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**BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (U338E) for Approval of its Energy Savings Assistance and California Alternate Rates for Energy Programs and Budgets for Program Years 2015-2017.	A. 14-11-007 (Filed November 18, 2014)
And Related Matters.	A. 14-11-009 A. 14-11-010 A. 14-11-011

COMMENTS OF THE NATURAL RESOURCES DEFENSE COUNCIL (NRDC) ON THE PROPOSED DECISION AND ALTERNATE PROPOSED "DECISION ON LARGE INVESTOR-OWNED UTILITIES' CALIFORNIA ALTERNATE RATES FOR ENERGY (CARE) AND ENERGY SAVINGS ASSISTANCE (ESA) PROGRAM APPLICATIONS"

September 6, 2016

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I. INTRODUCTION

The Natural Resources Defense Council (NRDC) respectfully submits these comments on the *Proposed Decision and Alternate Proposed Decision On Large Investor-owned Utilities' 2015-2017 California Alternate Rates for Energy (CARE) and Energy Savings Assistance (ESA) Program Applications*, issued on August 16, 2016. These comments are filed and served pursuant to rules 1.9, 1.10, and 14.3 of the California Public Utilities Commission's (CPUC or Commission) Rules of Practice and Procedure. NRDC is a non-profit membership organization with a long-standing interest in ensuring California residents receive affordable clean energy services.

NRDC strongly recommends the Commission adopt Commissioner Sandoval's Alternate Proposed Decision (APD), with the modifications detailed below, as it will beneficially transform the ESA program into one that provides not only significant health, safety, and comfort benefits, but one that will also focus on achieving drastically increased energy and bill savings for low-income households. Commissioner Sandoval's Decision begins to align the ESA Program (hereafter ESA Program or ESAP) with California's overall clean energy, equity, and climate laws, particularly the Clean Energy and Pollution Reduction Act of 2015's (Senate Bill 350) requirements to (1) double energy efficiency savings by 2030 relative to current forecasts and (2) examine barriers and solutions to efficiency adoption in low income and disadvantaged communities, and the recently passed Senate Bill 32 and Assembly Bill 197 (a continuation of California's landmark Global Warming Act of 2006, AB 32), which require the state to reduce its greenhouse gas emissions 40% below 1990 levels by 2030. The APD also aligns ESAP's energy efficiency objectives with the state's climate equity objectives as articulated in numerous bills passed over the last few years.[1]

We appreciate the clear guidance and direction established in the APD as to how the ESA program can be improved, including: (1) explicitly requiring ESAP to serve common areas and central systems in multifamily buildings in which low-income families reside, subject to ASHRAE Level 1 and 2 Audits, (2) establishing energy savings goals for the ESA Program, and (3) relaxing imperfect proxy rules such as the 3 measure minimum.

We have also had the opportunity to review the National Consumer Law Center (NCLC) and the California Housing Partnership's (CHPC) comments on the multifamily recommendations in the APD, and endorse them in full.

II. SUMMARY

NRDC recommends the Commission adopt the APD of Commissioner Sandoval with (1) the modifications proposed by CHPC and NCLC, with whom we have coordinated closely in this proceeding, and (2) the modifications discussed below and in Appendix A. We also recommend the CPUC adopt our detailed list of recommendations as outlined in the table of contents and summarized below:

Multifamily Recommendations

- NRDC coordinated with NCLC and CHPC in preparing these comments and fully endorses their comments to adopt the APD's multifamily recommendations with modifications.

[1] See, for example, California Public Resources Code Section 25327.

Energy Savings Goals

- We support the adoption of an energy savings goal now, but recommend the CPUC revise the APD's interim goals so that they are 15% higher than the utilities' 2014 reported savings or their 2016-2017 proposed savings, whichever is greater.
- The Commission should authorize use of impact evaluation funding to ensure close coordination with the California Technical Forum.
- The Commission should direct the impact evaluation working group to propose prospective savings values or methodologies to account for the new measures and policies adopted in the APD.

Measure Authorizations

- The Commission should ensure new prescriptive measures are evaluated based on their overall effect on the entire program's cost-effectiveness value, not by measure-specific thresholds.
- The Commission should ensure the APD's rules governing introduction of new measures do not supersede the APD's separate directive to install new multifamily measures subject to ASHRAE audit findings.

Long-Term Funding, Mid-Cycle Decision, and Working Group Activity

- The Commission should authorize the creation of and funding for a Mid-Cycle Coordinating Subcommittee to organize and facilitate the various working groups and mid-cycle activities.
- We support the APD's authorization of funding through 2020, but the CPUC should require a mid-cycle decision or rulings in 2018 to address outstanding mid-cycle issues and enable modifications to utilities' program designs and offerings.

Cost-Effectiveness

- The APD should be modified to adopt an adjusted-ESACET cost effectiveness threshold of 1.0, which would go into effect following the mid-cycle decision in 2018, and no later than the next program cycle, unless otherwise proposed by the cost effectiveness working group.

Demand Response and Dynamic Pricing

- NRDC coordinated with TURN in preparing these comments and agrees with their recommendations regarding the APD's newly proposed demand response and dynamic pricing policies.

III. MULTIFAMILY RECOMMENDATIONS

NRDC coordinated with NCLC and CHPC in preparing these comments and fully endorses their comments supporting the APD's multifamily provisions, with modifications. In Appendix A, we further provide suggested modifications to the APD's ordering paragraphs to:

- Ensure the multifamily stakeholder group approved in the APD's narrative is reflected in the ordering paragraphs[2]

- Clarify that notwithstanding any other measure-specific language in the APD, ASHRAE Level 1 and 2 audits will guide funding and measure mixes particular to each multifamily property participating in the APD's new multifamily component.[3] We discuss this further in section V, subheading C.

IV. ENERGY SAVINGS GOALS

A. NRDC supports the APD setting an energy savings goal now; the PD's approach is too cautious and will lead to a less cost-effective program.

For most of their respective discussions of an energy savings goal the APD and PD are similar.[4] However, the APD ultimately sets savings goals for each utility, largely consistent with the actual savings reported in prior years.[5] The PD takes a more cautious approach, albeit relying on the same factual predicates cited by the APD, concluding:

> However, we find it premature to adopt an energy savings goal for the ESA Program for this cycle. There are many weighty issues vying for limited resources in the instant proceeding.[6]

While we agree that there are many issues the Commission must address in this proceeding, setting an energy savings goal must not be deferred any longer. Achieving significant and realizable savings is critical for reducing residents' bills and for achieving the state's ambitious efficiency doubling mandate and 2030 climate targets.[7]

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[2] APD, p. 198
[3] APD. pp. 185-186 and pp. 197-198.
[4] Compare APD, pp. 37-44 with PD, pp. 22-28.
[5] See APD, pp. 46-47.
[6] PD, p. 28.
[7] Clean Energy and Pollution Reduction Act of 2015 (Senate Bill 350) requires California to double efficiency by 2030 and examine barriers and solutions to efficiency adoption in low income and disadvantaged communities, and the recently passed Senate Bill 32 and Assembly Bill 197 (a continuation of California's landmark Global Warming Act of 2006, AB 32) require the state to reduce its greenhouse gas emissions 40% below 1990 levels by 2030.

ESAP is now a nearly $400 million program annually.[8] A program of that budget should aspire to achieve specific savings, especially if the savings goal is based on past savings each company has actually achieved. By setting a savings goal, the Commission will, in effect, require each company to be more cost-conscious about how it delivers ESAP to its customers, prioritizing measures and customer segments that have the largest saving opportunities and, therefore, the biggest economic impact for the low-income consumers being served. Moreover, if a savings goal is adopted, it makes sense to abandon the 3 minimum measure and go-back rules as proposed in the APD and supported by NRDC, which should give the companies greater flexibility in achieving their targets.

The APD adopts measures and new rules that will substantially increase utilities' ability to achieve savings. The savings values are also based on actual past experience, which further ensures the companies can meet these goals beginning in 2017 while also still meeting residents' health and safety needs.

B. The Commission should revise the APD's interim goals so that they are 15% higher than 2014 reported savings or 2016-2017 proposed savings, whichever is greater.

While a helpful starting point, the proposed interim energy savings goals in the APD do not put utilities on a path to achieve increased savings. In fact, for some utilities, the APD's savings goals are ***lower*** than what utilities expected to achieve under existing programs in their 2015-2017 application filings. And in nearly every case, the proposed goals are ***lower*** than utilities have achieved in previous program years. For example, SCG expected to save 6.23 million therms in 2016 and 2017, yet the APD's proposed goal for SCG in 2016 is only 2.75 million therms.

We therefore urge the Commission to revise the savings goals to ensure they provide a meaningful signal to reorient the design of the utilities' future programs toward achieving greater energy savings. In our testimony, we urged the Commission to adopt an interim goal that is 10-15% greater than past reported savings in a given year.[9] Because 2015 and 2016 have been bridge years and yielded fewer savings due to ongoing uncertainty, we find 2014 to be the appropriate baseline year. We strongly recommend the Commission set interim goals for each utility that are 15% higher than 2014 reported savings, or as proposed in utilities' application

[8] PD, p. 14; APD, p. 36.
[9] Opening Brief of NRDC, NCLC and CHPC, p. 10 (July 13, 2015).

filings, whichever is greater. The specific interim goals based on this recommendation are below, and we urge the Commission to adopt them:

Table 1: NRDC Proposed Energy Savings Goals
These goals reflect a 15% increase from 2014 reported savings, or as proposed in utilities' 2015-2017 application filings, whichever is greater.

Utility	Annual Utility Portfolio-Wide Electric Savings Target (GWh)	Annual Utility Portfolio-Wide Natural Gas Savings Target (MM Therms)
PG&E	49.53	2.231
SCE	37.02	-
SDG&E	8.17	0.40
SoCalGas	-	6.23[10]

Table 2: Utilities' 2014 Reported Energy Savings[11]

Utility	Annual Utility Portfolio-Wide Electric Savings Target (GWh)	Annual Utility Portfolio-Wide Natural Gas Savings Target (MM Therms)
PG&E	43.07	1.94
SCE	32.19	-
SDG&E	7.1	0.35
SoCalGas	-	3.14

Table 3: APD's Proposed Energy Savings Goals[12]

Utility	Annual Utility Portfolio-Wide Electric Savings Target (GWh)	Annual Utility Portfolio-Wide Natural Gas Savings Target (MM Therms)
PG&E	45.25	2.0
SCE	30.25	-
SDG&E	8.25	0.4
SoCalGas	-	2.75

These proposed interim goals are still relatively conservative. In most cases, utilities have already achieved the specific target in a prior program year.[13] We remind the Commission that compared to the general energy efficiency programs, in a given year, the low income program

[10] SCG proposed 6.23 MM Therms for 2016-2017, which is greater than a 15% increase in 2014 savings. See Stamas Testimony, (on behalf of NRDC et al.) Exh. 32, pp. 9-10.
[11] APD, p. 45.
[12] *Ibid*.
[13] See APD, p. 45.

receives between one-half to one-third the amount of funding, but achieves only 2-4% of the electricity savings, proving much more can be done with existing funds to save energy.[14] Further, numerous new measures and policy changes adopted in the APD will provide utilities with the flexibility needed to achieve these energy goals within their budgets. We therefore urge the Commission to adopt meaningful, but achievable savings goals, as outlined above, and follow the example of other leading low-income efficiency programs across the country.[15]

C. Improving the Accounting of Energy Savings Values

1. The Commission should allow utilities to use part of ESA's Impact Evaluation budget to coordinate with the California Technical Forum on savings values estimates.

As NRDC and ORA noted in the record of this proceeding, the lack of consistent savings values for ESA Program measures has hindered program design, evaluation, and goal setting.[16] Yet, as noted by NRDC, ORA and SCE, DEER estimates are also not appropriate for the ESA program[17] except as loose points of comparison.[18] While we support the need for retrospective impact analyses, we urge the Commission to ensure the impact evaluation consultant works closely with the California Technical Forum, as we previously recommended,[19] to jointly identify sources of energy savings on which a consistent range of values could be based, and to facilitate consistency among savings estimates used, for example, between CSD and the utilities. We specifically request the CPUC allow utilities to allocate a portion of their Impact Evaluation Study budgets to work with the California Technical Forum.

2. The Commission should direct the newly approved impact evaluation stakeholder group to provide recommendations on methodologies for calculating prospective savings values, in light of the new measures and program policies approved in the APD.

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[14] Opening Brief of NRDC, NCLC and CHPC, p. 87 (July 13, 2015), based on California Public Utilities Commission Evaluated and Verified Energy Efficiency Savings Reports and Utility annual and monthly Energy Savings Assistance Filings.
[15] Opening Brief of NRDC, NCLC and CHPC, p. 8 (July 13, 2015).
[16] Opening Brief of NRDC, NCLC and CHPC, p. 24 (July 13, 2015); Testimony of K. Camille Watts-Zagha et al. (on behalf of ORA), Exh. 26, at p. 45.
[17] *Ibid*.
[18] DEER values are calculated based on savings above code, not field conditions, which are used in ESAP.
[19] Opening Brief of NRDC, NCLC and CHPC, p. 24 (July 13, 2015).

An Impact Evaluation study is by its nature retrospective. If the APD is adopted, numerous new measures and offerings will be available. With an energy savings goal and potential cost-effectiveness thresholds on the horizon, it is imperative that savings values reflect actual implementation savings values as opposed to savings values based on old program offerings. Consistent with our brief, we therefore urge the Commission to authorize the EM&V impact evaluation stakeholder group to work with the California Technical forum to recommend prospective savings values and methodologies.[20]

3. In this APD, and pursuant to NRDC briefing, the Commission should explicitly approve use of existing work papers and field conditions to calculate prospective savings values.

The record in this proceeding demonstrates that confusion exists surrounding the use of work papers to provide savings values and whether to calculate savings values from field conditions.[21] Consistent with our briefing, we urge the APD to clarify that utilities have authority to base savings estimates on approved work papers and from field conditions.[22]

V. MEASURE AUTHORIZATIONS

A. The Commission should correct the APD to ensure new prescriptive measures are evaluated based on their overall effect on the entire program's cost-effectiveness, not by measure-specific thresholds.

We appreciate the APD's direction to allow utilities to propose new measures mid-cycle via advice letters.[23] However, we strongly urge the Commission to revise its requirement that new measures meet a 0.5 TRC threshold or above. This requirement contravenes the Commission's previous decision to evaluate measures at the program level, and displaces five years' worth of work conducted by the cost-effectiveness working group.[24] While well-intended, a TRC measure-specific threshold will impose a significant barrier on the deployment of new

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[20] *Ibid*. The forward-looking savings methodologies could include agreed upon values from existing work papers, or analytic technologies such as Home Energy Analytics, Energy Savvy, or other similar software technologies.
[21] Opening Brief of NRDC, NCLC and CHPC, p. 22 (July 13, 2015).
[22] *Ibid*.
[23] APD, p. 225.
[24] See D. 14-08-030, Conclusions of Law 45, p. 103: "The Commission shall base program approval for the 2015-2017 cycle and beyond on the cost-effectiveness results at the program level, rather than at the measure level."

measures that this program has never previously had to meet. A measure-specific threshold was also not contemplated on the record in this decision.

Instead, we recommend the Commission authorize new measures so long as they do not reduce the program-level ESACET threshold, as calculated in each of the utility's 2015-2017 applications, or if the added measures maintain a program that meets at least a 1.0 adjusted-ESACET as we propose below in Section VI.

B. Consideration of new measures and measure retirement should be a core part of the mid-cycle working group's activities, as was recommended by numerous parties.

Numerous parties, including NRDC, recommended the mid-cycle working group be used as a forum to introduce, evaluate, and retire measures on an ongoing basis.[25] This recommendation is even more important given that the APD authorizes funding through 2020. While the APD provides an opportunity for stakeholder input prior to the next application cycle,[26] that could be four years away, which would significantly delay new savings measures. We urge the Commission to explicitly add "evaluation of new and existing measures" as a core element of the mid-cycle working group's activities, in coordination with the California Technical Forum as needed.[27]

C. The Commission should ensure the APD's rules governing introduction of new measures do not supersede the APD's separate directive to install new multifamily measures subject to ASHRAE audit findings.

The APD should clarify that all multifamily in-unit or common area measures identified in an ASHRAE audit are eligible for funding, notwithstanding any other measure-specific language in other sections of the APD. While the APD makes clear that utilities shall offer common area measures and energy/water nexus measures in the new multifamily program element,[28] there is a risk that the measure-specific language on pp. 224-225 of the APD could nullify or severely limit the installation of these new multifamily measures.

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[25] Opening Brief of NRDC, NCLC and CHPC, p. 28 (July 13, 2015).
[26] See APD, p. 120.
[27] See also APD, p. 226, acknowledging the value of using the working group to resolve measure disputes before filing Tier 2 Advice letters, but declining to include measure consideration as core element of the working group's scope. Coordinating with the California Technical Forum is critical for identifying appropriate work papers for any new savings estimates.
[28] APD, p. 266.

We urge the Commission to clarify that the tier 2 advice letter process stipulating measure-specific TRC thresholds does not apply to the multifamily component of ESA. Instead, as envisioned by the APD, and our previous testimony in this proceeding,[29] property-specific audits should identify the funding level and measure offerings on a given multifamily property. For our specific corrections to the APD's Ordering Paragraphs, see Appendix A.

D. The utilities should be given full flexibility to provide additional measures outside of the list of prescriptive measures on a household-specific basis to meet current and prospective energy savings goals.

NRDC has long advocated for additional measure flexibility to ensure the maximal amount of savings are achieved at a given household.[30] While certain measures may be applicable for all utility territories, many measures' cost effectiveness and savings values depend on property or climate-specific conditions.

We encourage the Commission to clarify that utilities have the authority to tailor measures based on customer segments or individual site needs, and accordingly update Section 7.2.5 of the Policy and Procedures Manual.[31] As we stated in our Opening Brief,[32] the Commission should clarify that utilities have authority to:

- Offer more comprehensive measures to high energy usage customers and particularly inefficient households;
- Tailor measure offerings depending on the on-site efficiency of existing measures;
- Use an initial site-specific energy assessment to tailor measures for maximum energy savings; and
- Allocate budgets for household-specific measures beyond the currently approved prescriptive measures.

E. Evaporative Coolers

NRDC has coordinated with TURN in preparing these comments and agrees with their recommendations on the APD's proposed evaporative cooler policy changes.

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[29] See APD, p. 197 and Testimony of Maria Stamas (on behalf of NRDC et al.), Exh. 32.
[30] Opening Brief of NRDC, NCLC and CHPC, pp. 13-14 (July 13, 2015).
[31] The most recent Policy and Procedures Manual is included as Attachment R in D. 14-08-030, see p. 40.
[32] Opening Brief of NRDC, NCLC and CHPC, pp. 13-14 (July 13, 2015).

VI. MID-CYCLE DECISION, LONG-TERM FUNDING, MID-CYCLE WORK

A. We support the authorization of funding through 2020, but urge the Commission to make clear a mid-cycle decision or rulings will take place in 2018 to address outstanding mid-cycle issues and to enable modifications to utilities' program designs and offerings.

We support the extension of long-term funding beyond 2018 to accommodate the completion of the numerous studies authorized by both the PD and APD, and the amount of time necessary to craft new portfolios and gain approval via a formal proceeding. However, if funding gets extended through 2020, as proposed in the APD,[33] it is critical that the CPUC provide a mid-cycle decision that would rule on the various working group activities and Commission reports. This mid-cycle decision would also allow for program design and policy changes that may be necessary to achieve higher energy savings goals following the authorized ESA potential study. Without a mid-cycle decision, some potentially critical changes to the ESA program would not be able to move forward until 2021.

The APD contemplates mid-cycle "updates" and advice letters. For example, following the updated ESA potential study, the APD specifies that a "mid-cycle update" to energy savings goals would take place.[34] However, if the program cycle is to be extended through 2020, we urge the Commission to instead ensure a mid-cycle decision or rulings in 2018 occurs to officially address the mid-cycle work of the various ESA working groups and enable utilities to put forth any associated program, measure, or rule changes, that may be necessary to achieve new energy savings goals or a new cost effectiveness program threshold. This decision could also rule on potential downward revisions to households treated goals that may be necessary in later program years, e.g. 2019 and 2020, to ensure utilities can provide deep energy savings treatment for retreated households.

B. The Commission should authorize the creation and funding of a Mid-Cycle Coordinating Subcommittee to organize and facilitate the various working groups and mid-cycle activities.

[33] APD, p. 241.
[34] APD, p. 47.

Both the PD and APD authorize numerous working groups, workshops, and stakeholder participation on various approved reports. We support these efforts as stakeholder processes have the potential to be of great value to the ongoing success of ESAP. However, without an overarching governance structure and a funded facilitator, the working groups are unlikely to have a coordinated approach to prioritization and issue resolution, which could undermine their intended effect. For example, the working groups might: (a) not be convened in a timely manner, (b) be run in a fashion that does not instill confidence in the process, (c) result in low participation due to limited stakeholder resources and lack of perceived benefit, and (d) have a general lack of direction, prioritization, and approach to problem solving.

We therefore urge the Commission to create a Mid-Cycle coordinating subcommittee modeled off the structure of the California Energy Efficiency Coordinating Committee (CAEECC),[35] which was approved in the general efficiency proceeding. This mid-cycle subcommittee would: organize the activities of the several working groups, provide timelines for group meetings and deliverables, post notes to ensure transparency and access to meeting information, prioritize issues, strive for resolution, but if not, provide a narrowed set of issues and/or proposals to the Commission for consideration. Similar to CAEECC, this Mid-Cycle subcommittee would be led by two co-chairs, one of which would be a program administrator and one of which would be a non-profit stakeholder. It would also coordinate closely with Energy Division and report on its activities to the Low Income Oversight Board. This subcommittee is consistent with our earlier recommendations to organize and outline the scope of various mid-cycle working groups.[36]

VII. COST-EFFECTIVENESS

A. The APD should be modified to adopt the working group's consensus proposal to adopt an adjusted-ESACET cost effectiveness threshold of 1.0, which would go into effect following the mid-cycle decision in 2018, and no later than the next program cycle, unless otherwise proposed by the cost effectiveness working group.

[35] R.13-11-005; D.15-10-028. See also: http://www.caeecc.org/
[36] Opening Brief of NRDC, NCLC and CHPC, pp. 31-32 (July 13, 2015).

The CPUC organized a diverse set of parties in its Cost-Effectiveness Working Group (CEWG) to provide a recommendation on a cost effectiveness threshold for ESAP. This consensus proposal was supported by the majority of parties to this proceeding, including all of the utilities, TURN, ORA, NRDC, NCLC, and CHPC.[37] The APD indicates that the work of the CEWG is incomplete and that the threshold could hinder the recommendations in the APD.[38] Both statements are inaccurate. The CEWG recommended the 1.0 threshold be applied to the Adjusted ESACET <u>for the post-2017 program cycle</u>.[39] The adjusted ESACET includes all costs and all benefits, except those associated with the two measures that increase energy use (furnace repair/replace and hot water repair/replace). While the working group's proposal noted that additional measures may later be suggested to be removed from the test, <u>this will not change the threshold or test proposed by the CEWG.</u>

An adjusted ESACET score of 1.0 indicates that the value of the benefits generated by the ESA program are at least equal to the money spent on them, accounting for important energy and non-energy benefits. Such a threshold will guide the design of utilities' portfolios to maximize both the non-energy benefits and energy savings. A program threshold will also help mitigate the default trend of choosing measures based on the lowest upfront cost.

B. Both the PD and APD should make clear that cost-effectiveness must be evaluated at the *program* level using the ESACET test, including when considering new measures.

The PD proposes that new measures be adopted based on a Petition to Modify the Decision and declines to adopt any stakeholder processes around introducing or retiring measures.[40] In accordance with several parties' recommendations and the general energy efficiency proceeding, the APD more appropriately proposes new measures be adopted by a Tier 2 advice letter and supports a stakeholder process for measure selection.[41] However, both the PD and APD set measure-level thresholds for the consideration of new ESAP measures, and suggest

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[37] *See* "Energy Savings Assistance Program Cost-Effectiveness Recommendations (Proposal) submitted to the service list on June 17, 205 and receiving official notice on June 18, 2015 by Judge Colbert. *See also* "Comments of NRDC, NCLC, and CHPC on the Cost-Effectiveness Working Group's ESAP Cost-effectiveness recommendations." (June 29, 2015);
[38] APD, p. 206.
[39] APD, p. 200
[40] PD, p. 92-94.
[41] APD, p. 225. See also: R.13-11-005.

using a measure-level TRC test, despite the fact that the CEWG proposed moving forward with a program level adjusted ESACET test.[42]

Using the TRC test to screen individual measures contravenes the work of the CEWG over the last five years as well as the clear directive of the Commission in D. 14-08-013 to base program approval on the cost-effectiveness results at the program level, rather than at the measure level, and to use the adjusted-ESACET.[43] As documented in the record of A.11-05-017, a program-based approach will promote program innovation, provide greater flexibility to program planners, is consistent with the utilities' core energy efficiency programs, and will facilitate more effective leveraging between other weatherization programs, such as those run by the Community Services and Development Department. It will also eliminate the problem of attempting to allocate administrative costs and non-energy benefits to individual measures, which has previously impaired the utilities' ability to install energy savings measures.

We reiterate our recommendation to adopt the 1.0 adjusted-ESACET threshold. However, absent such a threshold, we urge the Commission to at minimum enable utilities to offer new measures so long as the overall effect on the utility's program-level cost effectiveness metric is neutral. Specifically, a new measure should be allowed if it does not reduce the program-level ESACET threshold, as calculated in each of the utility's 2015-2017 applications, or if the added measures maintain a program that meets at least a 1.0 adjusted-ESACET. [44]

VIII. DEMAND RESPONSE AND DYNAMIC PRICING

NRDC coordinated with TURN in preparing these comments and generally agrees with their recommendations regarding the APD's newly proposed demand response and dynamic pricing policies.

IX. CONCLUSION

NRDC appreciates the opportunity to offer these comments and recommendations to the *Proposed Decision and Alternate Proposed Decision on Large Investor-owned Utilities'*

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[42] PD, p. 92-94; APD, p. 225.

[43] D. 14-08-030, p. 103. "Energy Savings Assistance Program Cost-Effectiveness Recommendations (Proposal) submitted to the service list on June 17, 205 and receiving official notice on June 18, 2015 by Judge Colbert.

[44] See Utilities' 2015-2017 Applications, submitted into the record collectively as Exhibits 1-6.

California Alternate Rates for Energy (CARE) and Energy Savings Assistance (ESA) Program Applications. We encourage the Commission to adopt the preceding recommendations to ensure the ESA program plays a meaningful role in achieving California's clean energy, equity, and climate goals.

Dated: September 6, 2016

Respectfully submitted,

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APPENDIX A: Proposed Modifications to the APD

NRDC et al. recommends the following changes to the Ordering Paragraphs. In addition, we recommend that the Commission make the additional modifications described in our comments. Additions = **bold underline**. Deletions = ~~strikethrough~~.

New Ordering Paragraphs

151. The Commission will provide a mid-cycle decision or rulings in 2018 to adopt an updated energy savings goal, a program-level cost effectiveness threshold, and to rule on the recommendations and reports completed by the working groups and as authorized herein. The decision or ruling will also authorize any needed programmatic changes to achieve the adopted goals. Changes will go into effect in the 2019 program year or as otherwise authorized by the Commission. The Commission will take into account the recommendations provided by stakeholders in their February 2017 report (as proposed in Ordering Paragraph 135), which will evaluate whether the rule and policy changes adopted in this Decision have enabled program participation and prudent program expenditures, or whether adjustments are needed.

152. The utilities shall adhere to an adjusted-ESACET cost effectiveness threshold of 1.0 following the mid-cycle decision in 2018, and no later than the next program cycle, unless otherwise proposed by the cost effectiveness working group.

153. The mid-cycle coordinating subcommittee shall convene the multifamily stakeholder group, to be comprised of property owners, utilities, stakeholders, and other relevant parties, to inform the design of the new ESA multifamily component. This multifamily stakeholder group will meet on a quarterly basis to inform and assess implementation efforts and provide recommendations for Commission approval.

Modifications to Existing Ordering Paragraphs

4. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall administer the Energy Savings Assistance Program with an annual energy savings ~~target~~ **goal** as follows:

Utility	**Annual Utility Portfolio-Wide Electric Savings Target (GWh)**	**Annual Utility Portfolio-Wide Natural Gas Savings Target (MM Therms)**
PG&E	**49.53**	**2.231**
SCE	**37.02**	**-**
SDG&E	**8.17**	**0.40**
SoCalGas	**-**	**6.23**[45]

[45] SCG proposed 6.23 MM Therms for 2016-2017, which is greater than a 15% increase in 2014 savings. See Stamas Testimony, (on behalf of NRDC et al.) Exh. 32, pp. 9-10.

39. **Notwithstanding any other measure-specific language in this Decision**, Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company shall fund in the Energy Savings Assistance Program **the cost effective portion of all in-unit and common area measures identified by an ASHRAE Level 1 or 2 audit** for the subset of multi-family buildings dedicated to providing affordable housing to low-income Californians, including deed restricted, government and non-profit owned multi-family buildings.

40. **Notwithstanding any other measure-specific language in this Decision**, Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company shall fund from the Energy Savings Assistance Program **the cost effective portion of all in-unit and common area measures identified by an ASHRAE Level 1 or 2 audit** ~~common area measures~~ for multi-family buildings that has 80% verified low-income tenants, with funding up to 80% of total measure costs.

41. Pacific Gas and Electric Company, Southern California Edison Company and San Diego Gas & Electric Company shall provide renters residing in multifamily properties with information and pre-paid postage that they can pass on to their landlords on behalf of the Energy Savings Assistance Program, **in cases where outreach is not done directly through owners, for example in market rate buildings with less than 80% verified low-income tenants.**

58. **The Impact Evaluation Stakeholder Oversight Group will coordinate closely with the California Technical Forum and the Evaluation Consultant, and refer to** Section 5 of the *Energy Division & Program Administrator Energy Efficiency Evaluation, Measurement and Verification Plan Version 5* **as appropriate** for the Energy Savings Assistance Program's Impact Evaluation. Key aspects of the impact evaluation, including the draft research plan**, will be vetted by the California Technical Forum and Impact Evaluation Stakeholder Oversight Group**, and shall be distributed to this proceeding service list by the evaluation consultant or leading utility for public review and comment. **Utilities are authorized to use a portion of their Impact Evaluation budget to coordinate with the California Technical forum on the establishment of consistent savings values estimates.**

59. Staff of the Commission's Energy Division shall work **with stakeholders, the Demand Analysis Working Group, and the consultant,** on the 2017 Potential and Goals Study ~~consultant~~ to consider methodological updates to the study that are specific to the low-income sector, as outlined in Attachment 1, and ensure the implementation of a robust methodology in assessing the savings potential in the low-income sector.

61. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company and Southern California Gas Company may submit proposals for the approval and implementation process of cost effective mid-cycle new measures, pilots, and initiatives via an advice letter. **Cost effectiveness of new measures will be evaluated based on their effect on the *program*-level ESACET. The Commission will endeavor to authorize a new measure so long as it does not reduce the *program*-level ESACET threshold, as calculated in each of**

the utilities' 2015-2017 applications, or if the added measures maintain a program that meets at least an adjusted-ESACET of 1.0.

62. All proposals for new mid-cycle measures submitted by Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company and Southern California Gas Company (Utilities) must include budgets and cost effectiveness calculations incorporating results from the recently adopted water-energy calculator if applicable. The proposals shall include the measure, pilot or initiative's effect on the ESACET cost effectiveness program threshold, as calculated in utilities' 2015-2017 applications. ~~Measure Total Resource Cost~~. If the Utilities' calculations indicate that the measures, pilots or other initiatives would reduce the **ESACET program-threshold, as calculated in utilities' 2015-2017 applications, or if the added measures maintain a program that falls below an adjusted ESACET of 1.0**, ~~not be cost effective (i.e., if the Measure Total Resource Adjusted ESACET Program Threshold Cost is less than 1.0),~~ then the proposal may still be submitted.

63. ~~Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company and Southern California Gas Company (IOUs)~~ **The Mid-cycle coordinating subcommittee** is jointly charged with soliciting and re-establishing the Energy Savings Assistance (ESA) Program Mid-Cycle Working Group, which must convene within 30 days of this Decision. **The Mid-cycle coordinating subcommittee shall consist of two co-chairs, one of which is a utility representative, and one of which is a non-profit stakeholder, and will coordinate closely with CPUC's Energy Division. The Mid-cycle Coordinating Subcommittee chairs will be responsible for working with stakeholders to propose a schedule to organize and prioritize the numerous proposed working groups, workshops, and stakeholder participation authorized in this Decision. The subcommittee will also post notes to ensure transparency and access to meeting information, prioritize issues, strive for resolution but if not, provide a narrowed set of issues and /or proposals to the Commission for consideration. It will also present to the Low Income Oversight Board on a regular basis.**

135. ~~Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company and Southern California Gas Company shall establish a working group of the parties.~~ **The mid-cycle coordinating subcommittee shall establish a working group of the parties** to prepare a report to the Commission to be submitted by February 2017 to evaluate whether the rule and policy changes adopted in this Decision have enabled program participation and prudent program expenditures, or whether adjustments are needed to enable prudent fund expenditures to alleviate low-income energy hardships while considering cost-effectiveness. A copy of this report shall also be presented to the Low Income Oversight Board.