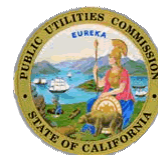


BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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

Rulemaking 13-11-005
(Filed November 14, 2013)

**COMMENTS OF THE PUBLIC ADVOCATES OFFICE ON THE
ADMINISTRATIVE LAW JUDGE'S RULING INVITING COMMENTS ON
ADDITIONAL RESULTS FOR THE DRAFT 2021 POTENTIAL AND GOALS
STUDY**

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I. INTRODUCTION

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) hereby submits these opening comments on the *Administrative Law Judge's Ruling Inviting Comments on Additional Results for the Draft 2021 Potential and Goals Study* (Ruling) issued on July 22, 2021.

In these comments, Cal Advocates makes the following recommendations:

- The Commission should require use of the most up-to-date avoided cost values for all upcoming energy efficiency filings to evaluate spending proposals using the most accurate forecasts of energy savings and cost-effectiveness available.
- Decision (D.) 21-05-031 should be modified to direct Program Administrators (PAs) to use the 2021 Avoided Cost Calculator (ACC) in both budget advice letter and portfolio application filings.
- The Energy Division should update the Potential and Goals Study (Study) results to correct technical errors that overstate incremental, achievable energy efficiency potential by failing to remove measures that fall below the cost-effectiveness screens for each scenario.

II. RESPONSES TO QUESTIONS IN THE RULING

1. Proposed hybrid approach to setting goals for 2022-2032:

- **For 2022-2023 goals:** We intend to set 2022-2023 goals using a scenario based on the 2020 Avoided Cost Calculator (July 14, 2021 updated results), affirming Decision (D.) 21-05-031 direction for program administrators to use the 2020 Avoided Cost Calculator when developing their 2022-2023 budget advice letters.
- **For 2024-2032 goals:** We propose for the energy efficiency program administrators to use the 2021 Avoided Cost Calculator in developing their 2024-2027 portfolio and budget applications (additional results noticed via this email ruling). Accordingly, we propose to set 2024-2032 goals using a scenario based on the 2021 Avoided Cost Calculator (additional results noticed via this email ruling).
 - a. Do you agree with the proposed modification to D.21-05-031, i.e., to direct program administrators to use the 2021 Avoided Cost Calculator in their upcoming portfolio and budget applications?
 - b. If you disagree with this approach, explain why and propose any modifications or an alternative approach, and your rationale for your proposed modification(s) and/or alternative approach. Identify which scenario(s) you recommend in alignment with any alternative approach you propose, and your rationale for your recommended scenario(s).

In D.21-05-031, the Commission reformed the EE rolling portfolio process by replacing the PAs' annual budget advice letters with 4-year portfolio application filings. D.21-05-031 requires PAs to file 2022-23 budget advice letters by September 1, 2021.¹ The Ruling proposes that decision be modified by postponing the deadline to November 1, 2021, or 30 days after a final decision on energy efficiency goals, to give PAs time to adjust their portfolios following the Commission's adoption of goals. The Ruling stated that the Commission likely will not vote on such goals until the September 23, 2021 Commission voting meeting at the earliest.² Therefore, under current circumstances, a September 1 deadline is not feasible for PAs. It is thus reasonable and appropriate for the Commission to adjust the deadline for filing budget advice letters as proposed in the Ruling.

The Ruling also appropriately proposes to modify D.21-05-031 to require use of the 2021 ACC for the four-year portfolio applications due on February 15, 2022. The 2021 ACC is already available and Commission-approved.³ The PAs have detailed results available to understand the impact of the changes in avoided cost values and modify their forecasts of cost-effective energy savings in their respective portfolios.

However, other aspects of the Ruling's proposed modifications to D.21-05-031 are unreasonable. In particular, the Ruling proposes to continue use of the 2020 ACC for a budget filing due on November 1, 2021, while directing PAs to use the 2021 ACC for a separate budget filing due three months later, on February 15, 2022. Here, the Ruling errs by establishing a distinction between budget advice letters and portfolio applications that has no basis in fact. The analysis contained in budget advice letters and portfolio applications is not categorically different, and the budget tables and cost-effectiveness outputs are nearly identical for these documents. In addition, there is no reason that

¹ D.21-05-031, *Assessment of Energy Efficiency Potential and Goals and Modification of Portfolio Approval and Oversight Process*, Ordering Paragraph 13, p. 84.

² Ruling, p. 8.

³ Resolution E-5150, *Adopts updates to the Avoided Cost Calculator for use in demand-side distributed energy resource cost-effectiveness analyses*, Ordering Paragraph 1, p. 7.

budget advice letters should use outdated avoided cost values (including known errors)⁴ when the Commission has already approved updated values. Rather, consistent with D.21-05-031, the rules that apply to the portfolio budget applications should also apply to the budget advice letters and vice-versa, including use of the most up-to-date, Commission-authorized estimates for avoided costs. Additionally, PAs have at least three months (including two or more additional months beyond the original deadline) to prepare their 2022-2023 budget advice letters, so there is ample time for PAs to adjust their portfolios based on the updated avoided costs and potential estimates.

The Commission should modify the Ruling’s proposal and D.21-05-031 to direct PAs to use the 2021 ACC in both the 2022-2023 budget advice letters and the 2024-2027 budget application. Using the 2021 ACC values in budget advice letters and portfolio applications is consistent with the Commission’s continual emphasis on using the best available information to inform its decisions and orders.^{5,6} Given the substantial change in the Commission’s estimates of avoided costs and achievable energy efficiency potential between the 2020 ACC and the 2021 ACC,⁷ it would be unreasonable to continue using an outdated and inaccurate version of the ACC for the 2022-2023 budget advice letters. In contrast, it is reasonable for the Commission to require the PAs to use

⁴ Resolution E-5150, p. 6. The update to the 2021 ACC fixed incorrect cell references, fixed calculation errors for on peak losses, and made changes to ensure that DR Output Tab syncs with DR Reporting Template, including formulas and format.

⁵ “It is reasonable to manage the inherent uncertainty around emerging technology by updating goals regularly with the best available data.” (See D.15-10-028, *Decision Re Energy Efficiency Goals for 2016 and Beyond and Energy Efficiency Rolling Portfolio Mechanics*, Conclusion of Law 5, p. 121.)

⁶ “We clarify that [the updated ACC] applies to all Commission proceedings that currently, or will likely in the future, estimate the avoided costs of a distributed energy resource... We require only the latest version of the avoided cost calculator will be used at the next opportunity when cost effectiveness analysis is required.” (See D.16-06-007, *Decision to Update Portions of the Commission’s Current Cost-Effectiveness Framework*, p. 5.)

⁷ According to the *Guidehouse Memorandum re: Updated 2021 Energy Efficiency Potential and Goals Study Results – 2021 Avoided Costs* (Summary Memo), across EE equipment and behavior programs, first-year electric savings decline 15% and first-year gas savings decline 14%, respectively, for 2024 in the Study’s reference scenario. (Ruling, p. 8 [citing to <https://pda.energydataweb.com/#!/documents/2527/view>]; Summary Memo, p. 1, available at [https://pda.energydataweb.com/api/downloads/2527/2021%20PG%20Study%20Updated%20Results%20Memo%20\(2021%20ACC\).pdf](https://pda.energydataweb.com/api/downloads/2527/2021%20PG%20Study%20Updated%20Results%20Memo%20(2021%20ACC).pdf)].)

the most up-to-date, accurate information available in their pleadings before the Commission. The updated 2021 ACC is the most accurate available estimate of avoided costs, and PAs should be required to use it for both budget advice letters and portfolio applications.

2. Scenarios: Whether or not you agree with our proposed approach for setting 2022-2032 goals, as described in Item 1 (above), please identify which scenario you recommend for setting 2022-2023 goals (I.e., from the July 13, 2021 updated results), and which scenario you recommend for setting 2024-2032 goals (I.e., from the additional results noticed via this email ruling), and your rationale for each recommendation.

Scenario 1 should be employed to set both 2022-23 goals and 2024-32 goals. In reply comments to the Study in May 2021, Cal Advocates proposed a modified recommendation for use of Scenario 1. This recommendation would allow fuel substitution measures to be subject to a lower measure-level Total Resource Cost (TRC) ratio screen—0.85 rather than 1.0—to promote the inclusion of fuel substitution measures in the measure mix.⁸ Given the information available at the time, Cal Advocates viewed this recommendation as the best approach to support portfolio cost-effectiveness and contribute to reaching the state’s decarbonization goals. However, with the forecasted reductions² in achievable cost-effective savings¹⁰ in the updated Study, an unmodified Scenario 1 is the best scenario to inform goal-setting for the next 10 years.

⁸ *Reply Comments of the Public Advocates Office on Administrative Law Judge’s Ruling Inviting Comments on 2021 Draft Potential and Goals Study*, May 28, 2021, pp. 4-5.

² According to the Summary Memo, across EE equipment and behavior programs, first-year electric savings decline 15% and first-year gas savings decline 14%, respectively, for 2024 in the Study’s reference scenario. (Summary Memo, p. 1.)

¹⁰ It is important to keep in mind that present reductions in cost-effective savings potential technology for the PAs’ energy efficiency portfolios do not constitute policy failure, but rather sustained policy success. The Commission and PAs have been extraordinarily successful in the past decade in moving efficient technologies into codes and standards, which is the most cost-effective way to reach the State’s energy efficiency goals. (See D.19-08-034, *Decision Adopting Energy Efficiency Goals for 2020 – 2030*, p. 6.)

III. TECHNICAL CORRECTION

The Energy Division and its consultant, Guidehouse, should correct technical errors in the updated Study results that Cal Advocates has identified. In particular, a technical correction needs to be made to the savings potential estimation from the additional results because, due to the ACC update, several Home Energy Reports (HERs) measures are no longer cost-effective in some scenarios but remain in the estimates of incremental, achievable potential. Below, Cal Advocates identifies the specific errors and recommends corrections based on the published scenario specifications.

In the “BC ratios” sheet of the “Measure Results Database” spreadsheet using the 2020 ACC, the only Home Energy Reports (HERs) that have benefit-cost ratios using the TRC test (TRC ratios) below 1.0 in the model are SoCalGas’ single family and multi-family offerings from 2022 to 2024, respectively.¹¹ Upon review of the “BC ratios” sheet of the Measure Results Database spreadsheet using the 2021 ACC, the TRC ratio is below 1.0 for all HERs measures, including both single-family and multifamily dwellings for all four IOUs, from 2022 to 2025. For all HERs offerings except SDG&E’s single family and multi-family, the TRC ratio is below 0.85. The change in HERs’ cost-effectiveness would mean that from 2022 to 2025, no HERs measures would pass the cost-effectiveness threshold of a TRC ratio of at least 1.0 in Scenario 1, and most of the HERs measures would not pass the threshold of a TRC ratio of at least 0.85 in Scenario 2 and Scenario 3.¹²

For 2022 to 2025, however, HERs-related savings continue to appear in the “Incr. Achievable Potential” sheet, and forecast expenditures attributable to HERs appear in the “Program Spending” sheet. In both the 2020 ACC and 2021 ACC versions of the Measure Results Database, Behavioral, Retrocommissioning, and Operational (BROs) as a whole category don’t appear in the “Technical Potential” or the “Econ Potential” sheets,

¹¹ 2021 PG Study Measure Results Database_7-9-21.xlsx, available at <https://pda.energydataweb.com/#!/documents/2523/view>.

¹² Ruling, p. 8 (citing to <https://pda.energydataweb.com/#!/documents/2527/view>); 2021 PG Study Measure Results Database 7-21-21 (2021 ACC).xlsx available at <https://pda.energydataweb.com/#!/documents/2527/view>.

but their attributable savings appear under the “Inc. Achievable Potential” sheet. This suggests a process error where savings potential that should have been removed from incremental, achievable potential due to the ACC update was left unchanged.^{13,14}

On a broader level, the impact can also be viewed in the Summary Memo.¹⁵ Since HERs constituted most of savings in the BROs category in the Study results presented in the spring under all scenarios in the years 2022 to 2025,¹⁶ the change in HERs’ cost-effectiveness would imply that one should observe a noticeable decrease in BROs’ 2022 net first-year incremental savings between Table 3 of the July 13 memo¹⁷ (using the 2020 ACC) and Table 3 of the Summary Memo¹⁸ (released on July 22, using the 2021 ACC). However, the value of BROs’ attributable savings is identical in both memos for all scenarios and savings metrics.

Removing cost-ineffective BROs measures, including cost-ineffective HERs, from the analysis is critical in getting accurate estimates of savings potential in the early years of the forecast. The Study mentions that BROs, including HERs, are not subject to the measure-level economic screen of each scenario, but includes no justification for this deviation from the standard (and reasonable) method of determining economic potential.¹⁸

In light of the data currently before the Commission, however, exempting BROs from the economic screen is not a reasonable methodological choice. Exempting BROs

¹³ 2021 PG Study Measure Results Database_7-9-21.xlsx, available at <https://pda.energydataweb.com/#!/documents/2523/view>.

¹⁴ Ruling, p. 8 (citing to <https://pda.energydataweb.com/#!/documents/2527/view>); 2021 PG Study Measure Results Database 7-21-21 (2021 ACC).xlsx, available at <https://pda.energydataweb.com/#!/documents/2527/view>.

¹⁵ See generally, Summary Memo.

¹⁶ 2021 Energy Efficiency Potential and Goals Study – DRAFT (Attachment 3 to Administrative Law Judge’s Ruling Inviting Comments on Draft Potential and Goals Study), April 23, 2021, pp. 116-118 (Figures 4-39, 4-40, 4-41, 4-42, and 4-43)

¹⁷ 2021 Energy Efficiency Potential and Goals Study July 13 Update, pp. 5-6, available at <https://pda.energydataweb.com/#!/documents/2523/view>.

¹⁸ Ruling, p. 8 (citing to <https://pda.energydataweb.com/#!/documents/2527/view>); 2021 Energy Efficiency Potential and Goals Study - July 22 Update (2021 ACC), p. 4, available at <https://pda.energydataweb.com/#!/documents/2527/view>.

from the economic screen will significantly distort the estimation of potential and jeopardize the PAs' ability to cost-effectively meet savings goals. BROs comprise over 90% of net first-year incremental savings for electric demand (MW) in 2022 under Scenario 1 and Scenario 2, respectively. Of gas energy savings in 2022, (MMTherms/Year), BROs savings comprise 72.7% of the total in Scenario 1 and 43.3% of the total in Scenario 2. BROs make up 87.7% of 2022 converted electric energy (GWh/year) savings under Scenario 1. They make up 44.8% of 2022 converted electric energy savings in Scenario 2; when gas savings from fuel substitution aren't converted to electric energy savings (leaving a negative savings value for fuel substitution), BROs savings exceed the total savings under Scenario 2.¹⁹

Not all BROs savings are from HERs, but based upon the Study results, a significant portion are. The Study noted that "the residential HERs program dominates the BROs savings for electric and gas energy and peak demand savings."²⁰ Indeed, Cal Advocates' preliminary analysis indicates that HERs savings comprise 73% to 75% of all BROs savings under Scenario 1 from 2022 to 2025 in the "Incr. Achievable Savings" sheet of the 2021 ACC Measure Results Database spreadsheet. Therefore, in order to ensure that the Commission and PAs have the most accurate potential estimates available, Energy Division and Guidehouse should revise the estimates, removing all values that do not meet the specified criteria for economic potential in each scenario, before a Proposed Decision is issued.

IV. CONCLUSION

Cal Advocates respectfully requests that the Commission adopt the recommendations contained herein.

¹⁹ Ruling, p. 8 (citing to <https://pda.energydataweb.com/#!/documents/2527/view>); 2021 Energy Efficiency Potential and Goals Study - July 22 Update (2021 ACC), p. 4, available at <https://pda.energydataweb.com/#!/documents/2527/view>.

²⁰ 2021 Energy Efficiency Potential and Goals Study – DRAFT (Attachment 3 to *Administrative Law Judge's Ruling Inviting Comments on Draft Potential and Goals Study*), April 23, 2021, p.116.

Respectfully submitted,

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