



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE  
STATE OF CALIFORNIA

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

R.13-11-005  
(Filed November 14, 2013)

**SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) REPLY COMMENTS TO  
VARIOUS COMMENTS FILED BY THE PARTIES ON ADMINISTRATIVE LAW  
JUDGE'S PROPOSED DECISION PROVIDING GUIDANCE FOR INITIAL ENERGY  
EFFICIENCY ROLLING PORTFOLIO BUSINESS PLAN FILINGS**

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Dated: **August 15, 2016**

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**I.**

**INTRODUCTION**

Pursuant to Rule 14.3(d) of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission or CPUC), Southern California Edison Company (SCE) respectfully submits these Reply Comments in response to various parties’ opening comments on the Proposed Decision (PD) of Administrative Law Judge (ALJ) Fitch issued on July 19, 2016.<sup>1</sup>

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<sup>1</sup> In addition to SCE, the following parties filed Opening Comments on August 8, 2016: Pacific Gas and Electric Company (PG&E); San Diego Gas & Electric Company (SDG&E); Southern California Gas Company (SoCalGas); the Office of Ratepayer Advocates (ORA); the Utility Reform Network (TURN); the Natural Resources Defense Council (NRDC); Opower; the National Association of Energy Service Companies (NAESCO); Local Government Sustainable Energy Coalition (LGSEC); the California Energy Efficiency Industry Council (Efficiency Council); Marin Clean Energy (MCE); the Appliance Standards Awareness Project (ASAP); the County of Los Angeles on Behalf of the Southern California Regional Energy Network (SoCalREN); the Center for Sustainable Energy (CSE); the University of California and the California State University (UC/CSU); Nexant, Inc. (Nexant); Robert Mowris & Associates, Inc. (RMA); the Cohen Ventures, Inc., dba Energy Solutions (Energy Solutions); Ecology Action of Santa Cruz (Ecology Action); McHugh Energy Consultants, Inc. (McHugh Energy); the Association of Bay Area Governments on Behalf of the San Francisco Bay Area Regional Energy Network (BayREN); the Association of Monterey Bay Area Governments (AMBAG); and the BlueGreen Alliance.

## II.

### SCE'S REPLY TO PARTIES' OPENING COMMENTS

#### **A. Utility Program Administrators Should Maintain a Role in Program Design**

SCE agrees that the PD should be modified to maintain a role for utility Program Administrators (PAs) in third-party program design.<sup>2</sup> The PD does not address the concerns raised by the parties on the record regarding the definition of “third party” programs, and provides no evidence to support the removal of utility PAs from any role in design. The PD explains that additional innovation is needed, but provides no evidence that third parties are more capable than the utilities of delivering that innovation. As SoCalGas states, “[t]he PD should provide the CPUC’s confirmation of the current PA roles and responsibilities and to clarify that all program designs (and ideas) can and should come from any viable source, as is the practice now in California and throughout the EE industry.”<sup>3</sup> SCE supports the increased use of third parties in energy efficiency (EE), but utility PAs need flexibility to determine when to play a role in program design to address local reliability issues and to balance programs across the portfolio to meet cost-effectiveness requirements and achieve EE goals.<sup>4</sup>

ORA recommends, without any basis, that the Commission “establish a clear policy preference for IOU administration and third party implementation of programs by requiring that all [EE] programs meet either the Statewide or Third Party definition unless an IOU can demonstrate that it can implement the program more cost effectively.”<sup>5</sup> The Commission should reject this recommendation, and remove from the PD any restriction limiting a utility PA’s role to portfolio administration. The PD should also remove the requirement to transition 60 percent of a utility’s budgeted portfolio to being third-party designed and delivered, as it provides no evidence to support such a policy decision.<sup>6</sup> It is not equitable to default program implementation to third parties without any evidence supporting such a change while

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<sup>2</sup> See Nexant Opening Comments, pp. 3-4; SoCalGas Opening Comments, pp. 6-7; SDG&E Opening Comments, pp. 10-12.

<sup>3</sup> SoCalGas Opening Comments, pp. 6-7.

<sup>4</sup> SCE currently spends approximately 53 percent of its total EE budget on third parties - approximately 27 percent on third-party implementation and approximately 26 percent on third-party support services.

<sup>5</sup> ORA Opening Comments, p. 2. ORA provides no evidence or justification for putting the burden on the utilities to prove that they can implement the programs more cost-effectively than as proposed in the PD.

<sup>6</sup> See SDG&E Opening Comments, pp. 11-12; SoCalGas Opening Comments, p. 8.

requiring a utility PA to “demonstrate that it can implement the program more cost effectively.” Current Commission oversight, EE portfolio rules, and EE goals are sufficient to incent PAs to pursue innovation and cost-effective solutions.

**B. The Proposed Statewide Model Should be Piloted and Requires Modifications**

Several parties identified concerns with the proposed model for statewide administration.<sup>7</sup> Until these concerns are addressed, the statewide model should be piloted with a small number of programs rather than broadly implemented for all upstream and midstream programs. As SDG&E explains, the PD provides no evidence to support transitioning such a large number of programs to an unproven model.<sup>8</sup> The PD should instead use a measured approach, similar to the one used for regional energy network (REN) pilots, of piloting a new process, evaluating the results, and determining whether and how to implement more broadly.<sup>9</sup>

ORA proposes that the PD require the PAs to jointly file a Tier 1 advice letter (AL) within 30 days of a decision to specify which PA will be the lead administrator for each statewide program.<sup>10</sup> As ORA notes, the PD already requires the PAs to propose statewide leads in their business plan filings. The PD’s requirement is sufficient and it would be inefficient to require the PAs to file an additional advice letter while developing business plans and other required filings.<sup>11</sup> In addition, 30 days would not be sufficient time to determine lead administrators for all of the proposed statewide programs.

SDG&E and the Efficiency Council provide rationale for removing Emerging Technologies from the list of programs to be administered under the new Statewide model.<sup>12</sup> SCE concurs and reiterates its recommendation to remove Codes and Standards from the new statewide approach.<sup>13</sup>

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<sup>7</sup> See SCE Opening Comments, pp. 5-6; SoCalGas Opening Comments, pp. 3-6; MCE Opening Comments, p. 4; PG&E Opening Comments, p. 3; SDG&E Opening Comments, p. 6.

<sup>8</sup> SDG&E Opening Comments, p. 6.

<sup>9</sup> SCE supports SDG&E’s proposals for an IOU-Energy Division Steering Committee as a potential means of addressing some of these concerns (See SDG&E Opening Comments, pp. 6-7).

<sup>10</sup> ORA Opening Comments, p. 6.

<sup>11</sup> The annual budget AL and Energy Savings Performance Incentive (ESPI) AL are both currently due September 1.

<sup>12</sup> SDG&E Opening Comments, pp. 7-8; Efficiency Council Opening Comments, pp. 12-13.

<sup>13</sup> SCE Opening Comments, pp. 6-8.

**C. EE Goals Should Include Codes and Standards and Continue to Use Gross Goals**

Multiple parties present evidence that it is inappropriate for the Commission to remove Codes and Standards Advocacy goals and savings from the EE portfolio.<sup>14</sup> Some parties present alternative solutions for preventing double counting of savings.<sup>15</sup> Based on this strong evidence, the PD should be modified to maintain Codes and Standards Advocacy goals and savings.

SoCalGas and the Efficiency Council recommend the Commission continue to set gross EE savings goals.<sup>16</sup> SCE agrees with this recommendation. The potential impact of free ridership is relatively small and may be temporary and can be better addressed with program design and targeted outreach.<sup>17</sup>

**D. The Baseline Policy Requires Changes to Align with Assembly Bill (AB) 802**

Ecology Action agrees with SCE that the proposed baseline policy does not go far enough in achieving the requirements of AB 802.<sup>18</sup> To comply with AB 802, the Commission should adopt the Baseline Policy proposed by SCE.<sup>19</sup> SCE's recommendations incorporate many of the recommendations by SoCalGas and the Efficiency Council.<sup>20</sup>

**E. The Third-Party Definition Should Apply Equally to all PAs**

SCE agrees with SoCalGas that the PD provides no justification for determining that the proposed third-party definition will apply to utility PAs but not to other PAs.<sup>21</sup> The PD must be modified to either apply the definition to all PAs or to justify why it is fair to deviate from Commission

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<sup>14</sup> See SCE Opening Comments, pp. 11-12; Efficiency Council Opening Comments, pp. 4-8; ASAP Opening Comments pp. 3-7; NRDC Opening Comments, pp. 3-5; PG&E Opening Comments, p. 7; Energy Solutions Opening Comments, pp. 4-12.

<sup>15</sup> See SCE Opening Comments, p. 11; Efficiency Council Opening Comments, p. 8; ASAP Opening Comments, p. 7; NRDC Opening Comments, p. 6; NRDC Opening Comments, p. 4.

<sup>16</sup> SoCalGas Opening Comments, pp. 12-13; Efficiency Council Opening Comments, pp. 2-4.

<sup>17</sup> See Efficiency Council Opening Comments, p. 2.

<sup>18</sup> Ecology Action Opening Comments, p. 5.

<sup>19</sup> See SCE Opening Comments, p. 10.

<sup>20</sup> See SoCalGas Opening Comments, pp. 11-12; Efficiency Council Opening Comments, p. 8.

<sup>21</sup> See SCE Opening Comments, p. 5; SoCalGas Opening Comments, p. 8.

policy established in D.12-11-015, which determined that RENs and CCAs are subject to the same policy guidance as the utility PAs.<sup>22</sup>

**F. Only the Commission Should Determine Whether to Continue RENs**

BayREN recommends that Conclusion of Law (COL) #2 be modified to clarify that in addition to Commission Staff, the RENs themselves should be involved in evaluating the REN programs.<sup>23</sup> However, the use of the term “evaluation” in COL #2 refers to the Commission’s determination of whether to continue REN pilots as programs and not to EE EM&V activities (as BayREN presumes). SCE’s interpretation of COL #2 is consistent with other sections of the PD, such as when it states the Commission intends “to continue evaluation of REN programs to ensure they are performing as intended.”<sup>24</sup> It is not appropriate for the RENs to share in the Commission’s responsibility to evaluate whether to continue the REN pilots.

**G. Annual Budget Advice Letters Should Follow Approved Business Plans**

SCE concurs with MCE that the annual budget advice letters required by D.15-10-028 should not be required until *after* the Commission has approved the PAs’ business plans.<sup>25</sup> In addition to the reasons cited by MCE, the annual budget advice letters are not necessary. The purpose of the annual budget advice letters is to justify proposed expenditures and to obtain spending authorization and revenue requirement.<sup>26</sup> However, D.14-10-046 already authorized expenditures through 2025 or until business plans are approved.<sup>27</sup>

**III.**

**CONCLUSION**

SCE appreciates the opportunity to submit this reply to opening comments on the PD.

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<sup>22</sup> D.12-11-015, p. 130 (OP #2).

<sup>23</sup> BayREN Opening Comments, p. 2.

<sup>24</sup> PD, p. 11.

<sup>25</sup> MCE Opening Comments, p. 11.

<sup>26</sup> D.15-10-028, pp. 60-62.

<sup>27</sup> See OP #21 on p. 167 of D.14-10-046: “[PAs’] existing [EE] program funding shall be extended annually through 2015, at the 2015 annually spending levels by [PAs] as approved in this Decision until the earlier of 2025 or when the Commission issues a superseding decision on funding levels.”

Respectfully submitted,

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