BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Approval for Its Building Electrification Programs	Application 21-12-009 (Filed June 24, 2021)

PREHEARING CONFERENCE STATEMENT OF THE LOCAL GOVERNMENT SUSTAINABLE ENERGY COALITION

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For THE LOCAL GOVERNMENT
SUSTAINABLE ENERGY COALITION

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Introduction

The Local Government Sustainable Energy Coalition (LGSEC) represents 14 cities and 23 counties, jurisdictions that govern almost three-quarters of the state's population, and close to two-thirds of California's electricity demands. What's more, LGSEC members serve as administrators, designers and lead implementers of a host of energy efficiency, demand response, building decarbonization, transportation electrification (TE) and other energy management programs.

While LGSEC is generally quite supportive of decarbonization efforts, in which many of our members engage, we are deeply concerned about several aspects of Southern California Edison Company's (SCE) application, which should be fully vetted in this proceeding, as follows:

1. **SCE should not be authorized to directly control customer-side infrastructure**. LGSEC has watched with increasing alarm as the investor-owned utilities' (IOUs) push to create regulatory assets for which there is no economic (i.e., monopoly theory) rationale, harnessing ratepayer funds to install TE and other infrastructure, which they embed in their revenue requirements and apply a rate of return. This practice is unfair to other entities, including local governments, who are just as capable as the IOUs to field these types of services, but who are not afforded the same opportunities to apply for funds. It would be fairer and more economical to open access to state funded programs to all suitable parties to achieve the same goals without providing a built-in rate-of-return.
2. **State-sponsored decarbonization investment should proceed systematically, rather than on an ad hoc basis**. The need to transition from fossil fuels to carbon-free energy sources will require tens of billions of dollars in investments in California alone. These expenditures should be staged so as to achieve the greatest benefits (as measured mostly

by emission reductions) but also to advance affordability and equity. It is impossible to determine whether SCE's proposed decarbonization expenditures represent the "highest and best use" or equitable distribution of scarce dollars. A preferable strategy would be for the California Public Utilities Commission (CPUC) to authorize a dollar amount for decarbonization programs and enable all comers to bid to implement them, ranked by the most benefits created. To ensure just decarbonization, especially for disadvantaged customers, it is essential to coordinate distributed energy resource (DER) deployment alongside electrification. SCE's proposal reflects yet another siloed approach that purports to achieve state goals.

3. **Decarbonization benefits will only materialize if funds are carefully invested**. Edison claims that savings will be achieved by its proposal in part as a result of avoidance of continuing investment in natural gas infrastructure. However, these reductions will only be realized if the impacted assets are excluded from ongoing ratepayer responsibility (i.e., truly avoided or stranded, and paid for by associated shareholders). Unless the Commission geographically focuses decarbonization investments in places in which an orderly retreat from natural gas is being implemented and expands services for other communities to adopt such strategies, or the Commission is prepared to walk away from previously authorized natural gas investments, ratepayer savings will be largely unrealized. Likewise, to the extent the proposal is linked to future transmission and distribution infrastructure expansion that could otherwise be delivered through non-wires alternatives, it would perpetuate affordability pressures on the grid. In this respect, decarbonization investments should be strategically crafted as a means to displace future natural gas investments alongside healthy DER cultivation. Given that LGs are on the

front lines of land use planning and building ordinance development and implementation, decarbonization programs should be funded in close coordination with these jurisdictions.

4. **Most customers will only see bill savings if decarbonization is integrated into the state's high distributed energy resources future**. Under SCE's proposal application recipients may, or may not, experience bill savings depending on future electricity and natural gas prices and their behavioral responses to decarbonization measures. At best, if the Commission authorized $677 million to be invested in panel upgrades, at a low estimate of $5,000 per intervention, these expenditures would enable roughly only 135,000 of SCE's five million customers to participate in the program. All other ratepayers would likely be subject to higher rates needed to pay for these interventions, with no assurances that they would ever directly benefit from or afforded such offerings. Customer benefits at-large will only be realized if decarbonization investment is synced with other productive activities, including "right sizing" demand on the associated distribution system; and/or incorporating investments into larger DER deployment, including demand-response, storage, and transportation electrification.

5. **An IOU-centric approach limits innovation and customer-centric program design.** As with most IOU proposals, the program's primary goal is the only goal. The system by which IOUs' design programs, are authorized, and implement narrowly focuses on the particular equipment or intervention being recommended. The majority of California's existing buildings, especially low-income housing, are in dire need of basic investments to be brought up to code, remediate health hazards, and increase occupant comfort and safety in the face of increased threats of wildfire smoke and extreme heat. Additionally, most customers lack the capacity to navigate multiple programs from multiple entities.

The time, attention, and resources that building and homeowners need to dedicate to a significant building retrofit would likely mean that another retrofit would not take place for several years or even decades. With the climate crisis looming larger, we cannot afford to narrowly focus on just one decarbonization intervention at a time. Non-IOU program administrators have greater capacity and flexibility to leverage other programs and funding sources to stack incentives, integrate multiple measures and address non-programmatic elements, and provide a single point of contact across programs. Non-IOU PAs should be enabled to provide equitable carbon mitigation *and* climate resilience benefits.

Ratepayer investment in decarbonization would best be pursued programmatically, with a host of entities, including Regional Energy Networks and Community Choice Aggregators, eligible to propose and implement initiatives, in the context of maximizing other benefits in service of affordable emission reductions. LGSEC would enthusiastically endorse an Edison decarbonization application that reflects the IOU's self-interest in electrification, advances achievement of state goals, and provides open-access opportunities for LGs and others to secure funding to implement comprehensive, cost-effective, programs.

Commission authorization of this application would reflect an implicit acknowledgement that collective State efforts to decarbonize by 2045 are insufficient, and that ratepayers need to search for coins under their couch cushions to enable the IOUs to buy assets to be deployed in their homes, largely relinquishing control of their energy decisions. As an alternative, the CPUC should coordinate with the Market Transformation Administrator and provide direction to energy efficiency, Self-Generation Incentive Program and other administrators to utilize program funds to create and deploy equity-focused electrification paired with DERs to decarbonize and decentralize California's energy system.

In this respect, LGSEC encourages the Commission to include the following elements in the proceeding scope:

- Whether ratepayer funds could be directed to other Program Administers to achieve the same goals at lower costs.
- Whether SCE should be required to coordinate with local governments to ensure that its efforts sync with and support geographic-specific decarbonization policies and investments.
- Whether ratepayer-funded decarbonization efforts should be coordinated with other grid and distributed energy resource investments as a means to enhance benefits and affordability.
- Alternative funding/financing approaches, including modified tariffs, on-bill and tariff on-bill. Although financing mechanism are being considered in an ongoing order instituting investigation, it is important that specific proposals be considered within the context of this particular application, to ensure that resources are properly leveraged.
- Edison shareholder benefits accruing from resulting increase in electricity demand.

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Respectfully submitted,

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