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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U 338-E) for Approval of Energy Efficiency Rolling Portfolio Business Plan.	Application 17-01-013 (Filed January 17, 2017)
And Related Matters.	Application 17-01-014 Application 17-01-015 Application 17-01-016 Application 17-01-017

FINAL COMMENTS OF THE OFFICE OF RATEPAYER ADVOCATES ON ENERGY EFFICIENCY PROGRAM ADMINISTRATORS' BUSINESS PLAN APPLICATIONS

(PUBLIC VERSION)

DANIEL BUCH
Project Coordinator

ALEXANDER COLE
ELIZABETH FOX
Analysts

Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102
Phone: (415) 703-2292
Email: Daniel.Buch@cpuc.ca.gov

ZHEN ZHANG
Attorney

Office of Ratepayer Advocates
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102
Phone: (415) 703-2624
Email: Zhen.Zhang@cpuc.ca.gov

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I. INTRODUCTION

The Office of Ratepayer Advocates (ORA) respectfully submits these comments pursuant to the *Administrative Law Judge's Ruling Denying Motions for Evidentiary Hearings and Testimony, But Providing For Briefs*, filed on July 25, 2017, and the *Administrative Law Judges' Ruling Clarifying July 25, 2017 Ruling and Denying, in Part, Pacific Gas and Electric Company's Motion to Amend Its Application*, filed on August 4, 2017. The August 4, 2017 ruling permits parties to file and serve a final round of comments and replies in proceeding Application (A.) 17-01-013 and allows parties to supplement the record in the proceeding with information obtained in discovery by attaching data request responses to comments.

In comments below, ORA makes the following recommendations regarding the proposed business plans and their approval by the Commission:

- The investor owned utilities' (IOUs) business plan budgets lack a sufficient evidentiary basis in the record and should not be approved at this time.
- Southern California Gas Company (SoCalGas) has used ratepayer funds to undermine the state's goals in energy efficiency codes and standards advocacy.
- The Commission should address SoCalGas' misuse of ratepayer funds and other relief as may be appropriate and requested.
- The Commission should reject the IOUs' proposed downstream statewide pilots and instead authorize pilots that streamline the statewide administration of downstream programs.
- The Commission should not approve business plan metrics that lack accurate baselines and meaningful targets.
- The Commission should adopt ORA's recommended targets for levelized cost of energy and net lifecycle savings for each IOU.

- The Commission should prohibit cost recovery for account representatives in energy efficiency balancing accounts and instead allow third-parties to utilize account representatives through a non-tariff services arrangement.

In addition, in Appendix A to this document, ORA reiterates its recommendations made in previous comments and reply comments in this docket regarding the energy efficiency business plans.[1]

II. DISCUSSION

A. The IOUs' business plan budgets lack a sufficient evidentiary basis in the record and should not be approved at this time.

In Opening and Reply Comments on the Scoping Memo, ORA highlighted that the IOUs business plans do not conform to the Commission's policy directives[2] – particularly the third-party requirements approved in D. 16-08-019 – and lack a reasonable and sufficient basis for approval.[3] Other parties agree, including the National Association of Energy Service Companies (NAESCO)[4] and the Coalition for Energy Efficiency (CEE).[5] The Utility Reform Network (TURN), noting that "uncertainty" regarding energy efficiency cost and benefits "is the primary theme in the PAs' supplemental showings related to their proposed budgets,"[6] recommends the Commission "reach only very tentative conclusions regarding the costs and benefits of the Business Plans."[7] According to TURN, "[a]ny findings related to the reasonableness of the costs and/or benefits should

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[1] See Appendix A.

[2] ORA Opening Coments on the Scoping Memo, pp. 2-8.

[3] ORA Reply Comments on the Scoping Memo, pp. 2-7.

[4] NAESCO Opening Comments on the Scoping Memo, pp. 4-6.

[5] CEE Opening Comments on the Scoping Memo, p. 25 (specifically referencing WE&T budgets).

[6] TURN Opening Comments on the Scoping Memo, p. 3.

[7] TURN Opening Comments on the Scoping Memo, p. 6.

be couched in the uncertainty with which the PAs have forecasted those costs and benefits. The record simply does not support anything more definite."[8]

In addition to a lack of evidence in the business plan applications to support budget approval, subsequent filings in this docket and recent advice letter submissions by the PAs cast considerable doubt on whether the business plan will be cost-effective even in their first year.

For example, SCE's original application in this docket failed to meet minimum cost-effectiveness standards. Specifically, SCE did not achieve even a 1.0 benefit-to-cost ratio on the total resource cost (TRC) test excluding codes and standards (C&S) savings in 2018,[9] as required in D.14-10-046.[10] SCE's amended business plan filing included an updated cost-effectiveness showing that resulted in a 1.00 TRC. However, the updated showing included a significant increase in a number of highly cost-effective measures with no documented basis, such as a "representative" lighting measure in "SCE New Res Programs 2018" with a TRC of 1.47, which is the largest measure by savings in SCE's amended filing.[11] Inventing new, highly cost-effective measures which do not correspond to any actually existing workpapers or programs does not provide a sufficient evidentiary basis for the Commission to find the portfolio cost-effective.

In addition to concerns regarding the cost-effectiveness showings in the business plan applications, recent annual budget advice letters filed by the PAs show that all the current EE portfolios are neither cost-effective nor likely not to be cost-effective when

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[8] TURN Opening Comments on the Scoping Memo, p. 6.

[9] SCE's original application showed a TRC of 1.01 with codes and standards and a TRC of 0.73 without. See SCE response to ORA data request ORA-A1701013-SCE002 attached to this filing.

[10] There is some uncertainty whether the applicable cost-effectiveness threshold is 1.0 or 1.25. See TURN Opening Comments on the Scoping Memo, pp. 7-9.

[11] SCE response to ORA data request ORA-A1701013-SCE002 (See Appendix B, Exhibit 1).

implemented.[12] Table 1 below shows the 2016 reported (unevaluated) TRC and 2017 and 2018 forecast TRC by PA.[13]

Table 1: Total Resource Cost Results by Program Administrator[14]

IOU	PA	Scenario	2016 Claimed	2017 Forecast	2018 Forecast
PGE	PGE	Resource and NonResource (no C&S)	0.81	1.04	0.86
PGE	BAY	Resource and NonResource (no C&S)	0.39	0.35	0.20
PGE	MCE	Resource and NonResource (no C&S)	0.27	0.91	0.57
SCE	SCE	Resource and NonResource (no C&S)	1.00	1.02	1.01
SCE	SCR	Resource and NonResource (no C&S)	0.05	0.33	0.40
SCG	SCG	Resource and NonResource (no C&S)	0.74	1.22	1.05
SCG	SCR	Resource and NonResource (no C&S)	0.05	0.33	0.40

Three of the five PAs subject to the Commission's cost-effectiveness threshold (PG&E, SDG&E, and MCE) did not submit cost-effective portfolios for 2018 and the full

[12] See ORA Protest to PAs' Annual Budget Advice Letters, submitted on September 21, 2017 (See Appendix B, Exhibit 2).

[13] The results in Table 1 are reported by the PAs but have not been evaluated by Commission staff and consultants. Evaluation results typically show reductions in savings from PAs' reported data and would therefore show even lower cost-effectiveness ratios for PAs' portfolios as implemented.

[14] Data for Table 1 are from the Commission's California Energy Data and Reporting System (CEDARS), accessed on September 20, 2017. The data do not exclude emerging technologies budgets and, therefore, result in minor discrepancies when compared with the cost-effectiveness showings in PAs' ABAL filings. However, the discrepancies are minor (no more than 0.01 difference) and do not alter ORA's substantive recommendations.

statewide portfolio is not forecast to be cost-effective. However, of even greater concern is the fact that **the entire statewide portfolio as implemented was not cost-effective in 2016** even though the 2016 reported savings utilized the prior set of avoided costs. The failure to meet even basic cost-effectiveness standards under more favorable conditions is deeply troubling and suggests that unless the Commission undertakes a thorough examination of PA costs and benefits, the cost-effectiveness of the portfolios will further degrade.

The record in this docket is sufficient for the Commission to move forward on processes and program requirements. Specifically, the Commission should make determinations on the appropriate process for third-party solicitations, finalize the new statewide program framework and programs, approve business plan metrics and targets, and address workforce education and training requirements. However, given the lack of sufficient and reliable evidence to confirm that the costs and benefits proposed in the business plans are reasonable and the evidence presented here that past portfolios have failed to meet minimum cost-effectiveness standards under favorable conditions, the Commission should not approve the budgets proposed by PAs at this time. Instead, the Commission should require the PAs to file update business plans in 2018 that include detailed budgets that will enable the Commission to undertake a more thorough review of the PAs' energy efficiency program costs and consider necessary adjustments to ensure that both the individual PA portfolios and the full statewide portfolio deliver cost-effective energy savings.

B. SoCalGas has used ratepayer funds to undermine the state's goals in codes and standards advocacy.

Through a series of data requests, ORA has discovered that since at least 2014 SoCalGas has engaged in a concerted effort to undermine the state's energy efficiency goals related to new energy efficiency codes and standards. SoCalGas' own email correspondence and invoices show that SoCalGas used energy efficiency funds paid by California ratepayers to advocate directly against state energy policies and goals.

SoCalGas thereby impeded development of new federal and state energy efficiency codes and standards in multiple Department of Energy and California Energy Commission proceedings. SoCalGas worked with national industry organizations – primarily the American Gas Association (AGA) – to formulate adverse policy positions in an attempt to delay or halt implementation of rules it considered likely to reduce gas throughput. SoCalGas also has acted to undermine the advocacy efforts of other investor-owned utilities (IOUs) that sought to comply with state energy efficiency goals and has undermined the state's efforts to gather the data necessary to promulgate new efficiency standards for gas appliances.

1. California utilities receive ratepayer funds to act as stewards of state policies and ratepayer interests.

Through electricity and gas bills ratepayers provide California's four IOUs more than $1 billion per year in funding to administer energy efficiency programs.[15] The Commission oversees the use of these funds to ensure that PAs use ratepayer funds to cost-effectively reduce energy usage and avoid the cost of more expensive energy sources.[16] As a part of their EE portfolios, the Commission has "authorized utilities to spend EE dollars **advancing more stringent codes and standards**" and "provided shareholder incentives to the utilities for performing this work."[17] Ratepayer funding for codes and standards advocacy programs is expressly for the purpose of providing technical assistance to the state and federal agencies responsible for appliance and building codes and advocating for the adoption of more stringent energy efficiency codes and standards on behalf of ratepayers.[18] Ratepayer funding for shareholder incentives for

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[15] California Public Utility Commission, "Regulating Energy Efficiency - A Primer on the CPUC's Energy Efficiency Programs," February 2016.

[16] Public Utility Code Section 454.5(b)(9)(c) mandates that the Commission: "meet unmet resource needs with all available energy efficiency and demand reduction that is cost effective, reliable, and feasible."

[17] D.14-10-046, p. 61. Emphasis added.

[18] Ibid., p. 61.

managing codes and standards advocacy programs is to encourage and reward the utilities for their work advocating for more stringent codes and standards on ratepayers' behalf.

2. SoCalGas opposed adoption of amended federal energy conservation standards for residential gas furnaces on the grounds that improved efficiency would encourage fuel switching away from natural gas.

In February 2015, the US Department of Energy (DOE) proposed in a Notice of Proposed Rulemaking (NOPR) to consider new efficiency standards for residential furnaces and solicited public comments on the proposed rules.[19]

SoCalGas managers, citing talking points from the AGA, internally noted that the proposed standards would raise the cost of some gas furnaces and encourage fuel switching away from natural gas.[20] The company also advocated against more stringent efficiency standards in filings on the NOPR, citing flawed cost assumptions, inputs, and methods as well as citing a study that said new standards were not needed because "where the higher efficiencies make economic sense, they are already being adopted by consumers."[21]

In May-July 2017, the IOUs each responded to a request for information (RFI) from the DOE that asked utilities to identify regulatory burdens that could be eased under current law.[22] While PG&E, SDG&E, SCE, and the California Energy Commission

[19] See DOE docket number EERE–2014–BT–STD–0031, RIN: 1904–AD20.

[20] Manager of energy efficiency programs at SoCalGas wrote in an email on February 12, 2015, "This NOPR will increase the cost of a furnace if adopted and as such could create fuel switching away from gas…. The gas industry needs to be actively involved with this issue." This language is copied verbatim from an email sent by AGA. See Appendix C, Exhibit 1.

[21] See Appendix C, Exhibits 2, 3.

[22] DOE issued a RFI to solicit information on regulations, paperwork requirements and other obligations that could be modified "to achieve meaningful burden reduction while continuing to achieve the Department's statutory obligations." Comments were due by July 14. See Appendix C, Exhibit 4, "Regulatory Burden Reduction RFI," DOE_FRDOC_0001-3375, Federal Register Number 2017-10866, Pages 24582-24583.

(CEC) requested that DOE maintain and strengthen energy efficiency policies, SoCalGas instead used the opportunity to request that the federal government reverse previously adopted or pending standards such as the 2015 furnace rule.[23]

3. SoCalGas used ratepayer-funded studies to undermine gas efficiency standards.

Numerous email messages show SoCalGas's close coordination with AGA on policy advocacy, and indicate that the company has used the industry association's guidance as a basis for its policy positions.[24] In addition, SoCalGas hired consultants using ratepayer funds in order to prepare studies that aligned with AGA's guidance, and used these reports to advocate against adoption of more stringent standards for residential gas furnaces.

For example, in April 2015, Bira Energy completed an initial analysis of the proposed furnace rule for SoCalGas. The analysis suggested the proposed rule could make fuel-switching a "potentially attractive alternative to consumers."[25] Like AGA, Bira argued that DOE's Life Cycle Cost (LCC) analysis underestimates implementation costs and concludes that low-income customers will bear an unusually heavy burden under the standards.

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[23] See Appendix C, Exhibits 5-7 for responses to the RFI.

[24] For example, on April 14, 2015, the manager of codes and standards at SoCalGas recommended support for AGA's approach to the furnace rule and proposes a series of steps to try to delay the furnace rule's adoption and implementation. See Appendix C, Exhibit 8.

On May 13, 2015, the manager referred to an upcoming AGA board meeting and says that she would "prefer not to submit our comments and finalize [the company's position on the furnace rule] until I've attended [an AGA conference call] and confirmed that our conclusions and position are in line with what will be presented and discussed at the board meeting." See Appendix C, Exhibit 9, p. 48.

On October 8, 2015, SoCalGas director of Customer Programs & Assistance describes materials the company has prepared for the upcoming AGA board meeting. Included are the SoCalGas comments on the DOE notice and AGA comments, which the director describes as "hardline approach reinforcing our position." See Appendix C, Exhibit 9, p. 3.

[25] See Appendix C, Exhibit 10, p. 4.

In June 2015, SoCalGas' Manager of Codes and Standards referenced two draft reports on the furnace rule, which SoCalGas used in comments to DOE on the proposed rule. Both were written by the Gas Technology Institute (GTI), which the SoCalGas manager says "was hired by AGA and APGA [the American Public Gas Association] to conduct an in-depth analysis" of the furnace rule. The first report challenges DOE's modeling approach, including the cost analysis, and the agency's estimated costs and benefits to consumers. The second report, which the SoCalGas codes and standards manager says "we commissioned," replicates the analysis GTI performed for AGA with an application to Southern California.[26] In other words, after AGA commissioned research that it found useful in advocating against more stringent codes and standards, SoCalGas used ratepayer funds to commission an additional study for its service territory by the same consultant for the same purpose, suggesting a coordinated effort by AGA and SoCalGas to undermine the furnace standard.

In a July 2015 email, SoCalGas' codes and standards manager describe in an email how she thought GTI's and SoCalGas' consultant NegaWatt's analyses should be used in SoCalGas's DOE furnace rule report and cover letter. She recommends using GTI's data and notes that "the Negawatt report needs to be written from the perspective of Negawatt not SoCalGas" after draft versions show SoCalGas' name on the cover.[27]

SoCalGas adopted a similar approach in 2017 with respect to the DOE RFI response. SoCalGas' initial response to the RFI was to recommend that their consultant NegaWatt reach out to AGA and other industry groups "as they may have some points

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[26] See [redacted], Appendix C Exhibits 11 and 12. See also Appendix C, Exhibits 13-14. [redacted]

[27] See Appendix C, Exhibit 3.

that we can side with."[28] The SoCalGas codes and standards manager replied to the project manager that "I believe that both AGA and APGA have responded and actually fed the DOE the information to launch the RFI."[29] Later, the project manager sent the SoCalGas codes and standards manager a draft of SoCalGas's draft RFI summary "for review and possible alignment with AGA, APGA."[30] This series of emails show a clear effort on the part of SoCalGas to coordinate with AGA and APGA in their joint efforts to undermine pending gas energy efficiency standards and the use of ratepayer funded consultants to do so.

4. SoCalGas attempted to obstruct the efforts of other utilities to implement the state's energy efficiency goals.

In March 2015, SoCalGas rebuffed Pacific Gas and Electric's (PG&E) request to work jointly on an analysis of DOE's proposed furnace standards. The SoCalGas codes and standards manager said, "our goal in enlisting an independent analysis is to make a determination specific to SoCalGas' customers not to form a shared Statewide opinion."[31]

Further, in internal communications, SoCalGas executives noted with concern PG&E efforts to comply with state policies.[32] In July 2015, after the SoCalGas codes and standards manager learned that PG&E planned to support DOE's furnace rule and supported stronger standards than initially proposed, she commented that:

> I figured that they would take a different position but the larger issue is that they are working in concert with the CEC [California Energy Commission]. The CEC will be submitting a support letter and will reference PG&E's

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[28] See Appendix C, Exhibit 14.

[29] See Appendix C, Exhibit 15.

[30] See Appendix C, Exhibit 16.

[31] See Appendix C, Exhibit 17.

[32] See Appendix C, Exhibit 18.

> support. So that wagons have circled…. Looks like the game is afoot! [33]

In condemnation of these acts, another SoCalGas manager decries PG&E as "blighters."[34]

In October 2015, the SoCalGas codes and standards manager described PG&E's position on the furnace rules to a vice president at SoCalGas' parent company Sempra who asked why PG&E favors the rules: "They [PG&E] have adopted a position that California is moving too slowly in this area and they are going to advance efficiencies regardless of the potential negative to customers. They are actively developing a plan to achieve the governor's goals."[35] This email suggests that SoCalGas views the state's energy efficiency goals as a threat and something to be opposed rather than seeing support for the state's energy efficiency goals as a fundamental obligation of ratepayer funding.

In July 2015, PG&E's codes and standards principal documented SoCalGas' alignment with industry trade groups that opposed the state and federal efforts to increase gas efficiency:

> Statewide collaboration at the program level is becoming increasingly difficult as IOUs appear to be drifting apart with respect to importance of energy efficiency at a corporate level. SCG [SoCalGas], in particular, has become more aligned with industry on energy efficiency issues, and SCE [Southern California Edison] replaced their C&S manager and key staff. Statewide collaboration is a work in progress in the near term.[36]

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[33] See Appendix C, Exhibit 9, pp. 21-22.

[34] "Blighters" is British slang for scoundrels or rascals. See Appendix C, Exhibit 9, pp. 21-22.

[35] See Appendix C, Exhibit 18.

[36] See Appendix C, Exhibit 19.

A year later, the IOUs held discussions concerning implementation of D.16-08-019's direction that each statewide program – including codes and standards advocacy – have one lead administrative PA. As a part of negotiations over statewide leads, SoCalGas worked out an agreement with PG&E' s Senior Director responsible for EE to have PG&E's codes and standards principal fired as a condition of PG&E becoming the overall statewide lead for codes and standards.[37]

In addition, SoCalGas has not worked with the other IOUs in good faith to promote enhanced codes and standards statewide, undermining statewide collaboration and jeopardizing the state's leadership on energy efficiency. For example, with respect to the 2017 DOE RFI response, SoCalGas participated in a process of drafting a joint letter with other utilities, but formally withdrew from that process only one day before comments were due despite determining a week earlier that they could not sign a joint letter.[38]

5. SoCalGas demonstrated its inability to effectively lead IOU codes and standards efforts.

In early 2017, SoCalGas volunteered to act as state lead on a CEC rulemaking on tub spout diverter efficiency standards but failed to perform basic activities until pressed to do so repeatedly by the CEC and other IOUs. In a highly unusual if not unprecedented action, SoCalGas – on behalf of the statewide IOUs – failed to issue any response to the

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[37] In a series of emails, the IOUs negotiated which utilities would lead the various statewide programs including electric and gas codes and standards initiatives. SoCalGas made contingent its acceptance of the lead decisions on the replacement of PG&E's representative and PG&E acceptance of SoCalGas as co-lead on gas initiatives. See September 14, 2016 email from a SoCalGas director to his PG&E counterpart, which states "If you get closure on replacing [name redacted] and securing the Gas co-lead we can send out the joint communication with the leads identified." See Appendix C, Exhibit 20.

[38] On July 6, SoCalGas's codes and standard project manager confirmed internally that SoCalGas would draft its own comment letter on the RFI, with its comment on DOE's cost calculation and support for previous positions included, and asked NegaWatt to compare its draft with comments from the APGA. See Appendix C, Exhibit 21. On July 13, SoCalGas's codes and standards manager wrote managers at other IOUs to withdraw support for a joint letter. See Appendix C, Exhibit 22.

CEC's proposed rulemaking on tub spout diverters.[39] After pressed to take action by the CEC and other IOUs, SoCalGas management appears to have grudgingly agreed to participate in the rulemaking due to threats to the company's prestige.[40]

However, even after agreeing to participate, SoCalGas failed to make the necessary resources available to fulfill their obligations as the lead IOU for the rulemaking. For example, even though it lobbied to be the lead IOU on tub spout diverters, SoCalGas did not respond to an invitation from the CEC to participate in a meeting on tub spout diverters. SoCalGas' claim that it did not have sufficient information to comment effectively left California ratepayers without representation at the meeting. Only after repeated requests from the CEC and other utilities did SoCalGas finally issue an initial response and preliminary research plan for the rulemaking, though it continued to insist that more analysis was needed.[41] Oddly, SoCalGas' proposed research plan omitted the field studies that the CEC and other utilities considered crucial to understanding the feasibility and effectiveness of the proposed standard, instead proposing to rely solely on interviews with manufacturers who were opposed to the new standard.[42]

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[39] A CEC efficiency division representative in June 2017 said to SoCalGas, "I was surprised not to receive comments from the IOUs on tub-spout diverters. We got a lot of opposition to the idea of lowering the leakage rate, and no support (EPA was neutral). It would be nice to know earlier rather than later whether IOU's will be supporting this effort or not." See Appendix C, Exhibit 24.

[40] See June 23, 2017 internal email from executives of SoCalGas parent company Sempra Utilities, which details the timeline of events and identifies a "possible risk of loss of credibility if we do not comment." The email's author recommends that the utility "immediately foster resources to develop research plans and start [the analysis] ASAP for August delivery." See Appendix C, Exhibit 23.

[41] On June 28, 2017, the codes and standards manager said:

"I am not comfortable with the foregone conclusion that this measure will achieve what we anticipate it will achieve. I was clear that I think we can provide supportive comments on the value in exploring this measure and will fully support when we receive data that validates the savings we are trying to achieve…."

"I was fairly clear that I was not prepared to provide this level of support prior to possessing any data or analysis that would reflect the assertion is accurate." See Appendix C, Exhibit 25.

[42] In an email on July 10, 2017, the CEC manager in charge of the tub spout diverter rulemaking emailed

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A principal purpose of ratepayer funding for codes and standards advocacy is for the utilities to fund studies that gather data energy regulators such as the CEC need in order to promulgate new codes and standards. At a minimum, SoCalGas' failure to proactively address the CEC's data gathering needs for the tub spout diverter rulemaking demonstrates its incompetence and potentially its inability or unwillingness to implement codes and standards advocacy programs as directed by the Commission.

C. The Commission should approve appropriate remedies to address SoCalGas' misuse of ratepayer funds.

Since at least 2014, SoCalGas has actively advocated against state policies and goals related to codes and standards, using ratepayer funds to support consultant activities that sought to undermine and/or stall their implementation. SoCalGas emails show its concern for maintaining gas throughput, even at the expense of more stringent codes and standards that could increase the efficiency of residential gas furnaces. SoCalGas also offered to serve as a statewide lead on codes and standards initiatives, but conditioned approval of all statewide lead administrators on the removal of PG&E's lead codes and standards principal. In addition, SoCalGas requested lead responsibility for the CEC's tub spout diverter rulemaking, but initially failed to file any response to the CEC's rulemaking on behalf of ratepayers. Only under pressure from the CEC and other utilities did SoCalGas eventually respond, but even then SoCalGas required additional pressure before agreeing to undertake the research efforts required to support the rulemaking.

In order to address SoCalGas' persistent efforts to undermine the state's energy efficiency goals, the Commission's directives regarding codes and standards advocacy

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SoCalGas consultant NegaWatt and requested again that field testing be part of the IOUs' advocacy efforts. "As we mentioned, we think testing will be pretty important for this appliance, especially as it relates to the function and functionality of automatic reset dievers under a 0 leakage rate scenario…All we have right now on the record are manufacturers indicating that a 0-0 leakage rate is unacceptable…interviews with those manufacturers is unlikely to yield quantifiable data to support an improved efficiency standard." See Appendix C, Exhibit 26.

programs, and the misuse of ratepayer funds, the Commission should adopt the following remedies and other relief as may be appropriate and requested.

1. The Commission should remove SoCalGas from any future role in statewide codes and standards programs.

SoCalGas' demonstrated pattern of working at cross purposes with state energy efficiency policy suggests that SoCalGas is ill-suited to play any substantive role in codes and standards advocacy under the Commission's new statewide structure. The Commission should prohibit SoCalGas from playing any role in codes and standards advocacy in the upcoming business plan period other than transferring ratepayer funds to the statewide lead. Codes and standards advocacy programs are the most cost-effective element of the IOUs' energy efficiency portfolios and a cornerstone of state and federal energy policy. Allowing SoCalGas to continue to play a role in planning, administering, and implementing codes and standards advocacy initiatives would allow SoCalGas the opportunity to continue to undermine the state's commitment to codes and standards advocacy.

In order to ensure that SoCalGas ratepayers' and the state's interests are unharmed, the Commission should direct SoCalGas to continue to collect funds for codes and standards advocacy and transfer them to the statewide codes and standards lead for program implementation.

2. The Commission should order SoCalGas to return shareholder incentives awarded for codes and standards advocacy, and other relief as may be appropriate and requested.

Regardless of whether SoCalGas' efforts have been compromised, inconsistent, or merely ineffective, SoCalGas has deprived ratepayers of the benefit of the bargain made on their behalf to pursue more stringent codes and standards in exchange for ratepayer funding and shareholder performance incentives. The Commission should order SoCalGas to refund to ratepayers all shareholder incentives for codes and standards

advocacy that it has received through the Energy Savings Performance Incentive (ESPI) starting in program year 2014 and prohibit any future ESPI claims for codes and standards management fees going forward. The purpose of the ESPI is to align the IOUs' business interests with those of ratepayers by incentivizing the IOUs to achieve cost-effective energy efficiency savings and rewarding shareholders when they do. SoCalGas' demonstrated pattern of undermining ratepayer and state interests in its ratepayer funded codes and standards advocacy work should disqualify SoCalGas from any shareholder incentives associated with its management of codes and standards advocacy. The Commission, therefore, should order SoCalGas to return all shareholder rewards it received for codes and standards advocacy activities since 2014, and other relief as may be appropriate and requested.

D. The Commission should deny the IOUs' proposed downstream statewide pilots and instead authorize pilots that streamline the statewide administration of downstream programs.

In response to Commission direction that program administrators propose at least four separate downstream programs for statewide pilots,[43] each of the four IOUs proposed programs targeting specific downstream program areas such as: "Residential HVAC Quality Installation" (San Diego Gas & Electric, or SDG&E), "Indoor Agriculture Program" (PG&E); "Workforce Education and Training: Career Workforce Readiness" (PG&E), and "Water/Wastewater Pumping Program for non-residential Public sector" (SCE).[44]

The IOU's proposals to pilot specific programs is counter to the intent of the Commission in D.16-08-019, that going forward "all program design and delivery would be presumed to be conducted by third parties, unless the utility specifically made a case

[43] D.16-08-019, p. 65.

[44] Joint Utility's Statewide Administration Approach (January 17, 2017), pp. 7-8.

for why the program activity must be conducted by utility personnel."[45] While the Commission has already determined that the work of proposing and implementing new, innovative programs should be left to third party implementers, the IOUs have consistently prioritized other objectives such as maintaining IOU-control over customer outreach, recruitment, and engagement.[46]

Marin Clean Energy's (MCE) proposed pilots, on the other hand, each target a specific administrative function that cuts across most or all downstream programs. Specifically, MCE proposed:

1. A Consolidated Workpaper Development Pilot Program;
2. A Transparent Deemed Savings Development Pilot Program;
3. A Consistent Normalized Metered Energy Consumption (NMEC) Methodology Pilot Program; and
4. A Statewide Data Support Pilot Program.[47]

MCE's approach has several benefits. In targeting cross-cutting administrative functions, MCE's proposed pilots should create efficiencies and streamline the administration of downstream programs, reducing redundant administrative costs. For more technical areas such as workpaper development, the consolidation of programs under statewide administration will economize relatively scarce expertise and make this expertise available to all PAs. Finally, statewide administration of cross-cutting administrative functions such as those identified by MCE will create consistency across PA-service territories, easing the administrative burden and confusion that implementers

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[45] D.16-08-019, p. 73.

[46] In identical emails sent by EE Directors at each IOU to all IOU EE staff on September 16, 2016, the IOU's emphasized that "maintaining the connectivity between the IOU and their customers is considered critical for success. Customers will largely continue to engage in energy efficiency programs through the local utility website, through the use of local marketing campaigns, local outreach efforts, and engagement from account executives." See SCE response to ORA data request ORA_SCE-1-SW (2016) in Appendix D.

[47] Application of Marin Clean Energy for Approval of its Energy Efficiency Business Plan (January 17, 2017), pp. 21-23.

operating in multiple service areas experience and thus helping support the scaling of energy efficiency statewide.[48]

The general approach of targeting cross-cutting administrative functions for statewide administration is not unique to MCE in this proceeding. In Comments on the PA Supplemental Applications,[49] the NAESCO endorses statewide administration for workpaper development and recommends payment processing as a function that should be administered more efficiently through a single statewide implementer. As NAESCO notes, its proposal is similar to the idea of statewide "platforms" that PG&E has put forward in their application.[50]

In addition to the statewide streamlining proposals of MCE, NAESCO, and PG&E, interventions targeted at the early commercialization stage between emerging technologies and full-scale programs are another current gap in IOU portfolios that could be usefully filled by a statewide program. ORA, therefore, proposes that the Commission order an additional statewide downstream early commercialization pilot that would be designed to aid new and innovative technologies and programs into the portfolios and test whether they can be brought to scale.

The Commission should deny the IOUs' proposed downstream pilots addressing specific niche market segments. Instead the Commission should authorize downstream pilots that streamline the statewide administration of downstream programs and increase the uptake of innovative technologies and programs. This would include the four pilots proposed by MCE as well as additional pilots to administer rebate processing on a

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[48] See Chapter 5 of MCE's Testimony of Marin Clean Energy Regarding its Application for Approval of its Energy Efficiency Business Plan (January 17, 2017), pp. 37-41.

[49] National Association of Energy Service Companies Comments on the Supplemental Applications of SCE, PG&E, SDG&E and SoCalGas for Approval of Energy Efficiency Rolling Portfolio Business Plans and Related Matters (June 22, 2017), pp. 11-13.

[50] See the Application of the Pacific Gas and Electric Company for Approval of 2018-2025 Rolling Portfolio Energy Efficiency Business Plan and Budget (January 17, 2017), p. 8.

statewide basis and to promote early commercialization of energy efficiency technologies and programs.

E. The Commission should not approve business plan metrics that lack accurate baselines and aggressive but achievable targets.

D.15-10-028 ordered PAs to set sector level metrics that would serve as "appropriate benchmarks against which to measure program/strategy/intervention performance…"[51] as part of their energy efficiency business plans. Each PA was to propose their own metrics and targets appropriate to the strategies presented in their business plans. The Administrative Law Judge's Ruling Seeking Comments on Energy Efficiency Business Plan Metrics (Metrics Ruling), issued on May 10th, 2017, proposed a set of common portfolio and sector-level metrics to be tracked and reported by all PAs and ordered the PAs to file a revised set of metrics, along with suggested targets for each metric.

For the business plans to contribute to effective oversight they must include outcome-based metrics that include the evidence-based baselines and ambitious but achievable targets. Without outcome-based metrics with associated targets against which to benchmark PA performance there will be no way for the Commission and stakeholders to determine whether the PAs have made progress towards the various goals set out in the business plans.

ORA supports the Commission's direction to adopt a common set of metrics for all PAs.[52] However, the PAs have largely failed to develop a set of agreed upon targets that are aggressive but achievable and sufficient to gauge the success/failure of the PAs' portfolios. Appendix A to ORA's Reply Comments to the Metrics Ruling included a long list of omissions and errors in the revised metrics and targets filed by PAs on July 14,

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[51] D.15-10-028, p. 53.

[52] ORA Reply Comments on the Metrics Ruling, pp. 1-2.

2017. Nearly two months later, the PAs have largely failed to address the omissions and errors identified by ORA.

Without justified targets to accompany metrics, there is no benchmark against which the Commission and stakeholders can measure the PAs performance in the business plans. In order to ensure accountability, the Commission should not approve business plans without metrics that include correct baselines and aggressive but achievable targets.

F. The Commission should order levelized cost of energy targets for each PA.

Levelized cost of energy (LCOE) is a key portfolio and sector metric for tracking the unit cost of energy savings. Setting aggressive but achievable LCOE targets will ensure that the portfolios become more cost-efficient going forward, particularly as the PAs seek to procure energy efficiency through the market. To ensure that energy efficiency portfolios are increasingly cost-efficient, PAs should target significant reductions in LCOE in their business plan metrics.

LCOE can be calculated using the Program Administrator Cost test (PAC) or the Total Resource Cost test (TRC). LCOE with both the PAC and TRC as metrics were among the common metrics listed in the May 10th Metrics Ruling. Because the PAC contains only costs that the PAs directly control, ORA recommends the Commission order performance *targets* for each PA's LCOE using the PAC. PAs should also track LCOE calculated using the TRC, however we do not recommend specific targets for LCOE based on the TRC.

To provide a basis for LCOE targets, ORA sent identical data requests to each of the Utilities.[53] Questions 1-4 inquire about: (1) the basis for the PAs determination of

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[53] Data Request ORA-A701013-SCG005, ORA-A701013- SCE006 , ORA-A701013- PGE007, and ORA-A701013- SDGE005. See Appendix E.

short, medium and long-term LCOE targets; (2) the analysis done to determine LCOE targets; (3) historical data on the year used to determine LCOE baselines and three previous years for both the portfolio and each sector; and (4) historical data on LCOE from the baseline year and three previous years for the five largest sub-programs in each sector.

Below, ORA recommends Portfolio LCOE for each utility PA. With the exception of SCE (for which ORA uses the utility-proposed targets), ORA does not have specific LCOE targets on the sector level. One approach would be to target similar reductions in each sector. However, it is unlikely that opportunities to reduce levelized costs are distributed evenly across the portfolio. Therefore, the Commission should order the utility PA to identify targets at the sector level that are consistent with the portfolio-level targets recommended by ORA and submit them for approval in an advice letter filing.

1. LCOE targets for SCE

SCE's updated baseline and targets[54] for the levelized cost of a kWh and kW are shown in Table 2 and Table 3 below.

Table 2: ORA's Recommended targets for SCE's LCOE (kWh)

	Baseline (2016)	Short Term (2018-2020)	Medium Term (2021 - 2023)	Long Term (2024-2025)
Portfolio	$ 0.05	$ 0.04	$ 0.04	$ 0.04
Residential SF	$ 0.03	$ 0.04	$ 0.035	$ 0.032
MF	$ 0.07	$ 0.10	$ 0.09	$ 0.08
Commercial	$ 0.04	$ 0.032	$ 0.031	$ 0.029
Public	$ 0.07	$ 0.06	$ 0.06	$ 0.05
Agricultural	$ 0.047	$ 0.306	$ 0.296	$ 0.275
Industrial	$ 0.022	$ 0.022	$ 0.022	$ 0.022

[54] SCE's July 14, 2017 filing calculated LCOE with Codes and Standards included. The updated filing provided in response to ORA's data request correctly excludes Codes and Standards savings to measure the levelized cost of energy acquired through programs.

Table 3: ORA's Recommended targets for SCE's LCOE (KW)				
	Baseline (2016)	Short Term (2018-2020)	Medium Term (2021 - 2023)	Long Term (2024-2025)
Portfolio	$ 238	$ 142	$ 141	$ 142
Residential	$ 136	$ 91	$ 80	$ 74
MF	$ 399	$ 332	$ 292	$ 271
Commercial	$ 198	$ 189	$ 183	$ 170
Public	$ 509	$ 458	$ 443	$ 412
Agricultural	$ 404	$ 1,326	$ 1,284	$ 1,193
Industrial	$ 157	$ 346	$ 346	$ 346

SCE's short term targets represent a 22 % decrease in the levelized cost of a kWh and a 40 % drop in the levelized cost of a KW at the portfolio level. While SCE proposes no further reductions over the medium and long term, SCE's plan to front-load savings and dramatically reduce costs during the first three years of the business plan sets an aggressive but achievable standard that the other utility PAs should emulate. The Commission should approve SCE's short term LCOE targets as shown in Table 2 and Table 3.

However, SCE's proposal to achieve no further levelized cost reductions after 2020 is unreasonable. While it is difficult to forecast exactly what cost savings will be available in the medium and long-term, those targets should set an expectation that SCE will pursue further cost savings. The Commission should instead set a target for SCE of reducing portfolio-wide LCOE a further 5% in the medium term and an additional 5% in the long-term. While this 5% target will largely act as a placeholder and should be revisited as better information becomes available, Commission should set targets for additional cost savings in the medium- and long-term now to set an expectation of continual improvement.

2. LCOE targets for PG&E

In their July 14th metrics submission, PG&E's proposed LCOE targets show no reductions in the short-term, but a portfolio-wide average 7.5 % reduction in the medium-term. PG&E argues that it cannot target any cost savings in the short-term:

> Targets are set based on the need to meet increasing goals with a lower budget. However, due to new program administration and implementation structures, and other portfolio/program changes, PG&E believes that flexibility is required to adapt to the new paradigm, targets are assumed to be steady in the first three years because PG&E will be selecting vendors that may need time to ramp up.[55]

ORA disagrees with PG&E's assessment that the change to third party program design and delivery is likely to delay cost reductions. The Commission's third party procurement policy relies on market actors operating within a competitive framework who are motivated by competitive pressures to identify lower-cost sources of energy efficiency. As PG&E increasingly puts its portfolio out to bid, market actors will have the opportunity to identify opportunities to provide energy efficiency at lower cost and should have immediate effect on PG&E's need to retain in-house implementation personnel.

PG&E's targeted 7.5 % reduction over 10 years is too conservative. The sector by sector narratives provided by PG&E to justify the 7.5 % target focus on marginal improvements to existing PG&E programs. Were this exercise to be conducted in another three years, or three years after that, it seems likely that PG&E would identify additional cost reductions. The Commission, therefore, should set targets for PG&E that represent ongoing improvements in terms of cost efficiency and cost savings.

The Commission should order PG&E to target a minimum 10% improvement in portfolio-wide LCOE in the short-term and additional 5% improvements in the medium- and long- term. In total, this would amount to a 19% reduction over the course of the business plan, which is marginally less than SCE proposes to achieve in just three years.

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[55] See PGE answer 2.a. to ORA-A701013- PGE007, p. 4, Appendix E, Exhibit 3.

PG&E should endeavor to exceed these targets, and work with the other IOUs (including SCE) to learn best practices that will enable additional program cost savings.

Tables 4 applies the 10% short-term and 5% medium and long-term reductions proposed by ORA to PG&Es current portfolio-wide LCOE baselines.

Table 4: ORA's Recommended targets for PG&E's LCOE (kWh, KW, Therms)				
	Baseline (2016)	Short term	Medium term	Long term
LCOE (kWh)	$ 0.066	$ 0.059	$ 0.056	$ 0.054
LCOE (KW)	$ 356	$ 320	$ 304	$ 289
LCOE (Therms)	$ 0.46	$ 0.414	$ 0.393	$ 0.374

3. LCOE targets for SDG&E

San Diego Gas and Electric did not submit LCOE as a metric in its July 14th filing. However, data from SDG&E's response to ORA's data request indicates that their baseline (SDG&E is using 2018 as a baseline year) LCOE is $0.11 per kWh, $558 per KW, and $.086 per Therm. The Commission should apply the same principals described above for PG&E to set SDG&E's targets. SDG&E should target a reduction in LCOE by 10% for each category in the short-term (by 2020) with additional 5% improvements in the medium- and long-term. Table 5 applies the 10% short-term and 5% medium and long-term reductions to SDG&Es LCOE energy baselines. The Commission should order SDG&E to set sector level targets that are consistent with these portfolio-wide targets.

Table 5: ORA's Recommended targets for SDG&E's LCOE (kWh, KW, Therms)				
	Baseline (2018)	Short term	Medium term	Long term
LCOE (kWh)	$ 0.11	$ 0.099	$ 0.094	$ 0.089
LCOE (KW)	$ 558	$ 502	$ 477	$ 453
LCOE (Therms)	$ 0.86	$ 0.774	$ 0.735	$ 0.699

4. LCOE targets for SoCalGas

In their July 14, 2017 metrics filing, SoCalGas provided a single portfolio wide LCOE baseline of $0.31 per therm as a placeholder but did not provide targets.

SoCalGas' response to ORA's data request indicates that as of August 31, 2017, SoCalGas shad not performed any analysis to provide sector-level LCOE baselines or to provide targets at either the portfolio- or sector-level. Historical data on LCOE provided in response to question 3A of ORA's data request indicates that SoCalGas' LCOE was $.038/therm in 2012, $.035/therm in 2011, and $.038/therm in 2010, indicating an approximate decline of 15% over the three year period previous to the 2013-2015 period that they use as a baseline. Given SoCalGas' past performance, further reductions of 15% over the next three years is reasonable as a a short term target with additional 5% reductions in the medium- and long-term. Table 6 applies the 15% short-term and 5% medium- and long-term reductions to SoCalGas's $ 0.31/therm baseline.

Table 6: ORA's Recommended targets for SoCalGas's LCOE (Therms)

	Baseline (2013-2015)	Short term	Medium term	Long term
LCOE (Therms)	$ 0.31	$ 0.264	$ 0.250	$ 0.238

G. The Commission should order net lifecycle savings targets for each PA.

ORA and TURN have argued in several venues that the PAs should add a metric tracking *net lifecycle savings* and associated targets to their business plans.[56] The purpose of tracking ne lifecycle savings is to encourage the PAs to focus on more durable energy savings until the Commission has developed a suitable methodology for calculating and tracking "cumulative savings," at which time cumulative savings goals will be adopted. A net lifecycle savings metric would have the additional benefit of encouraging PA's to look beyond first year savings and focus on maximizing the total impact that their energy efficiency investments have on the grid.

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[56] See ORA Opening Comments on ALJ Metrics Ruling (Filed July 24, 2017), p. 7. and Comments of The Utility Reform Network (TURN) on the Program Administrator's Revised Sector Metrics (Filed July 24, 2017), pp. 2-3.

In the Proposed Decision Adopting Energy Efficiency Goals for 2018-2030,[57] the Administrative Law Judges agreed: "ORA and TURN's recommendation for the program administrators to measure and set targets for net lifecycle savings is a reasonable alternative, given our determination in D.16-08-019 to focus on long-term savings."[58]

The PAs already calculate net lifecycle savings as an input to cost-effectiveness showings. Question 5 of the Data Request asked the utilities to "provide the annual lifecycle savings projections embedded in your cost-effectiveness showing for any year available from 2018-2025 for the following sectors."[59] Tables 7 to 12 contain the utilities' net lifecycle savings as provided to ORA in response to data requests. The Commission should accept the projections provided by each utility through 2020 as Net Lifecycle Savings targets while the Commission and the CEC consider a method for calculating and tracking progress towards cumulative savings goals through 2030.

SCE (Tables 7 and 8) provided annual lifecycle savings projections through 2025.[60] In Tables 7 and 8 ORA proposes the projections provided by SCE through 2020 as Net Lifecycle Savings targets.

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[57] R.13-11-005 (August 25, 2017).

[58] Ibid, p.26.

[59] See Question 5 of ORA Data Request in Appendix E, Exhibit 1. See Appendix E, Exhibit 2 for SCE's Response; Appendix E, Exhibit 3 for PG&E's response; Appendix E, Exhibit 4 for SDG&E's response; Appendix E, Exhibit 5 for SoCalGas' response.

[60] See Appendix E, Exhibit 1.

Table 7: ORA Recommendations for SCE Net Lifcycle Savings Projections (kWh)			
	2018	**2019**	**2020**
Portfolio	7,025,327,548	7,485,896,520	7,881,990,881
Single Family	1,521,607,250	1,752,557,658	1,975,635,774
Multi-Family	104,136,679	119,942,603	135,209,758
Commercial	299,192,183	308,167,949	314,331,308
Agricultural	1,817,680	1,872,210	1,909,654
Industrial	127,633,478	131,462,482	134,091,732

Table 8: ORA Recommendations for SCE Net Lifcycle Savings Projections (KW)			
	2018	**2019**	**2020**
Portfolio	1,698,020	1,861,491	2,011,632
Single Family	665,902	765,169	860,927
Multi-Family	31,671	36,393	40,947
Commercial	49,797	51,291	52,316
Agricultural	420	432	441
Industrial	8,130	8,374	8,542

PG&E (Tables 9, 10 and 11)[61] and SoCalGas (Table 12)[62] each provided ORA with Net Lifecycle Savings projections through 2020.

Table 9: ORA Recommendations for PG&E Net Lifcycle Savings Projections (GWH)			
	2018	**2019**	**2020**
Portfolio	37,726.08	37,726.08	37,726.08
Residential	740.56	740.56	740.56
Commercial	2,133.07	2,133.07	2,133.07
Agricultural	506.68	506.68	506.68
Industrial	510.97	510.97	510.97
Public	885.48	885.48	885.48

[61] See Attachment E, Exhibit 3.

[62] See Attachment E, Exhibit 4.

Table 10: ORA Recommendations for PG&E Net Lifcycle Savings Projections (GW)

	2018	2019	2020
Portfolio	775.96	775.96	775.96
Residential	235.06	235.06	235.06
Commercial	295.27	295.27	295.27
Agricultural	66.83	66.83	66.83
Industrial	52.19	52.19	52.19
Public	126.61	126.61	126.61

Table 11: ORA Recommendations for PG&E Net Lifcycle Savings Projections (MMTherms)

	2018	2019	2020
Portfolio	525.51	525.51	525.51
Residential	13.44	13.44	13.44
Commercial	33.94	33.94	33.94
Agricultural	14.8	14.8	14.8
Industrial	81.8	81.8	81.8
Public	8.33	8.33	8.33

Table 12: ORA Recommendations for SoCalGas Net Lifcycle Savings Projections (Therms)

	2018	2019	2020
Portfolio	194,295,258	202,842,750	215,377,612
Residential	44,460,074	30,909,642	39,142,325
Commercial	32,666,458	45,257,601	48,426,132
Agricultural	16,725,349	24,931,423	25,099,864
Industrial	83,980,555	83,980,555	83,980,555
Public	16,462,823	17,763,528	18,728,737

SDG&E (Table 13 and 14) provided projections only for 2018.[63] SDG&E should be ordered to provide targets for 2019 and 2020 in an additional compliance filing.

Table 13: ORA Recommendations for SDG&E Net Lifcycle Savings Projections (kWh)

	2018	2019-2025
Portfolio	1,280,392,613	No CE Showing
Residential	170,073,643	No CE Showing
Commercial	1,052,216,582	No CE Showing
Agricultural	2,804,364	No CE Showing
Industrial	55,298,023	No CE Showing
Public	-	No CE Showing

Table 14: ORA Recommendations for SDG&E Net Lifcycle Savings Projections (Therms)

	2018	2019-2025
Portfolio	31,515,065	No CE Showing
Residential	7,439,783	No CE Showing
Commercial	23,179,322	No CE Showing
Agricultural	471,805	No CE Showing
Industrial	424,155	No CE Showing
Public	-	No CE Showing

H. The Commission Should Only Permit PAs to Charge Account Representatives to the Energy Efficiency Balancing Accounts Through Non-Tariff Services Agreements.

Consistent with the Commission's new third-party and statewide policy direction in D.16-08-019, the IOU PAs will need to significantly redeploy resources – particularly

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[63] See Attachment E, Exhibit 5.

labor resources – during the business plan period. As the primary activities of the IOUs shift from implementation of IOU-designed programs to managing a portfolio largely comprised of programs proposed, designed, and implemented by third-parties, the need for IOU personnel in program activities should decline substantially. The IOUs' Business Plan budgets give little indication of how they will redeploy resources in response to their changing roles and responsibilities as program administrators (PAs) as third parties take greater responsibility for the design and delivery of energy efficiency programs. For example, the budgets submitted by the IOUs make no substantial accommodation for the greater role that third-parties are likely to play in the customer acquisitions and sales.[64]

In Reply Comments to the Scoping Memo (filed June 29th, 2017),[65] ORA presented data regarding the PG&E's and SCE's use of energy efficiency account representatives and the substantial proportion of organization-wide account representative labor that these IOUs charge to their EE balancing account. Tables 15-18 (below) update the data based on additional information received through data requests and add additional data on the use of account representatives by SDG&E and SoCalGas.[66]

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[64] ORA Opening Comments on the Comprehensive Solicitation Process Proposals, pp., 3-5.

[65] ORA Reply Comments on the Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, pp. 2-7. See Table 1 (p. 4) and Table 2 (p. 5).

[66] The data request and the full responses by each IOU can be found below in Appendix F.

Table 15: PG&E's Account Representative FTEs and Head Count (2014-2017) and 2018 Projections

PG&E	2014	2015	2016	2017	2018 (Projected)
EE Account Representative FTEs	121	114	106	109	105
Account Representative FTEs in the Organization	259	255	288	282	273
Annual Cost for Account Representatives Charged to EE Balancing Accounts	$18,024,155	$17,461,502	$14,976,973	$16,300,151	$16,200,000
Annual Cost for Account Representatives Charged to Ratepayers (all funding sources)	$33,624,944	$34,187,573	$35,099,402	$36,199,854	$36,199,854
Percent of Account Representative Budget Charged to EE Balancing Accounts	54%	51%	43%	45%	45%

Table 16: SCE's Account Representative FTEs and Head Count (2014-2017) and 2018 Projections

SCE	2014	2015	2016	2017	2018 (Projected)
EE Account Representative FTEs	39	37.1	34.3	32.5	33.8
Account Representative FTEs in the Organization	119	114	81	78	No Forecast
Annual Cost for Account Representatives Charged to EE Balancing Accounts	$5,224,357	$5,008,663	$4,905,311	$4,636,683	$4,965,556
Annual Cost for Account Representatives Charged to Ratepayers (all funding sources)	$12,869,856	$12,137,310	$9,144,768	$9.001.881	$10,379
Percent of Account Representative Budget Charged to EE Balancing Accounts	41%	41%	54%	52%	48%

Table 17: SDG&E's Account Representative FTEs and Head Count (2014-2017) and 2018 Projections

SDG&E	2014	2015	2016	2017 (Projected)	2018 (Projected)
EE Account Representative FTEs	14.3	13.5	11.02	11.02	11
Account Representative FTEs in the Organization	23.1	23.2	22.8	22.8	No Forecast
Annual Cost for Account Representatives Charged to EE Balancing Accounts	$1,406,436	$1,668,962	$1,668,962	$1,668,962	No Forecast
Annual Cost for Account Representatives Charged to Ratepayers (all funding sources)	$2,084,911	$2,130,586	$2,131,758	$2,131,758	No Forecast
Percent of Account Representative Budget Charged to EE Balancing Accounts	67%	78%	78%	78%	No Forecast

Table 18: PG&E's Account Representative FTEs and Head Count (2014-2017) and 2018 Projections

SoCalGas	2014	2015	2016	2017	2018 (Projected)
EE Account Representative FTEs	34.6	35.21	35.34	32.45	35.34
Account Representative FTEs in the Organization	64.81	66.22	66.13	58.81	66.13
Annual Cost for Account Representatives Charged to EE Balancing Accounts	$2,335,138	$2,530,331	$2,606,717	$1,435,219	$2,606,717
Annual Cost for Account Representatives Charged to Ratepayers (all funding sources)	$6,028,187	$6,328,054	$6,410,434	$3,368,775	$6,410,434
Percent of Account Representative Budget Charged to EE Balancing Accounts	39%	40%	41%	43%	41%

The top two lines of each table show the number of account representatives charged to EE balancing account (in Full-time Equivalents, or "FTE") and the number of account representatives in the whole organization for 2014-2017, with projections for 2018. The next two lines show the annual cost of account representatives charged to EE balancing accounts and the total annual cost of account representatives charged to ratepayers. The fifth line shows account representative costs that were charged to EE balancing accounts as a percentage of total ratepayer funding for account representatives.

The high proportion of overall account representative labor and the amounts charged to EE balancing accounts is notable. While account representatives presumably work with customers on a variety of account-related issues such as rates, facility upgrades, interconnection issues, reliability concerns, and other demand-side program offerings, depending on the year and the utility, anywhere from 39% to 78% of total ratepayer funding for account representatives is charged to EE balancing accounts. For 2018:

- PG&E's projected cost for EE account representatives is $16,200,000 (45% of organization wide account representative charges).
- SCE's projected cost for EE account representatives is $ 4,965,556 (48% of organization wide account representative charges).

- SoCalGas' projected cost for EE account representatives is $ 2,606,717 (41% of organization wide account representative charges).

- SDG&E does not provide projections for 2018, but based on 2016 data, when 11 FTE account representatives were charged to EE balancing accounts, ORA projects that SDG&E's request is approximately $1, 660,000 for EE account representatives (78 % of organization wide account representative charges).

The high proportion of account representative spending being charged to EE balancing accounts is an unreasonable burden to ratepayers. As noted in Section D above and contrary to the Commission's third-party policy, the IOU management at all four IOUs have indicated in communications with IOU staff that their intent is to "maintain the connectivity" with customers and require that customers continue to engage directly with IOU resources such as account representatives in order to participate in EE programs.[67] In the absence of detailed evidence to justify charging these account representatives to EE balancing accounts, the Commission should order the utilities to pay for them through their general rate cases (GRCs).

In addition, the data suggests that the IOUs have failed to accommodate the Commission's third-party policies established in D.16-08-019.[68] D.16-08-019 established a rebuttable presumption that "all program design and delivery would be presumed to be conducted by third parties, unless the utility specifically made a case for why the program activity must be conducted by utility personnel."[69] As ORA argued in Opening Comments on the Comprehensive Solicitation Process Proposals, "[c]ustomer acquisition is a core component of program design and delivery and should be subject to

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[67] See SCE response to ORA data request ORA_SCE-1-SW (2016), in Appendix D.

[68] ORA Opening Comments, p.6.

[69] D.16-08-019, p. 73.

the Commission's rebuttable presumption that program activities be performed by non-utility personnel."[70]

Of the four IOUs, only PG&E has addressed this issue. In Reply Comments on the Comprehensive Solicitation Process Proposals, PG&E explains that they do not propose that customer acquisition be conducted solely by utility personnel. However, their intention is to maintain custom-facing support staff (i.e. account representatives) in order to provide support to third party implementers.[71] ORA disagrees with the presumption that third party implementers will necessarily use utility personnel for customer acquisition or that this utility personnel should be charged to EE balancing accounts. While third party implementers might choose to utilize utility account representatives to perform certain marketing and sales related activities, these account representatives should be charged to the third party providers using a non-tariff services arrangement, where their cost would be incorporated into the overall energy efficiency bids provided by third parties and compete on a level playing field against bidders proposing to utilize their own personnel for customer acquisition activities.

The Commission should not permit the IOUs to charge account representatives directly to energy efficiency balancing accounts. Unless otherwise justified, the cost of account representative labor should be recovered through each utilities' General Rate Case or through non-tariff service agreements with third party providers.

III. CONCLUSION

ORA respectfully requests that the Commission accept the recommendations regarding business plan metrics made herein.

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[70] Opening Comments on the Comprehensive Solicitation Process Proposals, pp. 4-5.

[71] Reply Comments of Pacific Gas and Electric Company on Third Party Solicitation Process Proposals, pp. 2-3.

Respectfully submitted,

/s/ ZHEN ZHANG

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Zhen Zhang

Attorney for
The Office of Ratepayer Advocates

California Public Utilities Commission
505 Van Ness Ave.
San Francisco, CA 94102
Phone: (415) 703-2624
Email: Zhen.Zhang@cpuc.ca.gov

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