

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Order Instituting Rulemaking to Create a
Consistent Regulatory Framework for the
Guidance, Planning and Evaluation of
Integrated Distributed Energy Resources.

Rulemaking 14-10-003
(Filed October 2, 2014)

**REPLY COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES
ON ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING
COMMENT ON AN INTERIM GREENHOUSE GAS ADDER**

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I. INTRODUCTION

The Office of Ratepayer Advocates (ORA) respectfully submits these reply comments pursuant to the *Administrative Law Judge's Ruling Requesting Comment on an Interim Greenhouse Gas Adder* (Ruling) issued April 3, 2017 in the Integrated Distributed Energy Resources (IDER) docket. The Ruling seeks party comment on an Energy Division Staff Proposal (Staff Proposal) recommending adoption of an interim greenhouse gas (GHG) avoided cost adder to be applied as an input in the Avoided Cost Calculator (ACC) used to evaluate Distributed Energy Resource (DER) cost-effectiveness.

As discussed below, if the Commission adopts an interim GHG adder, then ORA recommends the Commission consider revising the GHG value in the ACC to reflect the California Air Resources Board's (CARB) proposed Cap-and-Trade Allowance Price Containment Reserve (APCR) price ceiling as a reasonable interim value that has been subject to public scrutiny. In addition, the Commission should reject the alternative Energy Efficiency (EE) cost-effectiveness proposals recommended by Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and San Diego Gas & Electric Company (collectively, Joint IOUs).

II. DISCUSSION

A. **If the Commission adopts an interim GHG emissions avoided cost adder, then the Commission should consider CARB's proposed Cap-and-Trade price ceiling as a reasonable interim value.**

As ORA iterated in its opening comments, the correct venue for determining a GHG value for cost-effectiveness purposes is the Integrated Resource Planning (IRP) proceeding. However, if the Commission finds that an interim GHG avoided cost adder is appropriate, then the Commission should consider adopting the CARB Cap-and-Trade price ceiling as an interim value. ORA agrees with the Joint IOUs that adopting the

CARB price ceiling as an interim adder will remedy the Staff Proposal's problem of using a methodology that inhibits transparency and minimizes the potential for substantial rate impacts.¹ Moreover, the Cap-and-Trade price ceiling represents the actual abatement costs imposed on utilities and ratepayers. While the Commission may decide that a social cost of carbon may reasonably include other inputs, as a starting point, the Commission should use the current and reasonably expected cost of carbon emissions until it can adopt a methodology to robustly measure the cost-effectiveness of DERs. Adopting an interim adder based on current GHG allowance prices and a path to the CARB GHG price ceiling is a reasonable set of assumptions to use while the Commission weighs the correct value for GHG abatement in the IRP proceeding.

B. The Commission should reject the Joint IOUs' alternative EE cost-effectiveness proposals.

ORA cautions that the Joint IOUs' alternative EE proposals are unjustified and contrary to ratepayers' interest. The Joint IOUs proposals include the following:

- Revise the Total Resource Cost Test (TRC) inputs used for EE programs by adjusting non-energy impacts (NEI);
- Use gross savings for EE cost-effectiveness purposes until the IRP is operational or other resources have net savings estimates; and,
- Consider lowering the appropriate threshold for meeting cost-effectiveness for EE planning.²

Each of these proposals is arbitrary and contrary to recent Commission direction and therefore all should be rejected.

¹ As discussed in ORA's Opening Comments, the Resolve Model's inputs and assumptions have yet to be published by Energy Division Staff, vetted by stakeholders, or entered the record in the IRP. See also Opening Comments on Administrative Law Judge's Ruling Requesting Comment on An Interim Greenhouse Gas Adder of Pacific Gas And Electric Company (U 39 M), Southern California Edison Company (U 338 E), Southern California Gas Company (U 904 G), San Diego Gas & Electric Company (U 902 M) (Joint IOU Opening Comments), at pp. 5 and 9.

² Joint IOU Opening Comments, at pp. 7-9.

Concerning the proposed adjustment to EE NEIs, the Joint IOUs are correct in noting that for some measures it is difficult to accurately account for only energy-related participant costs. However, rather than rely on evidenced-based participant energy costs, the Joint IOUs ask the Commission to assume customer “rationality”³ such that participant energy costs equal energy benefits in all cases in which the measured participant costs exceed the energy benefits.⁴ This assumption directly conflicts with the many IOU EE program designs premised on customers having poor or inaccurate information about their potential savings from EE measures and also undermines the Commission’s ability to detect measures that are contrary to customers’ best interest.

Concerning the gross versus net savings proposal, relying solely on gross savings inflates EE program energy savings and fails to account for free riders, thus leading to imprudent allocation of ratepayer funding and poor resource portfolio configuration. The Commission has considered this issue repeatedly and consistently concluded that the appropriate metric for EE is net savings. The Commission most recently affirmed this in D.16-08-019, in relation to EE goals.⁵ The Joint IOUs proposal attempts to re-litigate this issue in another forum and should be denied.

Finally, concerning the IOU proposal on the EE cost-effectiveness threshold, the Joint IOUs proposal is both illogical and unrelated to the EE Potential and Goals study. Lowering the cost-effectiveness threshold for EE programs effectively requires ratepayers to fund EE portfolios that return only \$0.90 in benefits for each \$1.00 spent, which flies in the face of the Commission’s interest in valuing EE as a procurement resource and the statutory requirement to procure only cost-effective EE.⁶ Furthermore,

³ Joint IOUs Opening Comments at p. 7.

⁴ Joint IOUs Opening Comments at p. 8.

⁵ D.16-08-019, COL 10, at p. 99.

⁶ Public Utilities Code Section 454.5(b)(9)(C) states, “[t]he electrical corporation shall first meet its unmet resource needs through all available energy efficiency and demand reduction resources that are cost effective, reliable, and feasible.”

the Potential and Goals study already uses a measure-level 0.85 TRC test threshold,⁷ so the proposed policy change would have no practical impact on estimated EE potential.

III. CONCLUSION

For the foregoing reasons, ORA respectfully requests the Commission adopt the recommendations contained herein.

Respectfully submitted,

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⁷ The EE Potential applies the lower cost-effectiveness threshold at the measure level in order to accommodate new measures that may become cost-effective in the future. Additionally, higher-TRC measures can subsidize lower TRC measures because EE cost-effectiveness is assessed at the portfolio level.