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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking to Create a
Consistent Regulatory Framework for the
Guidance, Planning, and Evaluation of
Integrated Demand Side Resource
Programs

Rulemaking 14-10-003
(Filed October 02, 2014)

**E-MAIL RULING ESTABLISHING A WORKING GROUP
FOR CREATING A CONSENSUS PROPOSAL**

Dated October 9, 2015 at San Francisco, California.

/s/ KELLY A. HYMES

Kelly A. Hymes
Administrative Law Judge

From: Hymes, Kelly A.

Sent: Friday, October 09, 2015 12:52 PM

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Cc: ALJ_Support ID; ALJ Docket Office; ALJ Process

Subject: R.1410003 Email Ruling Establishing a Working Group for Creating a Consensus Proposal

Summary

This Ruling notices the establishment of a working group in this proceeding for the purpose of evolving the first phase of a Commission staff proposal into a consensus proposal to update the Commission's cost-effectiveness framework. All parties are encouraged to participate. Parties unable to participate may submit informal comments, as instructed below. Utility representatives on the working group are directed to file a status report, as described below, on February 2, 2016. The consensus proposal shall be filed by the utility representatives by a yet-to-be determined date.

Notices of all working group meetings will be posted on the Commission's Daily Calendar to inform the public that a decision-maker or an advisor may be present at those meetings or workshops. Parties shall check the Daily Calendar regularly for such notices.

Background

On July 30, 2015, the Commission's Energy Division staff held a workshop to present an overview of its Integrated Demand-Side Resources Cost-Effectiveness Mapping Project Report (Spreadsheet) and an associated proposed approach to updating the Commission's cost-effectiveness framework

(Staff Proposal). The Spreadsheet compared the existing cost-effectiveness methods used across all demand-side resource proceedings. The Staff Proposal recommends a four-phase approach to updating the Commission's cost-effectiveness framework:

- Phase 1: Improve the existing cost-effectiveness framework;
- Phase 2: Coordinate with the Distributed Resources Plan proceeding (Rulemaking (R.) 14-08-013) to improve the relationship between cost-effectiveness and actual system conditions;
- Phase 3: Develop improved cost-effectiveness models and methods to more accurately reflect California policies and goals; and
- Phase 4: Expand the demand-side cost-effectiveness framework, in coordination with supply-side models, to create an all-source, all-technology valuation framework.

The Staff Proposal, Spreadsheet, and other workshop materials are available on the Commission's website in the Energy Division's section under Integrated Demand Side Management (IDSMD) on Information on IDSMD Proceeding under Events, Meetings, and Workshops.

Discussion

This Ruling hereby establishes a working group tasked with the sole purpose of evolving Phase 1 of the Staff Proposal into a consensus proposal.^[1] While the working group is tasked with developing a consensus

^[1] Research for the proposed later phases of the Staff Proposal will be completed on a separate track.

proposal, if consensus is not feasible, the working group will develop a report describing consensus proposals as well as any alternatives. A future ruling will establish a deadline for filing the consensus proposal or report.

All parties of R.14-10-003 are encouraged to participate in the working group to develop consensus on the following three objectives:

- 1) Establishing a system for Avoided Cost Calculator version control;
- 2) Developing a process for Avoided Cost Calculator data updates; and
- 3) Developing recommendations for the following issues:
 - a) Resource Balance Year: Should the resource balance year be used for some or all resources (i.e., use only long-term avoided capacity costs)? If the Commission continues to use the Resource Balance Year, when and how should it be updated? Should the same Resource Balance Year be used across all resources?
 - b) Avoided Cost Estimation: Currently, methodological inconsistencies exist across resources for estimating avoided costs, e.g. time-allocation of avoided generation capacity costs. How should these inconsistencies be reconciled?
 - c) Definitions of Costs and Benefits: Currently, there is inconsistent use of certain definitions and estimations of various costs and benefits across the various resources. Are there any definitions and/or estimations that should be consistent across resources?
 - d) Social Cost Test: Should the Commission develop a Social Cost Test? Why? Should the Social Cost Test be developed during Phase 1 or during a later phase of the cost-effectiveness update? Why?

All working group meetings will be facilitated by Commission Energy Division Staff. Future notices of the working group meetings will be posted on the Commission's Daily Calendar to inform the public that a decision-maker or an advisor may be present at those meetings. Parties shall check the Daily Calendar regularly for such notices.

Parties with limited resources for participating in the working group meetings are encouraged, in lieu of participation, to submit informal comments to Katie Wu at katie.wu@cpuc.ca.gov no later than October 30, 2015. The comments will be considered in the development of the consensus proposal. Parties should consider the questions, provided below, in their comments.

Lastly, in order to ensure that the working group is moving forward in an expeditious and effective manner, a status report is necessary. Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE) and Southern California Gas Company (SoCalGas) shall jointly file a report on February 2, 2016 describing the activities of the working group and the progress of the working group in attaining each of the three objectives listed above.

Questions for Informal Comment, in lieu of Working Group Participation

PART I: For general feedback on the phased proposal:

1. Do you support the phased approach, as recommended in the Staff Proposal? Why?
2. Does each phase appropriately describe the required activities and objectives?

3. Do any of the phases need to be eliminated or modified? Are additional phases needed?
4. Is the chronological order of the four phases appropriate? Are there any phases that should happen in parallel?

PART II: For Phase 1 cost-effectiveness issues:

1. Are the Phase 1 objectives appropriate and useful?
2. Given that ongoing proceedings, such as the Distributed Resources Plans proceeding (R.14-08-013), are discussing modifications to the avoided cost framework, are there any objectives from Phase 1 of the Staff Proposal that need to be added, omitted, or coordinated across proceedings?
3. In comments made in R. 09-11-014 (the Energy Efficiency Rulemaking), parties advocated using only long-term avoided generation capacity costs for energy efficiency, as is done for the demand response programs. This effectively eliminated the need for the Resource Balance Year.^[2] Other parties advocated for the use of a consistent periodically-updated Resource Balance Year for all resources.^[3] Is it appropriate for all demand-side resources to use a Resource Balance Year (i.e., include both short- and

^[2] In response to an ALJ Ruling Seeking Post-Workshop Comments on Demand-side Cost-effectiveness Issues, issued August 14, 2012, the California Large Energy Consumers Association (CLECA), EnerNoc, Natural Resources Defense Council (NRDC), Solar Energy Industries Association (SEIA), SCE, and Women's Energy Matters (WEM) stated that long-term avoided costs should always be used.

^[3] In response to the same ALJ Ruling Seeking Post-Workshop Comments on Demand-side Cost-effectiveness Issues, Office of Ratepayer Advocates (ORA) (then known as the Division of Ratepayer Advocates), SCE, and WEM advocated for a consistent Resource Balance Year. CLECA, ORA, EnerNoc, PG&E, SCE, SDG&E, SoCalGas, and WEM noted that the Resource Balance Year should be periodically updated.

long-term avoided generation capacity costs)? If so, should it be consistent across demand-side resources?

4. Phase 3 of the Staff Proposal recommends the development of a societal test for all demand-side resources. As noted in the Cost-Effectiveness Mapping Project spreadsheet, variations of societal cost tests have been used to evaluate distributed generation resources in the past but those tests have not been used for other demand-side resources. Given that one of the goals in Phase 1 is to establish improved consistency and clearer policies related to the determination and use of the cost-effectiveness calculations, should the development and use of a societal test be a priority for Phase 1 of the cost-effectiveness work in this proceeding?
5. If we defer the development of a societal test to Phase 3, should the societal and other non-energy costs and benefits currently included in the TRC remain? This includes the avoided greenhouse gas cost, and the optional non-energy, market, and reliability benefits included in the demand response framework. If we defer the development of a societal test to Phase 3, should we develop guidelines for the societal tests used to evaluate customer generation technologies, as required by Decision 09-08-026?
6. The Staff Proposal recommends the development of a societal test and also recommends that staff maintain and update the avoided cost model. Should the Commission consider the authorization of reimbursable funds (hypothetically up to \$500,000) for Commission staff to: (a) maintain and version-control the avoided cost model and clean up any inconsistencies across proceedings; (b) develop a societal test and related guidance for its use (if supported by decision-makers); and

(c) generally support Commission staff's furtherance of the Integrated Demand-Side Cost-effectiveness Mapping Project Report and Staff Proposal? If so, how should the costs be allocated across program administrators and collected in rates? Should the allocation be proportional to energy sales? Should the General Rate Case or Public Purpose Program surcharges be leveraged? What about activities (e.g., demand response, storage) that are not funded by Public Purpose Program surcharges?

IT IS RULED that:

1. A working group is established in Rulemaking 14-10-003 with the objective of evolving the first phase of the Commission staff proposal into a consensus proposal for updating the Commission's cost-effectiveness framework.
2. Future notices of the working group meetings will be posted by the Commission's Energy Division on the Commission's Daily Calendar in order to inform the public that a decision-maker or an advisor may be present at those meetings or workshops. Parties shall check the Daily Calendar regularly for such notices.
3. Parties unable to participate in the working group meetings may provide responses to the questions included in the "Discussion" section of this Ruling, as instructed, no later than October 30, 2015.
4. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company shall jointly file a working group status report on February 2, 2016, as instructed in the "Discussion" section of this Ruling.

The Docket Office shall formally file this Email Ruling.

[1] Research for the proposed later phases of the Staff Proposal will be completed on a separate track.

[2] In response to an Administrative Law Judge Ruling Seeking Post-Workshop Comments on Demand-side Cost-effectiveness Issues, issued August 14, 2012, the California Large Energy Consumers Association (CLECA), EnerNoc, Natural Resources Defense Council, Solar Energy Industries Association, SCE, and Women’s Energy Matters (WEM) stated that long-term avoided costs should always be used.

[3] In response to the same Administrative Law Judge Ruling Seeking Post-Workshop Comments on Demand-side Cost-effectiveness Issues, Office of Ratepayer Advocates (ORA) (then known as the Division of Ratepayer Advocates), SCE, and WEM advocated for a consistent Resource Balance Year. CLECA, ORA, EnerNoc, PG&E, SCE, SDG&E, SoCalGas, and WEM noted that the Resource Balance Year should be periodically updated.

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