BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Own Motion to consider renewal of the Electric Program Investment Charge Program	Rulemaking 19-10-005

REPLY BRIEF OF THE NATURAL RESOURCES DEFENSE COUNCIL ON THE ORDER INSTITUTING RULEMAKING ON THE COMMISSION'S OWN MOTION TO CONSIDER RENEWAL OF THE ELECTRIC PROGRAM INVESTMENT CHARGE PROGRAM

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I. INTRODUCTION AND SUMMARY OF RECOMMENDATIONS

In accordance with Rule 13.11 of the California Public Utilities Commission (Commission) Rules of Practice and Procedure (Rules), and the March 6, 2020 "Assigned Commissioner's Scoping Memo and Ruling," the Natural Resources Defense Council (NRDC) submits this reply brief on the "Order Instituting Rulemaking on the Commission's Own Motion to consider renewal of the Electric Program Investment Charge Program."

Upon reviewing the parties' briefs, NRDC offers the following recommendations:

- The Electric Program Investment Charge (EPIC) Program should be renewed.
- EPIC should be funded at its current level, including an inflation adjustment
- The Commission should provide bridge funding to assure the continuation of the Program in the event a final decision extending funding is delayed.

II. RESPONSE TO PARTY OPENING BRIEFS

A. EPIC Funding Should be Renewed

Due to the new reality California and the world are facing, it is more crucial than ever for the state to continue supporting the development of clean energy technologies that contribute to the achievement of SB 100 goals in a timely manner while at the same time demonstrating commitment to low income and hard to reach communities.

In their opening briefs, three out of four Program administrators (CEC, SCE and PG&E) argue for the extension of the EPIC Program as it is now. The California Energy Commission (CEC) recommends the Program be renewed through at least 2031 and funded at no less than the current level, adjusted annually to keep pace with inflation.[1] Southern California Edison Company (SCE) reiterates its supports of a renewal of EPIC funding and believes the current funding level is appropriate.[2] Pacific Gas and Electric (PG&E) states that the Commission should promptly renew the EPIC program for a sustained period with stable funding.[3]

San Diego Gas and Electric (SDG&E) continues to agree with and support the core values of the EPIC Program, but asserts that EPIC funding should only be renewed if the Program can be structured in such a way that better suits utility involvement, with more value achieved for each ratepayer dollar.[4] While they recognize the Program has resulted in quantifiable benefits and impacts to IOU customers, they believe that in order to effectively realize EPIC's core values, any future program must include significant structural changes to reduce the limits and administrative burdens of the prior EPIC Program, as well as an increase in funding that is commensurate with those changes.[5]

Other parties such as the Bay Area Science and Innovation Consortium (BASIC), the Bioenergy Association of California (BAC), and the Public Advocates Office (Cal Advocates) agree that there is clear evidence that the Program has been beneficial for customers and should be renewed.[6]

While not all the parties agree on the terms of the renewal, all of them recognize that there is compelling evidence to demonstrate current and future benefits of the Program. Any

[1] CEC Opening Brief at 2.
[2] SCE Opening Brief at 6.
[3] PG&E Opening Brief at 1.
[4] SDG&E Opening Brief at 1 and 3.
[5] SDG&E Opening Brief at 2.
[6] BASIC, BAC and Cal Advocates at 18, 2, 1. Respectively.

improvement to the Program should not be a condition for its approval but rather a parallel process that maximizes the benefits and outcome of the funds.

In their briefs, other parties provide examples that illustrate how EPIC's three program areas – market facilitation, applied research and technology demonstration and deployment – provide benefits to customers, especially those in low-income and disadvantaged communities. The CEC concludes that EPIC has addressed critical barriers and challenges to increased adoption of technologies that benefit customers.[7] The CEC emphasizes that 65 percent of its Technology Demonstration and Deployment funds have gone to projects located in and benefitting low-income or disadvantaged communities. For every $1 PG&E's Gas R&D program allocates to R&D via consortia, they leverage on average $6 in co-funding from other utilities and organizations.[8]

Because of its proven track record of benefits to utility customers, NRDC supports EPIC's renewal and advocates for the careful consideration of improvements that consolidate the effectiveness and scope of the Program and we look forward to evaluating these in Phase 2 of the proceeding.

B. EPIC Program Funding Authorization Should be Renewed at its Current Level, Including an Inflation Adjustment

Cal Advocates asserts that if the Commission approves long-term funding in Phase 1, it should only do so at the current funding levels.[9] Three Program Administrators – PG&E, SCE and CEC – reiterate their support for the current funding level,[10] while SDG&E argues for the current funding level to be increased.[11] Regarding an inflation adjustment, only SCE did not comment about it, the rest of the Program Administrators advocated for it.

NRDC agrees with the party's[12] recommendations that the Commission continue to apply inflation adjustments for the EPIC program. While we understand Cal Advocates concern[13] on

[7] CEC Opening Brief at 16.
[8] PG&E Opening Brief at 10.
[9] Cal Advocates Opening Brief at 11.
[10] CEC at 4, PG&E at 11, SCE at 6.
[11] SDG&E at 11.
[12] CEC at 3, SDG&E at 13, PG&E at 12, BASIC at 20, BAC at 9.
[13] Cal Advocates Opening Brief at 14.

customer impact we dissent on their rationale of requiring a cost-benefit analysis to demonstrate the value of a budget increase due to inflation. Inflation indeed influences what can be done with the same budget in different periods. If we try to achieve the same goals using the same budget without an inflationary adjustment, that same budget will erode over time.

Cal Advocates argues that the Commission should not adopt automatic inflation adjustments.[14] Adjusting the budget based on inflation is not increasing the budget with no justification. Rather, it is allowing the funds to maintain its capacity and potential over time under new economic circumstances. It also means not reducing the benefits that were originally planned by the Program based on price adjustments. Failing to include an inflation adjustment will reduce the Program's effectiveness and efficiency to operate properly.

SCE, PG&E, CEC, Cal Advocates and SCE[15] do not see a need to change the relative shares of funding among administrators. Considering that under D.12-05-037 (EPIC Program Decision) the Commission stated that "the record supports the 80%/20% general division of EPIC-related activities between the CEC and IOUs based on institutional objectives and operational responsibilities."[16] Only SDG&E strongly believes that they should be allocated more funds, although they do not seek to change the funding levels of EPIC.[17] NRDC is supportive of not altering the Program's shares at this time.

Furthermore, we consider the arguments provided at the time of the decision by the Commission such as the CEC being the ideal majority administrator due to its public interest objectives and the IOUs given a lesser stake because their own interest as future customers still valid today.

Finally, PG&E[18] and Cal Advocates[19] support a 10 percent cap on administrative expenses, while SDG&E[20] and CEC[21] recommend not to maintain the cap as EPIC has evolved and demands different administrative costs. NRDC supports CEC's recommendation of

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[14] Ibid.
[15] CEC at 54, Cal Advocates at 13, PG&E at 12, SCE at 6.
[16] Ibid.
[17] SDG&E Opening Brief at 13.
[18] PG&E Opening Brief at 13.
[19] Cal Advocates Opening Brief at 15.
[20] SGD&E Opening Brief at 13.
[21] CEC Opening Brief at 55.

increasing the administrative cap for the EPIC Program to 15 percent in order to reflect the challenges of effective administration. We believe in the importance of administrative efficiency but at the same time we need to consider the increased administrative burdens of a more sophisticated program that requires considerable management and oversight to maximize impact.

C. The Commission Should Provide Bridge Funding to Ensure the Continuity of the Program if it Becomes the Last Recourse and Adopt the Joint Proposal Submitted by the Administrators

The Program Administrators[22], Cal Advocates[23] and BAC[24] agree that bridge funding will provide programmatic continuity and avoid any lapses in funding. However, SDG&E[25] contends that "it would be better not to need bridge funding at all because it would rely on the current EPIC structure, which needs to be redesigned." NRDC supports the approval of bridge funding as requested by the Program Administrators in their joint proposal to assure the continuity of its benefits for utility customers. As supporters of the Program and its renewal, we also advocate for the improvement of its programmatic structure which must be done if possible before the extension is approved.

The EPIC Administrators recommend two 5-year cycles as a way to enable long term planning horizons and better results that are common in the development of new technologies.[26] On the other hand, Cal advocates, BASIC and BAC argue for triennial cycles.[27] As a way to improve the structure and the Program's benefit on ongoing basis, NRDC supports the Administrators' proposal to shift to 5-year investment cycles to enable an expanded planning horizon for technology development that will at the same time give flexibility to Administrators in time exhaustive processes such as RD&D programs.

[22] PGE at 14, CEC at 59, SCE at 8 and SDG&E at 14.
[23] Cal Advocates Opening Brief at 15.
[24] BAC Opening Brief at 9.
[25] SDG&E Opening Brief at 14.
[26] PGE at 12, CEC at 54, SDG&E at 12 and SCE at 6.
[27] BAC at 8, BASIC at 19 and Cal Advocates at 12.

III. CONCLUSION

The EPIC Program should be renewed with no less than its current funding. In the event that the Commission does not issue a decision on funding allowing for continuous funding, the Commission should provide bridge funding to assure the continuation of the Program.

Respectfully submitted,

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