JF2/rp4 6/25/2018

FILED
06/25/18
02:36 PM

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs, Evaluation, and Related Issues.	Rulemaking 13-11-005

ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENTS ON THREE-PRONG TEST

Summary

This ruling seeks comments from parties on questions related to the definition and implementation of the three-prong test (Test) used for determining energy efficiency program funding eligibility for projects involving fuel substitution. Comments in response to this ruling are requested by no later than July 17, 2018, with reply comments due by no later than July 27, 2018.

The Three-Prong Test

The three-prong test defined by Commission policy requires that a fuel-substitution program or project, whether applied to retrofit or new construction applications, must pass the following three-prongs to be considered eligible for energy efficiency funding incentives:

a) The program/measure/project must not increase source-BTU [British Thermal Unit] consumption. Proponents of fuel substitution programs should calculate the source-BTU impacts using the current CEC - [California Energy Commission] established heat rate.

b) The program/measure/project must have TRC [total resource cost] and PAC [program administrator cost] benefit-cost ratio of 1.0 or greater. The TRC and PAC tests used for this purpose should be developed in a manner consistent with Rule IV.4.

c) The program/measure/project must not adversely impact the environment. To quantify this impact, respondents should compare the environmental costs with and without the program using the most recently adopted values for avoided cost of emissions. The burden of proof lies with the sponsoring party to show that the material environmental impacts have been adequately considered in the analysis.[1]

The Amended Scoping Memo in this proceeding issued April 26, 2018 determined that the Commission would consider amendments to the three-prong test, as well as implementation questions related to it, as the Test relates to energy efficiency fuel substitution measures only. The scope of consideration of the Test was limited only to its application for determining whether funding is appropriate for energy efficiency projects and measures, and not the broader issues related to whether or how the Commission should pursue building electrification, or electrification in other sectors, as a priority policy to meet California's environmental goals.

To facilitate the Commission's consideration of amendments to and implementation of the Test in this proceeding, we seek comments from parties in response to the questions listed in the following section.

[1] California Public Utilities Commission. 2013. Energy Efficiency Policy Manual, R.09-11-014, Version 5, July 5, 2013, pages 24-25: http://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Utilities_and_Industries/Energy_-_Electricity_and_Natural_Gas/EEPolicyManualV5PDF.pdf.

Questions for Comments by Parties

In response to this ruling, interested parties are invited to comment on the questions listed below related to design and implementation of the three-prong test. Parties are also free to comment on any other aspect of the Test they wish, but should follow the organization of the questions below for issues related to these, and include other comments separately after addressing any of these questions.

1. What ambiguities exist with the current Test definition and/or implementation and what clarifications are needed?
2. What are the barriers, if any, for energy efficiency program administrators pursuing fuel substitution programs or projects, as they relate to the Test?
3. How should the Test be modified, if at all, to provide greater clarity and consistency when measuring fuel substitution programs, projects, or measures?
    a. If applicable, how should "source BTU consumption" be defined and measured?
        i. What value should be used for heat rate?
            i. Should an average heat rate, as determined by the California Energy Commission, be used, and if so which specific heat rate should be used?
            ii. Instead of an average heat rate, should an average marginal heat rate for each measure's load shape be determined?
            iii. Or should the test use an hourly heat rate based on 8760 hour data from the California Independent System Operator (CAISO), the Avoided Cost Calculator, or another source?
            iv. Please provide a suggested methodology for your preferred proposal.

v. How often should these values be updated?

vi. How should renewables be accounted for?

b. How should the "baseline" be defined against which a proposed fuel substitution project is compared?

i. In setting the baseline for a same fuel alternative, should the baseline always be code if a code or minimum efficiency standard exists? Or should industry standard practice be used if higher than code?

ii. Given that Title 24 now allows all-electric new homes to meet compliance requirements, should the three-prong test continue to apply to new homes?

c. How should "material environmental impacts" be defined?

i. Should the three-prong test include pollutants, emissions, and changes in resource use, beyond what is calculated in the cost-effectiveness tool, such as potential fluorocarbons released from air conditioning/heat pump systems, sulfur oxides from generation, or increase in water consumption? If so, which specific pollutants, and what is a verifiable source for the data to be used for each pollutant?

ii. To evaluate environmental impacts, what methodology should be used to make the different pollutants comparable (e.g., assigning a dollar value per ton of each type of pollutant, etc.)? How should the appropriate comparable unit be determined for each pollutant?

4. Is the energy efficiency cost-effectiveness calculator (CET version 18.1) adequate for calculating the cost-effectiveness of potential fuel substitution programs or are modifications needed to the calculator for these programs?

5. What is the appropriate efficiency savings accounting for interactive effects related to fuel substitution?
6. How should fuel substitution programs be funded?
    a. Should energy efficiency funds from natural gas customers pay for programs to substitute electricity with natural gas, and electricity customers pay to substitute natural gas with electricity? Or vice versa?
    b. What impact do these considerations have on cost-effectiveness calculations, if any?
7. How should each prong of the three-prong test account for electricity generated on-site? Should the method vary depending on the on-site generation fuel type?

IT IS RULED that:

1. Interested parties may file and serve comments in response to the questions contained in this ruling, and any other aspect of the three-prong test definition or implementation, by no later than July 17, 2018.

2. Interested parties may file and serve reply comments in response to this ruling by no later than July 27, 2018.

Dated June 25, 2018, at San Francisco, California.

/s/ JULIE A. FITCH
Julie A. Fitch
Administrative Law Judge