

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

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

Rulemaking 13-11-005

## SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) RESPONSES ON UPSTREAM LIGHTING PROGRAM IMPACT EVALUATION FOR PROGRAM YEAR 2017

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Pursuant to the Administrative Law Judge's Ruling Seeking Responses on the Upstream Lighting Program Impact Evaluation for Program Year 2017, dated January 9, 2020 ("Ruling"), Southern California Edison Company ("SCE") hereby submits its comments and responses to questions set forth in the Ruling.

I.

### **DISCUSSION**

SCE appreciates the opportunity to respond to the questions posed in the Ruling. SCE values the California Public Utilities Commission's ("Commission") decision to address the findings of the April 1, 2019, Upstream Lighting Program Impact Evaluation ("Impact Evaluation Report") conducted by DNV GL Energy Insights USA ("DNV GL"). First and foremost, SCE would like to acknowledge the shortcomings with certain aspects of the Upstream Primary Lighting Program ("Program") performance in Program Year ("PY") 2017. SCE takes seriously its role as administrator of customer funds to deliver energy savings and achieve the State's energy policies. Even prior to the issuance of the final Impact Evaluation Report, SCE

acknowledged that improvements were necessary and subsequently took corrective actions to improve the program performance, including taking some of the steps detailed in the Ruling. SCE also notes in these comments that due to the timing of the Impact Evaluation Report, released in 2019, SCE's response here also considers the 2018 program which may be relevant to SCE's recommendations.

In this filing, SCE provides an overview of the Primary Lighting Program, details SCE's corrective actions after learning of the findings from the Impact Evaluation Report and responds to the specific questions asked in the Ruling. SCE does not, at this time, propose a specific final recommendation to address the findings of the Impact Evaluation Report. Instead, SCE requests additional time to gather more facts, both regarding events in PY 2017 and the subsequent program years, so that SCE can make a holistic proposal, taking into account subsequent years' findings and any additional facts that may be discovered.

Although SCE acknowledges the Commission's findings regarding the overstocking issues, there are several key issues that require additional inquiry and review in order to make a recommendation. Specifically, the Impact Evaluation Report indicates that several stores contacted in the course of the investigation did not recollect receiving/carrying light bulbs. SCE believes it is vital for SCE to have time to review its records for prior shipping documentation provided by the program manufacturers and to conduct additional factual review to fully understand this situation. Similarly, SCE is investigating what happened to the lightbulbs that were shipped and, where possible, what is the status of these bulbs today. With a more thorough understanding of the underlying facts, SCE and all parties will be in a more informed position to recommend any appropriate remedy in this proceeding. Thus, SCE respectfully requests that the ALJ provide additional time so that SCE may gather additional information about the issues noted by the Commission.

SCE requests that the ALJ provide SCE until the end of April 2020 to provide the information it will gather and to submit its final recommendations to the questions in the Ruling. This timing will also align with the issuance of the forthcoming Impact Evaluation Report for PY

2018, which could further address issues relevant in this inquiry, such as the disposition of unaccounted-for bulbs.

#### A. Overview of SCE's Primary Lighting Program

The Program, which was discontinued as of December 31, 2019, offered discounted energy efficient lighting products to SCE customers through incentives to lighting manufacturers. In addition to energy savings, the objective of the Primary Lighting Program was to accelerate the adoption of new and innovative lighting measures, to aggressively promote existing effective measures, and to prune matured lighting measures with reduced potential to meet program objectives. SCE's Program employed upstream delivery strategies which contracted with manufacturers to pass on rebates to retailers, and ultimately to the end-use retail customer, to sell energy efficient light bulbs. Energy efficient lighting products offered through the Program changed from year to year in order to transition markets to new, more efficient measures and to comport with California Energy Commission quality standards.<sup>2</sup> The Program was successful in supporting the transformation of the lighting market from incandescent bulbs to compact fluorescents ("CFLs") and then to light-emitting diodes ("LEDs"). In 2017, in response to recommendations made in the PY 2015 Impact Evaluation Report, 3 SCE began shifting more of its Program incentives toward non-big box distribution channels focusing on hard-to-reach markets.<sup>4</sup> This resulted in SCE's participating manufacturers shipping light bulbs to about 1,300 small grocery and discount stores.5

SCE Customer Energy Efficiency and Solar Division Program Implementation Plans 2013-2014, p. 14. https://cedars.sound-data.com/documents/download/902/main/.

 $<sup>^{2}</sup>$  *Id.*, p. 9.

Response to Recommendations, Upstream and Residential Downstream Lighting Impact Evaluation Report: Lighting Sector—Program Year 2015, at pp. 1-2 ("The IOUs should consider shifting more of their upstream lighting program incentives toward the non-big box channels (discount, drug, grocery, and small hardware) . . . .").

<sup>&</sup>lt;sup>4</sup> Response to Recommendations, Upstream and Residential Downstream Lighting Impact Evaluation Report: Lighting Sector—Program Year 2015, at pp. 1-2.

<sup>5</sup> Impact Evaluation Report at p. 33.

### B. Overview of the 2017 Upstream Lighting Program Impact Evaluation Report

On April 1, 2019, the Commission issued the Impact Evaluation Report for PY 2017 performed by the Commission's evaluation consultant, DNV GL. The Impact Evaluation Report found a large discrepancy between the number of bulbs shipped to small, hard-to-reach retailers and the estimated number of bulbs that could have been sold by those retailers. The Impact Evaluation Report also found the number of light bulbs SCE's participating manufacturers shipped to discount and grocery stores nearly doubled between 2015 and 2017. Additionally, the Impact Evaluation Report found that there was inconsistent verification of the shipment and sales of bulbs, and the Impact Evaluation Report concluded that approximately 80 percent of the shipped bulbs may not have been sold to SCE customers, and were unaccounted for and/or missing entirely. Lastly, the Impact Evaluation Report noted that the Impact Evaluation Report for PY 2018 will address the disposition of unaccounted-for bulbs. This study is expected to be final in April 2020.

In early 2019, after learning of the nature of the recommendations to be issued in the Draft Impact Evaluation Report, SCE launched an internal audit review of its Program operations and operating processes for the 2017-2018 Lighting Program.<sup>9</sup> The internal audit review focused on evaluating and implementing corrective actions necessary to resolve issues on a going-forward basis for the remainder of PY 2019. SCE's audit review did not attempt to replicate the overall Impact Evaluation Report or to independently confirm the overstocking analysis performed by DNV GL. In response to the Impact Evaluation Report and SCE's own internal audit review, SCE took prompt corrective action in 2019 to implement process improvements and strengthen controls for the remainder of the Program term. SCE limited the amount of

<sup>&</sup>lt;sup>6</sup> Impact Evaluation Report at p. 29.

<sup>&</sup>lt;sup>7</sup> See id. at p. 34.

 $<sup>\</sup>frac{8}{}$  *Id.* at p. 39.

SCE previously has shared the confidential audit report with the Commission in connection with the Commission's 2018 Energy Efficiency audit in response to data request 2018-EE-CPUC-SCE-001, Question 14.

Program shipments to small retailers and added controls to prevent shipments from multiple manufacturers to the same retailer. SCE also increased inspections and redistributed excess light bulbs to other retailers. For example, overstock bulbs from PY 2017 were shipped to places in SCE's service territory such as Catalina Island and Mammoth where incandescent bulbs are still being used. From May through October 2019, SCE inspected over 700 small, hard-to-reach stores, met with participating retail stores, and reviewed the program requirements. SCE enhanced tracking and verification of program activity and held manufacturers accountable to the terms of their manufacturer participation agreements. In many cases, SCE worked with manufacturers to move overstock inventory, at the manufacturers' cost, to stores with lower inventory numbers. Although the steps SCE has taken since April of 2019 improved controls and operation on a going-forward basis, SCE requires additional time to address the issues noted by the Commission and to gather and provide additional information, as set forth in the response to Question E herein, to the Commission and stakeholders concerning some of the 2017 Impact Evaluation Report details.

II.

### SCE RESPONSES TO QUESTIONS POSED IN THE RULING

A. What remedies do you propose to address the findings of the "Upstream and Residential Downstream Lighting Impact Evaluation Report: Lighting Sector – Program Year 2017," published April 1, 2019, by DNV GL, with respect to unaccounted-for lamps?

As discussed above, SCE is requesting additional time in order to fully assess the issues and offer appropriate recommendations. SCE's comprehensive plan to investigate, respond and provide other parties an opportunity to comment is set forth in response to Question E below.

# B. Should the Commission order refunds or other compensation to the ratepayers of SCE and SDG&E for the upstream lighting lamps that were unaccounted for in the 2017 program year? Explain your reasoning.

As discussed above, SCE is requesting additional time in order to fully assess the issues and offer appropriate recommendations. SCE's comprehensive plan to investigate, respond and provide other parties an opportunity to comment is set forth in response to Question E below.

## C. <u>If refunds or compensation are warranted, how should the amounts be calculated?</u> What are your proposed amounts? Provide and explain your calculations.

SCE is not currently proffering an opinion on whether a refund and/or monetary compensation to ratepayers is appropriate. As discussed in detail above, SCE believes more information is needed to respond to this question. SCE's comprehensive plan to investigate, respond and provide other parties an opportunity to comment is set forth in response to Question E below.

## D. <u>If refunds or compensation are warranted, what method or vehicle should be used</u> to credit the appropriate amounts to ratepayers? Explain your approach.

When SCE provides its findings, informed by the further investigation described below, it will also provide recommendations on what remedies are warranted and the appropriate method to pursue those remedies. SCE's plan to investigate, respond, and provide other parties an opportunity to comment is set forth in response to Question E below.

# E. Make any other comments or proposals related to the topic of the 2017 upstream lighting impact evaluation and its findings with respect to unaccounted-for shipments of lamps.

As noted above, SCE believes that it is appropriate to perform additional factual investigation to develop a better understanding about what occurred before deciding on a specific

remedy. Specifically, the information gathering efforts by SCE will include, at a minimum, the following steps:

- **Phase I: Data Gathering** (Timing: February 2020 March 2020)
  - o SCE will continue to gather and review:
    - Program inspection reports;
    - Program invoices, including bills of lading and other documentation;
    - Program shipping records and related documentation;
    - Program participation agreements between SCE and manufacturers; and
    - Program participation agreements between participating manufacturers and retailers related to SCE's program.
  - o SCE may conduct additional field reviews or inspections, to the extent possible and necessary.
- Phase II: Analyze SCE's Findings and PY 2018 Impact Evaluation Report (Timing: March 2020 April 2020)
  - o SCE will receive and review the PY 2018 Impact Evaluation Report.
  - o SCE will evaluate the findings of its review in Phase I, including, but not limited to whether there is any potential third-party responsibility.
  - o SCE will identify, to the extent possible, the factors that contributed to overstock and unaccounted-for bulbs.
  - SCE will assess the extent to which SCE was able to determine the disposition of any unaccounted-for bulbs
- Phase III: Identify Recommendations (Timing: April 2020)
  - SCE will identify potential remedies to address overstock and unaccounted-for bulbs, including any additional recommendations from the PY 2018 Impact Evaluation Report.
  - O SCE will recommend whether a refund and/or monetary compensation to ratepayers is appropriate.
- Phase IV: Submit Final Recommendations (Timing: End of April 2020)
  - o SCE will provide its final recommendations in response to the questions in the Ruling.

SCE is committed to sharing its findings with the Commission and the stakeholders in this proceeding. SCE anticipates needing until the end of April 2020 to complete the necessary

additional fact-finding and analysis and to provide its final recommendations, as described above. SCE recommends all interested parties have an opportunity to comment on SCE's findings and recommendations by May 28, 2020, and an opportunity for the utility to reply to party comments by June 15, 2020. Shortly after replies, workshops may be appropriate to continue discussions regarding the findings of SCE's analysis.

SCE proposes the Commission adopt the following specific schedule for further investigation, recommendations, and comments.

- March 1, 2020: Draft PY 2018 Upstream Lighting Impact Evaluation Report issued by DNV GL
- **April 1, 2020**: Final PY 2018 Upstream Lighting Impact Evaluation Report issued by DNV GL
- April 30, 2020: SCE Recommendations in Response to Questions in Ruling
- May 28, 2020: Party Comments on SCE Final Recommendations
- June 15, 2020: SCE Reply Comments on Parties' Comments

This process will allow parties to understand all of the relevant facts related to the Program and allow the Commission to determine a suitable remedy, if appropriate, taking into account subsequent years' findings, as well as additional facts that may be discovered.

#### III.

### **CONCLUSION**

For all the foregoing reasons, SCE requests the Commission adopt the recommendations discussed herein and allow SCE additional time to conduct a thorough assessment of the facts and to propose an appropriate mechanism for any remedies that may be warranted.

### Respectfully submitted,

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