RESPONSE OF SOUTHERN CALIFORNIA EDISON COMPANY (U 338-E) 
TO MOTION OF THE NATURAL RESOURCES DEFENSE COUNCIL (NRDC), 
SIERRA CLUB, THE SOLAR ENERGY INDUSTRY ASSOCIATION (SEIA), 
AND THE CALIFORNIA ENERGY EFFICIENCY INDUSTRY COUNCIL (CEEIC) 
SEEKING REVIEW AND MODIFICATION OF THE THREE-PRONG FUEL 
SUBSTITUTION TEST

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Pursuant to Rule 11.1(e) of the California Public Utilities Commission’s (Commission or CPUC) Rules of Practice and Procedure, Southern California Edison Company (SCE) respectfully submits this response to the Motion of NRDC, Sierra Club, SEIA, and CEEIC (collectively, the Joint Parties) Seeking Review and Modification of the Three-Prong Fuel Substitution Test (Motion).

I.
INTRODUCTION

SCE agrees with the Joint Parties that fuel substitution technologies that switch from more greenhouse gas (GHG) intensive source fuels to cleaner fuels are important measures for cost-effectively reaching California’s ambitious GHG emissions goals. SCE also agrees that the three-prong fuel substitution test for allowing energy efficiency (EE) program administrators to use EE funds to provide rebates and incentives for fuel substitution measures is unclear and may be a barrier to greater adoption of fuel substitution technologies. As such, SCE supports the
Joint Parties’ request for a review of the three-prong test. The three-prong test is an EE policy; therefore, the EE proceeding (Rulemaking (R.) 13-11-005) is the most appropriate venue to revisit the policy. However, the development of broader policies on fuel substitution, exploration of use cases, and holistic evaluation of the environmental and grid benefits of fuel substitution technologies should occur in the Integrated Resource Planning (IRP) proceeding or a separate fuel substitution proceeding.

II.

FUEL SUBSTITUTION TECHNOLOGIES CAN HELP MEET CALIFORNIA’S GHG EMISSIONS GOALS

Reaching the state’s aggressive climate goals will require a variety of GHG emissions reduction measures. Fuel substitution technologies can be a relatively cost-competitive way to reduce GHG emissions. There have already been significant GHG emissions reductions in California’s electric sector, and these reductions will continue given the growing levels of renewable and other carbon free resources in the state’s electricity portfolio. Electrification of end uses such as water and space heating can leverage the relatively clean electric sector to further improve net GHG emissions reductions. Additionally, certain electrification measures, such as electric resistant water heaters and solar water heaters, may be able to provide grid services to help facilitate integration of high levels of renewable resources.
III. THE THREE-PRONG FUEL SUBSTITUTION TEST SHOULD BE REVISITED FIRST IN THE EE PROCEEDING

The Joint Parties’ Motion seeks review and modification of the three-prong fuel substitution test through a process within the Integrated Distributed Energy Resources (IDER) proceeding. While the Joint Parties note that they favor including this topic in the IDER proceeding, they “defer to the Commission in deciding what venue is most appropriate given staff capacity and other considerations,” and state that the EE proceeding is another possible venue.

SCE supports re-examination of the three-prong test. SCE believes the three-prong test may present a policy barrier for the adoption of certain end uses that could result in decreased source energy and GHG emissions such as water and space heating (including variable refrigerant flow) where the fuel source could be effectively changed from natural gas (or off grid non-green sources) to electricity, and could yield incremental benefits not considered within EE, including flexibility in dispatching loads. There are also current challenges with the three-prong test that make it difficult and/or unclear to implement in practice, including cases where the determination of the existing fuel basis is unclear and/or where the environmental benefits are also not clearly defined. As the state moves rapidly towards its aggressive Renewables Portfolio Standard and GHG emissions reduction targets, cleaner sources of electrification will continue to be an important source of GHG emissions reductions. This creates a longer-term policy consideration that the Commission should address more immediately through a re-examination of the three-prong test in the EE proceeding, but also more comprehensively as a broader state policy that extends beyond just EE.

1 Joint Parties’ Motion at 1.
2 Id. at 8.
The three-prong fuel substitution test is part of the EE Policy Manual. The three-prong test does not apply to other proceedings such as IDER, IRP, and Demand Response. Moreover, the three-prong test is specific to EE funding; it does not apply to other distributed energy resources. Accordingly, any review and/or modification of the three-prong test should occur in the EE proceeding. SCE recognizes that the EE docket may be full, but recommends that the Commission include re-examination of the three-prong test as part of Phase III of the EE proceeding, R.13-11-005.

IV.

BROADER FUEL SUBSTITUTION POLICIES AND PROGRAMS SHOULD BE DISCUSSED IN THE IRP PROCEEDING OR ANOTHER DEDICATED PROCEEDING

There currently is no open Commission proceeding that contemplates the uses, GHG emissions reduction and grid benefits, and supporting policies and programs for fuel substitution measures, beyond those that may be defined as EE under the strict definitions described in the EE Policy Manual. As the Joint Parties state, however, at high levels of renewables and carbon-free generation, electrification measures that may increase source-BTU energy use such as electric resistant hot water heaters and solar water heating, may provide GHG emissions reduction benefits compared to natural gas-fueled end uses. The limited scope of the IDER proceeding focuses on refining and enhancing cost-effectiveness methods and protocols for distributed energy resources; therefore, it is not the appropriate venue to facilitate policy making around broader fuel substitution issues. SCE recommends that the Commission either define a track in the IRP proceeding to facilitate fuel substitution policy making, or develop a separate


4 Joint Parties’ Motion at 4-6.
fuel substitution proceeding to actively address the need for supporting policies and potential programs that move the state forward in its clean energy future.

Respectfully submitted,

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