the Commission would set an initial funding allocation of approximately \$40 million to \$80 million *per year*.

Unlike these other parties that made specific funding recommendations, the Public Advocates Office based its recommendation on bottom-up estimates of the funds to conduct the activities needed to initiate a market transformation program. These included generous estimations of funds needed for searching and selecting projects and funding the initial stages of two initiatives.¹⁰ Based on these estimates, the Public Advocates Office recommended that the Commission allocate \$24 million for the initial three-year period.¹¹

Setting an initial funding level using bottom-up estimates is more likely to determine a real approximation of program need. The Commission should base its initial budgetary allocation on a bottom-up estimate of start-up costs as this provides a more reasonable assessment of the budgetary needs of a market transformation administrator, particularly in the initial years when actual data on program costs is unavailable. This budget would act as a cap to ensure that the market transformation administrator uses ratepayer funds prudently for the initial activities. The budget cap can be adjusted after three years when actual data on program costs becomes available.

III. CONCLUSION

For the above stated reasons, the Public Advocates Office respectfully requests that the Commission adopt its recommendations to:

1. Adopt a single independent statewide administrator.
2. Utilize a bottom-up budget as a cap on start-up costs until actual program cost data becomes available.

¹⁰ Opening Comments of The Utility Reform Network on the Market Transformation Working Group Report, p. 7.

¹⁰ Comments of the Public Advocates Office on Administrative Law Judge's Ruling Seeking Comment on Market Transformation Working Group Proposal, p. 7

¹¹ Comments of the Public Advocates Office on Administrative Law Judge's Ruling Seeking Comment on Market Transformation Working Group Proposal, p. 7.

Respectfully submitted,

/s/ **TOVAH TRIMMING**
Tovah Trimming
Attorney

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Public Advocates Office
California Public Utilities Commission
300 Capitol Mall, Suite 418
Sacramento, CA 95814
Telephone: (916) 823-4836
E-mail: tovah.trimming@cpuc.ca.gov