BEFORE THE PUBLIC UTILITIES COMMISSION OF THE

STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of 2023-2026 Clean Energy Optimization Pilot.	A.22-03-006

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) RESPONSE TO APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39-E) FOR APPROVAL OF 2023-2026 CLEAN ENERGY OPTIMIZATION PILOT

ANNA VALDBERG
JAMES WHOOLEY

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, CA 91770
Telephone: (626) 302-1991
E-mail:James.Whooley@sce.com

Dated: April 8, 2022

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Pursuant to Rule 2.6 of the Rules of Practice and Procedure of the California Public Utilities Commission (CPUC or Commission), Southern California Edison Company (SCE) respectfully submits this Response to the application of Pacific Gas and Electric Company [PG&E] for Approval of 2023-2026 Clean Energy Optimization Pilot [CEOP], dated March 4, 2022 (the Application). Pursuant to Rule 1.4(a)(2), the filing of this Response confers party status on SCE, enabling its participation in this proceeding.

I.

INTRODUCTION

PG&E requests approval to administer the CEOP in the years 2023 through 2026. Along the lines of an SCE pilot program approved by the Commission in Decision (D.) 19-04-010 (the SCE Pilot), PG&E's proposed CEOP is intended to encourage customers to reduce greenhouse gas (GHG) emissions through on-site measures. As background, the SCE Pilot is designed to incentivize University of California (UC) and California State University (CSU) campuses (collectively, the SCE Pilot Participants) to reduce GHG emissions through performance payments calculated based on electric and gas meter data at seven participating campuses. The Commission authorized $20.4 million to cover administrative costs and performance payouts over the four-year term of the SCE Pilot. SCE executed contracts with the SCE Pilot Participants to begin the SCE Pilot in July 2019 and the pilot initially proceeded as scheduled. However, due to the COVID-19 pandemic, on August 17, 2020, SCE filed a Petition for Modification (PFM) of D.19-04-010 that included amended settlement terms relating to the use of campus facilities, including changes to the baseline and performance period. On November 19, 2020, the Commission issued D.20-11-030, granting SCE's PFM. The SCE Pilot is in its second year (October 2021-September 2022). Thus far, SCE Pilot Participants have achieved more than 56,000 lifetime metric tons of GHG reduced and earned more than $4.6 million in performance payments.

PG&E's proposed CEOP similarly would be available to UC and CSU campuses, and would provide incentives on a pay-for-performance basis for long-term GHG reductions, which would be calculated based on meter and other data. PG&E's Application also requests that the Commission consider a policy track to develop design recommendations for a long-term GHG reduction program that could be implemented after the proposed CEOP has concluded.

II.

DISCUSSION

A. SCE Supports PG&E's Application

PG&E's proposed CEOP aligns with California's overall clean energy objectives. As stated in SCE's November 2019 whitepaper, *Pathway 2045 - Update to the Clean Power and Electrification Pathway* (Pathway 2045),[1] "decarbonization is achieved through powering 100% of retail sales with carbon-free electricity, electrifying transportation and buildings, and using low-carbon fuels for technologies that are not viable for electrification."[2] Because customer adoption of clean energy technologies plays a key role in decarbonization, SCE supports PG&E's approach, through the proposed CEOP, of establishing carbon as the currency to provide financial incentives for beneficial climate action. The CEOP would allow customers to pursue clean energy technologies that are most appropriate for their needs with a simplified model, while protecting all customers through a pay-for-performance approach. Subject to SCE's proposed minor modification of the CEOP reporting schedule (discussed below) to allow for lessons learned from the SCE Pilot, SCE supports the elements of PG&E's proposed CEOP (pilot design, timeline, payment structure, evaluation and reporting plan) and urges the Commission to approve that pilot.

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1 Available at https://www.edison.com/home/our-perspective/pathway-2045.html?msclkid=e7c4c014b5cc11ecaeeb9047f8755426.

2 *Id.*, p. 1.

B. SCE Supports PG&E's Proposal to Establish a Policy Track to Discuss Long-Term Approaches

SCE also supports PG&E's request that the Commission consider a policy track to formulate recommendations for what a long-term, steady-state GHG reduction program could look like in California.[3] Policies and plans developed through this policy track would serve as a vehicle for determining how clean energy customer programs, including demand-side management programs, could be holistically implemented and measured based on GHG-reductions. SCE believes that this type of comprehensive approach would allow the Commission and the utilities to more effectively help the State to achieve its clean energy goals. If the Commission does not take up this policy issue here, SCE recommends that the Commission address it in another appropriate proceeding.

In addition to the topics proposed by PG&E,[4] this discussion should consider the development of a GHG metric that could be used to assess the success of CEOP and, eventually, also used in other proceedings focused on achieving California's climate goals. PG&E proposes that the Commission launch the policy track concurrently with its pilot in 2023. As noted, the SCE Pilot is currently in its second of four years and SCE is already evaluating the feasibility of transitioning the SCE Pilot to a long-term program. Barring any unforeseen circumstances, SCE anticipates that the SCE Pilot will conclude around the end of the third quarter of 2024. Thus, SCE recommends that the proposed policy track be completed in the beginning of 2024 to allow sufficient time for SCE to seek Commission approval of a longer-term program prior to the end

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[3] *See* Pacific Gas and Electric Company Clean Energy Optimization Pilot (CEOP) Prepared Testimony (PG&E Testimony), p. 6.

[4] *See* PG&E Testimony, pp. 6-7 (discussing funding sources necessary to support scale, consolidating legacy programs, and quantitative results).

of the SCE Pilot. This would allow SCE to seamlessly transition the SCE Pilot to a permanent program.

In addition, in order to make data from PG&E's proposed CEOP available for discussion in this policy track, SCE supports an accelerated procedural schedule in this proceeding to allow PG&E to launch its program at the start of 2023.[5] This would provide the necessary data points to inform the development of metrics, and incorporate lessons learned that could be leveraged for a longer-term program.

C. SCE Supports PG&E's Proposed CEOP Design

SCE generally supports PG&E's proposed CEOP design because it aligns with the State goals, allows customers to have control over actions they can take to reduce GHG emissions, and protects all customers because the program only pays for actual GHG reductions. PG&E's program design is similar to the SCE Pilot and thus reflects on a model that has already been evaluated and approved by the Commission. SCE views PG&E's proposed CEOP as another step in the evolution of a holistic State approach to achieving and measuring GHG reduction through customer programs.

SCE supports the proposed objectives, eligible participants, program eligibility, and payment structure of PG&E's proposed CEOP as described in PG&E's testimony.[6] PG&E proposes several updates to SCE's Performance Payment Tool (PPT) as proposed in the SCE Application (A.18-05-015). All of the proposed changes to the PPT are consistent with the modifications to the SCE Pilot, approved in D.19-04-010 and modified in D.20-11-030, with the

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[5] *See* Application, p. 9.
[6] *See* PG&E Testimony, pp. 9, 11, 13, 21.

exception of proposed changes to TOU periods,[7] annual GHG emissions values,[8] and gas leakage rates.[9] SCE agrees with the proposed changes to modify the TOU periods to be consistent with PG&E's TOU periods. SCE does not have a position at this time on the proposed changes to annual GHG values and the gas leakage rate.

SCE supports PG&E's proposal to increase coordination with pilot participants on targeted electrification projects that could potentially reduce costs of maintaining the gas system as gas end-uses are electrified.[10] SCE agrees that a transition to electrification must be done in a strategic and coordinated manner to ensure fairness and equity. Having strong coordination with gas infrastructure upgrades will allow parties to determine the most cost-effective means of decarbonizing the grid and limiting gas upgrades and stranded assets.

While SCE supports the CEOP design, SCE does recommend a minor change to PG&E's proposed evaluation and reporting plan. Under Section F (*Evaluation and Reporting*) of PG&E's Testimony, PG&E proposes a schedule for reporting mid-term and program year summaries that would be provided on or before specified calendar quarters.[11] SCE recommends that these summaries should instead be provided on or before the "second quarter following the completion of the pilot year." This would provide flexibility in case the pilot experiences delays or needs to pause due to unforeseen circumstances, which SCE experienced with the COVID-19 pandemic.

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[7] *See id.*, pp. 13-14.
[8] *See id.*, pp. 14-15.
[9] *See id.*, p. 16.
[10] *See id.*, p. 10.
[11] *See id.*, Table 7, p. 22.

III.

CONCLUSION

SCE appreciates the opportunity to provide these comments in support of PG&E's CEOP Application and requests that the Commission initiate the requested policy track no later than 2023.

Respectfully submitted,

ANNA VALDBERG
JAMES WHOOLEY

/s/ James Whooley
By: James Whooley

Attorneys for
SOUTHERN CALIFORNIA EDISON COMPANY

2244 Walnut Grove Avenue
Post Office Box 800
Rosemead, CA 91770
Telephone: (626) 302-1991
E-mail:James.Whooley@sce.com

Date: April 8, 2022