

BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA



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Application of the California Energy  
Commission for Approval of Electric  
Program Investment Charge Proposed  
2012 through 2014 Triennial  
Investment Plan.

A.12-11-001  
(Filed November 1, 2012)

**PROTEST OF  
THE DIVISION OF RATEPAYER ADVOCATES**

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## I. INTRODUCTION AND SUMMARY

Pursuant to Rule 2.6 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure ("Rules"), the Division of Ratepayer Advocates ("DRA") hereby submits this protest on the applications of the California Energy Commission ("CEC"), San Diego Gas & Electric Company ("SDG&E"), Pacific Gas and Electric Company ("PG&E"), and Southern California Edison Company ("SCE")(referred to herein as "Applicants") seeking approval of their 2012 – 2014 Electric Program Investment Charge ("EPIC") investment plans filed on November 1, 2012. The Applicants filed their respective EPIC investment plans in accordance with Ordering Paragraph ("OP") 11 of Decision ("D.") 12-05-037.<sup>1</sup>

DRA protests these EPIC investment plan applications for the following reasons:

- The applications do not sufficiently describe policy justifications for each proposed project.
- The applications do not sufficiently address metrics and quantifiable ratepayer benefits.
- The applications do not provide any cost-effectiveness evaluation.
- The applications lack detail about how the administrators will avoid duplicative projects.

For these reasons and others identified in this protest, the Commission should hold workshops to further review and contemplate the Applicants' EPIC investment plans. DRA reserves the right to raise additional issues in these proceedings.

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<sup>1</sup> D.12-05-037, OP 11, p. 102, states:

11. By no later than November 1, 2012, the administrators of the Electric Investment Charge program (the California Energy Commission, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company) shall file coordinated triennial investment plans in applications covering 2012-2014 to the Commission for consideration. The applications shall be served on the service list for this proceeding and the service lists for each utility's pending or most recent general rate case.

## II. SUMMARY OF THE PROPOSALS

The Applicants request Commission approval of their EPIC triennial investment plans filed on November 1, 2012. In D.12-05-037, the Commission established the EPIC program to “provide public interest investments in applied research and development, technology demonstration and deployment, market support, and market facilitation [.]”<sup>2</sup> To accomplish this purpose, the Commission required the CEC and utilities to file triennial investment plans with the Commission for review and approval. The EPIC triennial investment plans cover the succeeding three-year program time frame and provide details of the Applicants’ RD&D proposals. The Commission directed each triennial investment plan to adhere to strict guidelines and criteria,<sup>3</sup> and determined that funding liability should be allocated in the following manner:

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<sup>2</sup> D.12-03-037, p. 2.

<sup>3</sup> D.12-05-037, OP 12, pp. 102-104, states:

12. In their application for the triennial investment plan for the Electric Investment Charge, the administrators (the California Energy Commission, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company) shall include the following elements:

- a. A mapping of the planned investments to the electricity system value chain, which includes:
  - (i) Grid operations/market design;
  - (ii) Generation;
  - (iii) Transmission;
  - (iv) Distribution; and Demand-side management.
- b. Identification of at least the following elements:
  - (i) The amount of funds to be devoted to particular program areas (applied research and development, technology demonstration and deployment, and market facilitation);
  - (ii) Policy justification for the funding allocation proposed;
  - (iii) For the utilities: an informational summary for the research, development, and demonstration activities they are undertaking as part of their approved energy efficiency and demand response portfolios.
  - (iv) The type of funding mechanisms (grants, loans, pay-for-output, etc.) to be used for each investment area;
  - (v) Eligibility criteria for award of funds in particular areas;

**Annual EPIC Funding Collections and Allocations  
Beginning January 1, 2013 (in \$ Millions)<sup>4</sup>**

<b>Funding Element</b>	<b>CEC</b>	<b>Utilities</b>	<b>CPUC</b>	<b>Total</b>
Applied Research	\$55.0	-	-	\$55.0
Technology Demonstration and Deployment	\$45.0	\$30.0	-	\$75.0

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- (vi) Any suggested limitations for funding (per-project, per-awardee, matching funding requirements, etc.)
- (vii) Other eligibility requirements (technologies, approaches, program area, etc.); and
- (viii) A summary of stakeholder comments received during the development of the investment plan and the administrator's response to the comments.
- c. Metrics against which the investment plan's success should be judged, including at least the following:
- (i) Quantification of estimated benefits to ratepayers and the state, such as:
    - Potential energy and cost savings;
    - Job creation;
    - Economic benefits;
    - Environmental benefits; and
    - Other benefits.
  - (ii) Identification of barriers or issues resolved that prevented widespread deployment of technology or strategy.
  - (iii) Effectiveness of information dissemination.
  - (iv) Adoption of technology, strategy, and research data by others.
  - (v) Funding support from other entities for EPIC-funded research on technologies or strategies.
- d. A recommended approach to intellectual property rights depending on the specific types of projects and funding proposed.
- e. How the investment plan addresses the principles articulated in Public Utilities Code §§ 740.1 and 8360.

<sup>4</sup> D.12-05-037, p. 73.

Market Facilitation	\$15.0	-	-	\$15.0
Program Administration	\$12.8	\$3.3	-	\$16.2
Program Oversight	-	-	\$0.8	\$0.8
<b>Total</b>	<b>\$127.8</b>	<b>\$33.3</b>	<b>\$0.8</b>	<b>\$162.0</b>

In short, the Commission ordered the CEC to administer 80% of the EPIC funds and the three IOUs to administer 20% of the funds, “with the IOU role limited to the area of technology demonstration and deployment.”<sup>5</sup> The Commission authorized funding, collected from ratepayers, at the level of \$162 million per year allocated as follows: PG&E 50.1%; SDG&E 8.8%; and SCE 41.1%.<sup>6</sup>

Though the Commission confined the EPIC investments to applied research, technology demonstration and development, and market facilitation, the breadth of individual activities sought in the applications necessitate an in-depth policy review by the Commission.<sup>7</sup> In DRA’s view the applications present significant policy and cost/benefit issues that the Commission must consider prior to rendering a final judgment. DRA addresses some of those issues below.

### III. ISSUES PRESENTED BY THE APPLICATIONS

In this Protest, DRA identifies the areas that require further study based upon its preliminary review of the applications. Discovery and research may bring to light additional issues. Accordingly, DRA reserves the right to raise additional issues in these proceedings.

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<sup>5</sup> D.12-05-037, p. 2.

<sup>6</sup> D.12-05-037, OP 7, p. 101.

<sup>7</sup> See D.12-05-037, pp. 27-32.

**A. The applicants need to provide policy justification for each proposed project.**

In D.12-05-037, the Commission ordered the administrators of the EPIC funds to provide policy justification for any funding allocation proposed.<sup>8</sup> The Applicants' filings provide varying degrees of policy justification for projects specifically, and energy issues broadly. DRA recommends that the Commission closely review each proposal to determine how each project will directly further the state's energy objectives. The Commission should not accept broad statements of policy reasons or simply identifying a high level policy goal, such as energy storage, as sufficient justification for a specific project to go forward. Instead, the Commission should require the Applicants to detail how each project achieves a particular objective within the context of the energy issue, how it leverages existing investments, and how it will be leveraged for future investments. Thus, the Commission should require the applicants to address the following issues:

- Is the project consistent with the Commission's policies in any ongoing proceeding such as energy storage, Long-Term Procurement Planning, etc?
- Has the Commission already contemplated and rejected the project, or one similar in nature, in past requests?
- Are the purpose and objectives of the research adequately defined?
- How does the project leverage existing investments?
- How will the project be leveraged to support future investments?
- Describe why the project should be funded through the EPIC program and not the third-party market.

DRA recommends the Commission hold workshops to discuss the issues provided above and any other concerns raised by other parties.

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<sup>8</sup> D.12-05-037, OP 12, p. 103.

**B. The applicants need to provide metrics and quantifiable benefits for each proposed project.**

In D.12-05-037, the Commission concluded that the major driver behind the EPIC program was achieving ratepayer and societal benefits. In fact, the Commission established those benefits as the key guiding principle of the EPIC program. Specifically, the Commission stated:

[A] key overarching principle governing the use of EPIC monies is that any supported activities must provide clear electricity ratepayer benefits and societal benefits, where we define benefits in terms of the extent to which the funded activities promote greater reliability, lower costs, increased safety, and/or enhanced environmental sustainability in the specific context of the provision of energy services.<sup>2</sup>

The Commission emphasized its commitment to ratepayer and societal benefits by requiring the EPIC triennial investment plans to provide “metrics against which investment plan’s success should be judged[.]”<sup>10</sup> To this end, the Commission ordered the Applicants’ to produce metrics that included the quantification of estimated benefits to ratepayer and the state for the following: (1) Potential energy and costs savings; (2) Job creation; (3) Economic benefits; (4) Environmental benefits; and (5) Other benefits.<sup>11</sup>

The benefit metrics proposed by the Applicants are based upon generic descriptions. For example, SDG&E and PG&E’s applications provide a chart with a listing of overarching benefits such as safety, reliability, and affordability with a check-mark to indicate an achievable benefit.<sup>12</sup> However, it is unclear to what extent the Applicants attempted to provide metrics to quantify any of the supposed benefits. It would be inappropriate for the Commission to conclude that ratepayer

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<sup>2</sup> D.12-05-037, p. 12.

<sup>10</sup> D12-05-037, OP 12, p. 103.

<sup>11</sup> D.12-05-037, OP 12, p. 103.

<sup>12</sup> PG&E Application, pp. 108-110 & SDG&E Application, p. 50.

benefits would be achieved based upon the Applicants’ own statements and a mere “check the box” analysis.

DRA recommends that the Commission hold workshops to allow the Applicants’ to present their triennial investment plans and detail the expected benefits of the proposed projects. Workshops would also give parties a better opportunity to understand the applications, and allow parties to ask the Applicants’ any relevant questions on the details.

**C. The applications need to provide cost-effectiveness showings for each proposed project.**

In D.12-05-037, the Commission required each administrator to demonstrate how their EPIC triennial investment plan complied with California statute. In particular, the Commission ordered the triennial investment plans to address the principles articulated in Pub. Util. Code §§ 740.1 and 8360.<sup>13</sup> Pub. Util. Code § 740.1 states “[e]xpenditures on projects which have a low probability for success should be minimized.” After a preliminary review, the Applicants’ did not appear to conduct or present a cost-effectiveness test for each project. Though the Commission has already set aside funds for EPIC program use, those funds are still subject to statutory safeguards. Specifically, the Commission must ensure that all expenditures offer a reasonable probability of benefiting ratepayers, are not duplicative, and are consistent with the corporation’s resource plan.<sup>14</sup> Without a cost-effectiveness breakdown, it is unclear if the projects the Applicants’ are proposing are reasonable expenditures, and in the best interests of the ratepayer and state.

Thus, the Commission should require the following issues be addressed to ensure project expenses are just and reasonable:

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<sup>13</sup> D.12-05-037, OP 12, p. 104.

<sup>14</sup> Pub. Util. Code § 740.1, *See also*, D. 11-12-035, p. 35 (addition of language regarding the applicability of Pub. Util. Code § 451 to our Phase 2 review of EPIC-funded programs).

- What is the probability that the proposed project will succeed?
- What are the projected costs if the project/product is piloted?
- What are the projected costs if the project/product reaches full deployment?
- Have the Applicants conducted cost-effectiveness tests on their proposed projects? If so, applicants should provide their cost-effectiveness studies for DRA review.
- For technology demonstration and deployment, have the Applicants determined if an outside entity has already conducted a cost-effectiveness analysis on piloting or full deployment?

#### **IV. Recommendation for Workshops**

As noted above, DRA recommends that the Commission hold a series of workshops to discuss the various issues presented in the applications. Workshops are particularly appropriate considering these are the first EPIC triennial investment plan applications the Commission and parties will review for this R&D program. The Commission should use this opportunity to ensure that its EPIC orders and guidelines are being applied consistent with its newly adopted R&D policies.

#### **V. CATEGORIZATION**

DRA agrees with the Commission's determination that the proceedings should be categorized as Ratesetting.

#### **VI. NEED FOR HEARINGS AND SCHEDULE**

DRA makes no recommendation for a schedule at this time, but it is not opposed to the schedules set forth in the Applicants' individual applications as the schedules are generally the same. Similar to Applicants' proposed schedules, DRA recommends that the Commission hold workshops to examine the

applications in detail. Hearings may be necessary depending upon the information that is gathered in workshops, and in any additional discovery.

## **VII. CONCLUSION**

For the reasons stated above, DRA protests these EPIC triennial investment plan applications. DRA recommends that the Commission consolidate the applications into a single proceedings, and schedule workshops and require the Applicants to provide further explanation and support for their triennial investment plans as required by D.12-05-037. DRA further recommends that the Commission order the Applicants to provide the justification and support that DRA identifies in this protest.

Respectfully submitted,

/s/ ROBERT HAGA

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