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OF THE STATE OF CALIFORNIA

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Application of Pacific Gas and Electric Company for Approval of 2023-2026 Clean Energy Optimization Pilot. U39E)	Application 22-03-006

PROTEST OF THE PUBLIC ADVOCATES OFFICE ON PACIFIC GAS AND ELECTRIC COMPANY'S APPLICATION FOR APPROVAL OF ITS 2023-2026 CLEAN ENERGY OPTIMIZATION PILOT

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I. INTRODUCTION

Pursuant to the California Public Utilities Commission's (CPUC or Commission) Rules of Practice and Procedure 2.6(a), the Public Advocates Office (Cal Advocates) submits this protest to the *Application of Pacific Gas and Electric Company's* (PG&E) *for Approval of its 2023-2026 Clean Energy Optimization Pilot* (Application (A). 22-03-006).[1] PG&E requests authority to administer a Clean Energy Optimization Pilot (CEOP) from 2023-2026, based on a similar pilot the Commission approved for Southern California Edison Company (SCE) in Decision (D.)19-04-010.

PG&E's CEOP pilot targets California State University (CSU) and University of California (UC) systems with on-site measures to reduce greenhouse gas (GHG) emissions. PG&E proposes to: (1) calculate GHG reductions based on meter data; (2) distribute performance payments earned by CEOP Participants on a pay-for-performance basis; and (3) include a requirement for sustained and continued reduction in GHG emissions, over the span of the CEOP, as a precondition to earning performance payments.

PG&E requests that the Commission authorize a $50 million budget for the years 2023-2026 as follows: $44.4 million in performance payments; $5.6 million for non-incentive costs, including administrative and implementation supports; and $3.0 million in evaluation costs.[2] PG&E requests that the Commission authorize the proposed budget as a Clean Energy and Energy Efficiency (CEEE) program to be funded with GHG allowance revenues from the electric Cap-and-Trade program pursuant to the Public Utilities (Pub. Util.) Code §748.5(c). PG&E also requests utilizing the Public Purpose Programs (PPP) funding should the GHG auction proceeds become unavailable.

II. BACKGROUND

Pub. Util. Code § 748.5(c) allows the Commission to allocate up to 15 percent of GHG allowance revenues, including any accrued interest, received by an electrical corporation as a

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[1] This protest is timely because PG&E's Application first appeared on the Commission's Daily Calendar on March 9, 2022.

[2] Application of Pacific Gas and Electric Company (U 39 E) for Approval of its 2023-2026 Clean Energy Optimization Pilot (PG&E CEOP Application), p. 5.

result of the direct allocation of GHG allowances for CEEE projects. These projects might be administered by the electrical corporation and must not otherwise have other funding sources.[3]

D.14-10-033 outlines a four-step process for an electrical utility seeking approval to use GHG allowance revenue for CEEE.[4] Two of these steps are requirements that must be included in the utility's application for approval:

> (1) As part of the Forecast Revenue and Reconciliation (FR&R) application, a utility should forecast the amount of allowance revenue that other proceedings can appropriate for clean energy and EE [Energy Efficiency] projects (the Forecast Clean Energy Amount)…
>
> (2) When seeking approval of a project, the utility should include the following in its request:
>
> (a) explain why the project qualifies under Section 748.5(c),
>
> (b) explain why the project is best funded using GHG allowance revenues instead of ordinary recovery through rates, and
>
> (c) reference the Forecast Clean Energy Amount.[5]

A. Reference the Forecast Clean Energy Amount

D.14-10-033 requires that as part of the Forecast Revenue and Reconciliation (FR&R) applications or requests (currently referred to as Energy Resource Recovery Account (ERRA) applications), a utility should forecast the amount of allowance revenue that other proceedings can use for clean energy and EE projects (the Forecast Clean Energy Amount). The existence of

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[3] Pub. Util. Code §748.5(c).

[4] When seeking approval to use GHG allowance revenue for clean energy and EE projects, the utilities should use the following procedure: (1) As part of the FR&R application, a utility should forecast the amount of allowance revenue that other proceedings can appropriate for clean energy and EE projects (the Forecast Clean Energy Amount). The existence of the Forecast Clean Energy Amount will demonstrate that funds are available for qualified projects (Clean Energy Projects) to be approved in other proceedings. (2) When seeking approval of a project, the utility should include the following in its request: (a) explain why the project qualifies under Section 748.5(c), (b) explain why the project is best funded using GHG allowance revenues instead of ordinary recovery through rates, and (c) reference the Forecast Clean Energy Amount. (3) If a project is subsequently approved and the utility has authority to track recorded expenses in an appropriate balancing account, these expenses should be reflected and reconciled in the utility's next GHG FR&R application. (4) Funds used for Clean Energy Projects are still subject to any reasonableness reviews required as part of the project approval and the Forecast Clean Energy Amount must still be reconciled against the recorded allowance revenues, but the Clean Energy Project funds are otherwise unencumbered. D.14-10-033, p. 28.

[5] D.14-10-033, p. 28.

the Forecast Clean Energy Amount will demonstrate the existence of available funds for qualified projects (Clean Energy Projects), which parties can request other CPUC proceedings.

Table 1, below, compares PG&E's CEOP budget request and the Commission's adopted GHG revenue return, costs, and sets-asides. Note that any remaining CEEE funds from GHG proceeds were included in the semi-annual residential and small business California Climate Credit for 2022 (net GHG revenue return in Table 1 below).[6]

Table 1: Comparison of PG&E's proposed CEOP budget and the GHG revenue return, costs and sets-asides adopted in D.22-02-002.

	PG&E's Forecasted Budget for 2022[7] ($ Million)	D.22-02-002 Adopted Funding for 2022[8] ($ Million)
CEEE 15 percent Allowance from GHG Funds	69.61	69.61
2022 GHG Expenses	Not provided	1.738
PG&E Proposed 2022 CEEE set-aside funds[9]	58.62	56.55
Net GHG Revenue Return	Not provided	469
Remaining CEEE Funds from GHG Proceeds	10.99	-

Thus, it appears that PG&E can only provide the forecast CEEE for availability after the Commission has reviewed and approved PG&E's 2023 ERRA forecast of 2023 GHG auction proceeds. Alternatively, PG&E proposes funding the CEOP with PPP funds if the available

[6] Although PG&E did not reference its forecast of a Clean Energy Amount that it includes in its ERRA application covering the proposed duration of its CEOP (2023-2026) as required by D.14-10-033, PG&E included a forecast of 2023-2026 of available funds based on the 2021 Integrated Energy Policy Report (IEPR) forecast. The IEPR forecast indicates the availability of sufficient funds for CEOP during the proposed 2023-2026 period. PG&E's Clean Energy Optimization Pilot (CEOP) Prepared Testimony (PG&E's Testimony), Table 9, p. 25.

[7] PG&E Testimony, Table 8, p. 25.

[8] D.22-02-002, p. 36.

[9] PG&E has four clean energy and energy efficiency programs funded in whole or in part from the sales of GHG allowances: (1) Solar on Multifamily Affordable Housing (SOMAH); (2) Disadvantaged Communities Single-Family Affordable Solar Housing (DAC-SASH); (3) Disadvantaged Communities Green Tariff (DAC-GT); and (4) Community Solar Green Tariff (CS-GT). D.22-02-002, p. 35.

2023 GHG auction proceeds are insufficient to fund the total 2023 budget that the Commission approves PG&E's CEOP Application.[10] PG&E, however, did not discuss the potential impacts on rates if PPP funds are used.

PG&E also requests authority to use $50 million over four years from electric cap and trade allowance revenues to fund CEOP as a CEEE Program pursuant to Pub. Util. Code §748.5(c) and D. 14-10-033,[11] claiming that its CEOP Application meets the necessary requirements. PG&E does not demonstrate that the proposed budget and duration for its CEOP is reasonable.

B. Explanation of Why the Project Qualifies Under Section 748.5(c)

D.14-10-033 also requires when seeking approval of a project, the utility should explain why the project qualifies under Section 748.5(c). PG&E states that "CEOP qualifies under 748.5(c) because it has GHG emissions reductions as an explicit goal, and it directly incentivizes customers to reduce GHG emissions."[12] PG&E also indicates that PG&E's continuation of CEOP would qualify under 748.5(c) since the Commission has previously found that SCE's CEOP qualified for CEEE funding as adopted in D.19-04-010.[13]

C. Explanation Why the Project is Best Funded Using GHG Allowance Revenues Instead of Ordinary Recovery Through Rates

To address D.14-10-033's requirement that the utility explain why the project is best funded using GHG allowance revenues instead of ordinary recovery through rates, PG&E states that because "CEOP is solely focused on GHG reduction, it is appropriate and optimal to use CEEE funds to avoid increasing rates."[14] However, PG&E's CEOP Application outlines some existing energy efficiency incentive programs, demand response, electric vehicle infrastructure incentive, and non-PG&E incentive programs that would be eligible to participate in its proposed

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[10] PG&E's Testimony Footnote 29, p. 20.

[11] PG&E CEOP Pilot Application, p. 7.

[12] PG&E's Testimony, p. 26.

[13] PG&E's Testimony, p. 26.

[14] PG&E's Testimony, p. 26.

CEOP.[15] Since these programs are already funded by other funding sources, PG&E does not explain how it will meet Section 748.5(c)'s requirement that its proposed project is not "otherwise funded by another funding source."

1. PG&E does not address UC and CSU sustainability commitments, as required by Pub. Util. Code § 748.5(c)

Pub. Util. Code § 748.5(c) requires that any project funded by GHG revenues should "not [be] otherwise funded by another funding source." There is reason to believe that universities are already paying to reduce their GHG emissions, as they have already made robust sustainability commitments, and, in the case of the UC system, have expended significant funds as discussed below.

The UC system has committed to reaching carbon neutrality by 2025.[16] To reach neutrality, the UC system is paying for emission offsets while contracting for their own 100% renewable energy supply.[17] In fact, the UC system appears to be drawing on the expertise of their world-class faculty to ensure that their net-zero commitment is as robust as possible.[18] The CSU system has made similar sustainability pledges,[19] though they may be less robust than the UC system's. Several CSU campuses have committed to reach carbon neutrality faster than Senate Bill 350's targets.[20]

PG&E's CEOP Application includes no information about how UC and CSU are funding their GHG-reduction commitments. PG&E's CEOP Application must demonstrate that the UC and CSU systems are not already funding the same program the CEOP proposes to fund.

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[15] PG&E's Testimony, p. 12.

[16] See https://ucop.edu/carbon-neutrality-initiative/index.html

[17] The UCs have more than 52 MW of on-site renewable capacity and have contracted for significant amounts of renewable energy. See the University of California 2021 Annual Report on Sustainable Practices at https://sustainabilityreport.ucop.edu/2021/wp-content/uploads/sites/3/2021/12/2021-UC-Annual-Report-on-Sustainable-Practices-Summary.pdf

[18] The UC Global Climate Leadership Counsel includes many global leaders in sustainability. See https://ucop.edu/carbon-neutrality-initiative/global-climate-council/index.html

[19] See https://www.calstate.edu/csu-system/doing-business-with-the-csu/capital-planning-design-construction/operations-center/Pages/energy-sustainability.aspx

[20] See Appendix of the CSU report, "Building Decarbonization Policy." https://www.calstate.edu/csu-system/doing-business-with-the-csu/capital-planning-design-construction/operations-center/Documents/resources/1.%20CSU%20Bldg%20Decarb%20Policy%20Report.pdf

III. SUMMARY OF ANTICIPATED ISSUES FOR PG&E's CEOP APPLICATION

Upon initial analysis and review, the Cal Advocates anticipates the following issues to be within the scope of this proceeding:

1) Whether the proposed pilot is in compliance with applicable statutes related to the use of Cap-and-Trade allowance revenues for clean energy and energy efficiency projects, including Pub. Util. Code §748.5(c).
2) Whether the proposed pilot meets the framework set forth in D.14-10-033's for applications seeking recovery GHG allowances to fund clean energy and energy efficiency projects to:
   a) Whether existing funds are available to fund the proposed pilot;
   b) Whether the project qualifies under Pub. Util. Code § 748.5(c);
   c) Whether the project is best funded to use GHG allowance revenues instead of ordinary recovery through rates; and
   d) Whether PG&E appropriately references the Forecast Clean Energy Amount.
3) Whether the proposed pilot is reasonable, including but not limited to consideration of the pilot's:
   a) Budget;
   b) Duration;
   c) Baseline calculations methods;
   d) Criteria for characterizing measures as "GHG-emission reducing measures";[21]
   e) Eligibility for participation, double funding, and double counting of GHG emissions reductions;
   f) GHG emission rates and costs;
   g) Justification for annual weather adjustment factor for baseline calculations;
   h) Incentive payment structure and timing;
   i) Asset life assumptions;
   j) Methods for calculating the energy intensity of buildings and

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[21] PG&E proposed that participants enrolled in PG&E programs in which they are receiving funding will be permitted to continue that participation if the programs are not providing funding for *GHG-emission reducing measures* that would be evaluated and incorporated into the CEOP pay-for-performance framework. PG&E CEOP Application, p. 12.

carbon intensity of natural gas; and

k) Effectiveness of proposed incentives to target GHG mitigation.

4) Whether PG&E has reasonably consulted, disclosed and conducted outreach with the UC and CSU systems over the programs to comply with Public Utilities Code Section 748.5(c) and D.14-10-033.

5) Whether funding a portion or all of the proposed pilot through Public Purpose Programs (PPP) funds is just and reasonable.

Cal Advocates recommends inclusion of these issues in the scope of this proceeding. Cal Advocates has begun its discovery and will conduct further discovery and review of PG&E's Application, supporting testimony, and documents. Cal Advocates anticipates that other issues may arise as discovery continues. Therefore, Cal Advocates reserves the right to amend this Protest and/or seek other relief as appropriate.

PG&E's CEOP Application does not include information about how UC and CSU are funding their GHG-reduction commitments. PG&E must demonstrate that the UC and CSU systems are not already funding the same program the CEOP proposes funding.

IV. CATEGORIZATION

The appropriate categorization for this proceeding is ratesetting.

PG&E proposes its CEOP Application be categorized as a "quasi-legislative" proceeding within the meaning of Rule 1.3(f) of the Commission's Rules of Practice and Procedure. PG&E claims it is not seeking authority to increase rates, or to implement changes that would result in increased rates, or to seek to pass through to PG&E's customers any costs in connection with PG&E's CEOP, and therefore, Rule 3.2 and its attendant requirements are not applicable.[22]

Cal Advocates disagrees. Approval of the CEOP might further deplete PPP funds. Thus, the impact on rates might be significant.

V. HEARINGS AND SCHEDULE

Cal Advocates maintains that hearings will be necessary. Therefore, Cal Advocates proposes the following schedule with hearings:

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[22] PG&E's CEOP Application, p. 8.

Activity	Cal Advocates' Proposed Date	PG&E's Proposed Date[23]
PG&E Application Filed	March 4, 2022	
Protests to Application	April 8, 2022[24]	April 6, 2022
Replies to Protests	April 19, 2022	April 18, 2022
Prehearing Conference	2nd Quarter 2022	
Scoping Memo Issued	2nd Quarter 2022	
Intervenor Testimony	August 24, 2022	
Rebuttal Testimony	September 26, 2022	
Meet and Confer pursuant to Rule 13.9	No later than October 6, 2022	
Settlement Discussions	Week of October 10, 2022	May 2022 [TBD]
Joint Party Status Report Filed to Commission		September 2022
Evidentiary Hearings	Week of October 31, 2022	
Concurrent Opening Briefs	December 5, 2022	
Concurrent Reply Briefs	December 19, 2022	
Proposed Decision	1st Quarter 2023	October 2022
Final Decision	March 2023	November 2022

VI. CONCLUSION

For the reasons stated above, the Cal Advocates requests that the Commission adopt the categorization, issues identified and the schedule herein.

[23] PG&E's CEOP Application, p.9.

[24] PG&E's CEOP Application was noticed on the Daily Calendar on March 09, 2022, which makes the Protest due on April 8, 2022.

Respectfully submitted,

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