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**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
(Filed November 14, 2013)

**REPLY COMMENTS OF THE NATURAL RESOURCES DEFENSE COUNCIL ON
ADMINISTRATIVE LAW JUDGE'S RULING INVITING RESPONSES TO
POTENTIAL AND GOALS POLICY QUESTIONS**

June 5, 2020

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I. Introduction

Pursuant to Rules 1.9 and 1.10 of the California Public Utilities Commission’s (Commission or CPUC) Rules of Practice and Procedure, the Natural Resources Defense Council (“NRDC”) respectfully submits these replies to party comments on *Administrative Law Judge’s Ruling Inviting Responses to Potential and Goals Policy Questions* (“Ruling”) filed on March 12th, 2020. NRDC is a non-profit membership organization with more than 95,000 California members who have an interest in receiving affordable energy services while reducing the environmental impact of California’s energy use.

II. Discussion

NRDC appreciates Commission Staff’s willingness to be open to new energy efficiency policy ideas and ways to improve existing energy efficiency regulatory mechanisms. Through our opening comments, NRDC presented a set of papers that explained how energy efficiency can be applied to meet California’s energy system needs and carbon reduction goals in a least-cost and equitable manner. The overarching recommendations of those papers and NRDC’s comments were to:

- Restructure energy efficiency portfolios into resource energy efficiency, market transformation, and equity sub-portfolios. For each sub-portfolio develop policy aligned goal setting, cost-effectiveness, and tracking methods.
- Continue to integrate the Potentials and Goals Study with the Integrated Resources

Planning (IRP) proceeding. Apply the IRP to develop goals and budget for the resource sub-portfolio.

- Energy efficiency needs to be evaluated accurately and fairly against supply side resources for its availability to provide energy system and policy benefits at least cost to ratepayers. To this end, cost-effectiveness tests for energy efficiency programs should evaluate whether program administrator spending on energy efficiency programs is cost-effective.
- Set resource energy efficiency goals in terms of total lifetime value of economic benefits of energy efficiency. These benefits should be derived through the avoided cost calculator.

Parties' opening comments indicate widespread support for these recommendations. The appendices to NRDC's comments explain how the Commission should implement these recommendations. The Commission should adopt NRDC's policy recommendations.

A. Parties Agree with NRDC's Policy Recommendations.

Multiple parties recognize the issue that energy efficiency portfolios are asked to deliver on multiple policy objectives but only valued as a system resource.^{1,2} This disconnect has in-part contributed to low energy efficiency portfolio cost-effectiveness and inhibited the Commission from fully realizing the benefits of energy efficiency. Parties further voice support with dividing the energy efficiency portfolio into three sub-portfolios per NRDC's recommendation.^{3,4}

¹ PG&E Comments at 10. "This is because the EE portfolio has historically been expected to go beyond its role as a supply-side alternative in support of other policy objectives, and those policy objectives generally lower the cost-effectiveness of the portfolio and make it a less viable supply-side alternative. The Commission should parse the portfolio into sub-portfolios, each of which could have clear objectives and assessment metrics"

² Southern California Edison (SCE) Comments at 12. "The cost-effectiveness assessment of EE portfolios is currently misaligned with the Potential and Goals Study's assessment of cost-effectiveness. The Potential and Goals Study is designed to estimate savings and costs exclusively for resource programs while EE Program portfolios are required to be cost effective inclusive of non-resource and other regulatory driven program activities and costs. This misalignment between the goal setting process, portfolio objectives, and Commission policy on portfolio evaluation should be aligned to allow EE resource programs to effectively compete with other resources, to ensure cost containment for overall EE spending, and to provide a sustainable portfolio of third-party programs to achieve the State's goals"

³ Recurve Comments at 3. "Segmentation of the current portfolio by resource, market, and equity categories to better optimize each type of efficiency investment and enable targeted resource acquisition"

⁴ See Opening Comments of California Energy and Demand Management Council (CEDMC), at 2.

Multiple parties agree with NRDC that the IRP should be used to develop budgets and goals for resource programs,^{5,6,7} and that the upcoming potential study should determine how resource energy efficiency can be integrated into the IRP.⁸ Parties agree with NRDC that separate processes need to be established for developing budgets and goals for non-resource (market transformation and equity) programs.⁹

Recurve correctly states that the costs used to evaluate energy efficiency resources in this setting should be program administrator costs, as opposed to the Commission's current policy of using total resource costs to figure out the least-cost best-fit resource mix to attain California's environmental goals and energy system needs.¹⁰ Appendix B and C to NRDC's Comments explain in detail how the Commission should conduct cost-effectiveness for energy efficiency programs. Recurve correctly recommends that the Commission should set goals for and track resource energy efficiency achievements in terms of the total benefits of energy efficiency,¹¹ as developed through the CPUC avoided cost calculator.

B. Edit to Appendix B of NRDC's Opening Comments

NRDC would like to correct an error on page 10, Appendix B to NRDC's Opening Comments. The correction is (delete in strikethrough and additions are underlined):

"The Right Metric for Setting Resource Energy Efficiency Program Goals is Total ~~Net~~

⁵ PG&E Comments at 1, 11. "after integrating EE into the IRP as described in these comments, use the outputs from the IRP optimization model to set the goals for the resource EE portfolio"
Hereafter "PG&E Comments"

⁶ TURN Comments at 1. "Continue to work on EE integration with IRP for the purpose of having IRP modeling inform the EE portfolios with additional information about the value of EE and how to move towards EE optimization"

⁷ Public Advocates Organization at 2. "the priority for the 2021 Potentials and Goals Study should be to enable the IRP process to optimize EE as a candidate resource to ensure cost-effective GHG reductions"

⁸ Southern California Edison (SCE) Comments at 7. "Beta testing Energy Division's Proposal recommendation to incorporate EE into the IRP with a more updated Potential and Goals Study will inform decision making and is the right approach to test alternatives and sequences the work to avoid market swings and enable EE to fully support the achievement of the State's goals"

⁹ PG&E Comments at 7 and 8. "Yes, the CPUC should set separate goals for non-optimizable savings streams, particularly those that are non-resource, since these resources will not be optimized in the IRP. It would be better policy to set individual goals for each of these non-optimizable streams as their primary objective and cost-effectiveness forecasts may vary. Further, these non-optimizable streams may be motivated by goals and desired outcomes that track toward metrics other than energy savings, such as households treated or participant savings for low-income programs"

¹⁰ Recurve Comments at 13.

¹¹ Recurve Comments at 4. "The primary focus of the energy efficiency portfolio should be to capture avoided costs and GHG reductions as valued in the CPUC's Avoided Cost Calculator (ACC)." And "The values in the ACC should reflect the proper balance between California's resource and environmental objectives"

Lifetime Benefits Expressed in Dollars”

Appendices to NRDC’s comments are being resubmitted with this minor edit.

III. Conclusion

NRDC appreciates the opportunity to file these reply comments and looks forward to working with the CPUC and stakeholders to further resolve these policy questions.

Dated: June 5, 2020

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Mohit Chhabra", written in black ink and underlined.

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