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08/26/22

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A2202005

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of 2024-2031 Energy Efficiency Business Plan and 2024-2027 Portfolio Plan (U39M).

Application 22-02-005

And Related Matters.

Application 22-03-003

Application 22-03-004

Application 22-03-005

Application 22-03-007

Application 22-03-008

Application 22-03-011

Application 22-03-012

ADMINISTRATIVE LAW JUDGES' RULING SEEKING RESPONSES TO SPECIFIC QUESTIONS IN INTERVENOR TESTIMONY

This ruling provides specific questions for which we seek responses in intervenors' prepared testimony, which shall be filed no later than October 7, 2022 pursuant to the *Assigned Commissioner's Scoping Memo and Ruling* issued June 24, 2022 (scoping memo). The questions are categorized according to specific selected issues identified by the scoping memo.

1. Equity and Advancement of the Environmental and Social Justice Action Plan (Issue 7)

A non-consensus issue from the 2021 CAEECC Equity Metrics Working Group (EMWG) was how the program administrators should consider tracking

community engagement (See Appendix B of the EMWG Final Report).¹ The two options identified in the EMWG Final Report were:

Option 1: Program administrators should track and report the counts and types of community engagement activities targeted at disadvantaged, hard-to-reach, and underserved communities as the following three sub-indicators:

- a. Sub-Indicator 1: Community engagement activities during program design and to identify community needs and solutions
- b. Sub-Indicator 2: Community engagement activities during program implementation
- c. Sub-Indicator 3: Community engagement activities during program assessment

Option 2: Community engagement as a principle. Community Engagement should be a stand-alone principle that indicates the importance of engaging community members (at the appropriate levels) when designing, implementing and evaluating programs.

The EMWG Final Report noted that members of the group felt that the group did not have enough time to sufficiently discuss this topic or vet the options of what comprehensive community engagement indicators could look like. Therefore, parties should respond to the following questions to further inform a decision on this topic:

1. Should community engagement be tracked and reported by the program administrators as an indicator, or should it remain as a principle guiding equity programs? Please explain your reasoning.

¹ The final report of the CAEECC Equity Metrics Working Group report can be accessed via the following url: <https://www.caeccc.org/equity-metrics-working-group-meeting>

2. How could community engagement indicators be specific, relevant or reliable and convey the quantity or quality of the community engagement with stakeholders?
3. Are there other or additional options for how program administrators should demonstrate and/or create opportunities for community engagement?

Also, on August 23, 2022, the Commission's Energy Division received a letter from the Disadvantaged Communities Advisory Group (DACAG) providing recommendations relating to the Equity segment of the energy efficiency business plans, including consideration of non-energy benefits, increasing the Equity segment budget cap and imposing a budget floor, and specific metrics to track for Equity segment programs. The DACAG's letter is included with this ruling as Attachment 1. This ruling invites parties to include responses to the DACAG's recommendations in testimony.

2. Flexibility and Opportunity for Innovation (Issue 8)

1. As discussed in the Environmental and Social Justice (ESJ) Action Plan, the CPUC is interested in engaging communities to improve design, delivery, adoption, and innovation of energy efficiency solutions. This engagement and innovation could be accomplished through "community-based program design", which is original energy efficiency program design ideas coming directly from, or being led by, community/stakeholders, rather than communities offering feedback/input on proposed program administrator-based (or third party) program designs.
 - a. Should the CPUC require "community-based program design" in the program administrators' portfolios? If so, please describe this suggested requirement in detail including how and to which program administrators, and to which portion of the portfolio should this requirement apply (e.g., a segment, a program administrator's program(s) already proposed, a new

proposed program not in program administrators' applications, other).

- b. What do you propose the CPUC do to encourage or direct program administrators or a third party administrator to ensure energy efficiency portfolios include community-based programs designed (and/or implemented) by and for communities? For example, should the CPUC direct the program administrators to procure a new statewide program that recruits, selects, and funds community-based proposals? (e.g., one that offers a simple solicitation structure uniquely designed for communities to respond with concept papers)? If so, what guidance should the CPUC provide to facilitate development of criteria by which to evaluate proposals?
2. What other opportunities for innovation should the Commission consider?
 - a. Are there measures, program designs, or delivery strategies that are under-utilized in the proposed applications and that could deliver customers and/or the grid substantial benefits? What are they? Please provide supporting evidence for your conclusions.
 - b. Should the Commission provide more direction on solicitations, approaches, or goals that result in greater market and/or consumer adoption of these under-utilized measures and energy efficiency solutions? Why? Please provide specific recommendations.
 - c. What key aspect(s) of current policy and procurement conditions, if changed, would unlock under-utilized measures, program designs, and delivery strategies resulting in maximizing system benefits? Please provide rationale or other support for any proposed solution.

**3. Aligning With External Funding
(Issue 12)**

1. Should it be mandatory for third-party implementers and the lead investor-owned utilities (IOU) to report external² match funding and coordination? Do you have suggestions for how they would report back, to whom, and with what regularity?
2. How should the CPUC address the challenge of funding building decarbonization projects across multiple programs, proceedings, government agencies and funding mechanisms? This may include coordination between internal state funding sources such as incentive and financing programs, as well as external funding sources such as federal and private resources.

As part of this same issue, we also seek responses to questions regarding the newly passed federal Inflation Reduction Act of 2022 (IRA). The IRA includes a range of initiatives focused on encouraging energy efficiency and fuel substitution. These initiatives are opportunities for program administrators to further increase adoption of energy efficiency projects, maximize system benefits and help more customers. Some IRA provisions have taken effect already, while others will have impact starting in 2023 or later. Many of the relevant IRA provisions are directed to customers or to state energy offices and not to ratepayer-funded programs. The passage of the IRA raises important questions about how program administrators' portfolios can be best positioned to leverage IRA initiatives as those initiatives are implemented.

3. What mechanism(s) should program administrators use to update plans and forecasts for 2024 and beyond, based on

² "External funding" is funding outside of normal CPUC regulatory oversight. Generally, it would be considered taxpayer, philanthropic, non-profit, or corporate funding that is intended to go toward energy efficiency, electrification, or services that offer complimentary benefits to those offered by energy efficiency program administrators.

- new initiatives included in the IRA? Is the True-Up Advice Letter due on September 1, 2023 a sufficient mechanism for program administrators to incorporate IRA assumptions into their planning, or are additional steps needed?
4. What Commission policy changes should be considered to ensure that energy efficiency programs are able to effectively leverage opportunities created by the IRA along with the possibly large amounts of private capital that may be invested due to the IRA's passage?
 5. How can ratepayer-funded programs help ensure that IRA-funded projects produce strong, measurable impacts that optimize for system benefits and contribute to California's greenhouse gas reduction targets as well as other policy objectives?
 6. Some opportunities created by the IRA may not be fully operationalized by the time new energy efficiency applications are approved. What mechanisms or process improvements could help ensure that program administrators and programs can move with speed to leverage and/or align with future opportunities created by the IRA as they get operationalized?
 7. What else should the Commission consider regarding impacts of the IRA on planned energy efficiency portfolios and programs?

4. Energy Efficiency Integrated Programs (Issue 14)

Decision 18-05-041 already allows for and requires integrated demand-side management (IDSM) "limited integration" funding to be used for energy efficiency and demand response (EE/DR) integration.

1. In the context of IDSM being largely limited to EE/DR integration historically, do you agree with Pacific Gas and Electric Company's (PG&E) proposal in their Business Plan to "update...IDSM rules to support comprehensive load management and enable greater program integration" by allowing "a mechanism for [program administrators] to

- propose, and for the Commission to delegate to its staff to assess on a case-by-case basis, programs that integrate demand-side management approaches including [energy efficiency], demand response (DR), distributed generation, managed electric vehicle charging, and time-varying or dynamic pricing”?³ Why or why not?
2. One possible option for enabling more IDSM in energy efficiency programs could involve using several separate funding streams (i.e., energy efficiency, IDSM, DR, the Self-Generation Incentive Program for battery storage, etc.) within a single energy efficiency program, with program administrators maintaining separate accounting to allow for clear delineation of the use of each funding source and associated savings by technology category while allowing for a more seamless flow of energy efficiency and IDSM funds to implementers and/or customers. Please provide your recommendations for:
 - a. Whether you believe this type of approach is worthy of consideration by the Commission.
 - b. How the Commission could efficiently approve funding for this approach.
 - c. Effective ways this approach could be operationalized.
 - d. Double-counting considerations to ensure ratepayer dollars are not paying twice for the same resource.
 - e. What types of distributed energy resources (DER) should be considered for inclusion.
 - f. Other requirements or considerations.
 3. What other recommendations do you have for policy strategies within this proceeding to enable and promote integrating multiple DERs within individual programs? These recommendations may include program structure,

³ See Pacific Gas and Electric Company Energy Efficiency 2024 Business-Portfolio Plan PG&E Energy Efficiency 2024-2031 Strategic Business Plan Prepared Testimony, Exhibit 1, p. 3-2 and pp. 3-5 to 3-6.

funding sources, quantification methods, metrics, the role of the total system benefit metric, and others.

IT IS SO RULED.

Dated August 26, 2022, at San Francisco, California.

/s/ VALERIE U. KAO
Valerie U. Kao
Administrative Law Judge

ATTACHMENT 1

August 19, 2022

California Public Utilities Commission
Energy Division
505 Van Ness Avenue
San Francisco CA 94102

Re: Comment on Energy Efficiency Business Plan Application Equity Segment

To the CPUC Energy Division,

The SB 350 Disadvantaged Communities (DAC) Advisory Group (DACAG) provides the following comment on the Equity Segment of the Energy Efficiency Business Plan. Energy Division presented a summary of the Plan to the DACAG at our July 15, 2022 meeting. We request that Energy Division incorporate the following recommendations.

I. The Energy Efficiency Business Plans, Related Metrics and Cost-Effectiveness Tests Must Include an Adequate Consideration of Non-Energy Benefits

Outdated cost-effectiveness tests pose a significant barrier to the deployment of clean energy resources in Environmental and Social Justice (ESJ) communities. “Non-energy benefits are often not considered in cost-effectiveness tests, which devalues some of the most important factors that motivate investment in clean energy upgrades, such as family health and safety, comfort, and tenant retention.”¹

Pursuant to SB 350, one of the “Principle Recommendations” from the Energy Commission in the Low-Income Barriers Study (2016) is:

Establish common definitions of non-energy benefits, develop standards to measure them, and attempt to determine consistent values for use in *all energy programs*.²

Furthermore, Goal 2 of the CPUC’s Environmental and Social Justice (ESJ) Action Plan seeks to “increase investment in clean energy resources to benefit ESJ communities, especially to improve local air quality and public health.”³ Consequently, the CPUC must incorporate non-energy benefits (NEBs) in two regards, including in the Energy Efficiency Business Plans: first, as a determining factor in appropriate cost-effectiveness tests; and second, as a metric to determine whether energy programs are meeting ESJ Action Plan direction and other policies, specifically here, the equity segment.

As discussed at the July 15, 2022 DACAG meeting, it is important to incorporate an adequate consideration of NEBs as soon as possible. The ESJ Action Plan describes that “there

¹ SB 350 Low-Income Barriers Study, Part A - Commission Final Report at 3.

² *Id.* at 5 (emphasis added).

³ ESJ Action Plan Ver. 2.0 (April 7, 2022) at 23, available at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/esj-action-plan-v2jw.pdf>.

are 65 action items from Energy Division in the current [Version 1.0] ESJ Action Plan.”⁴ One of those action items relates to NEBs in energy efficiency programs. Specifically:

CPUC Action 9.8: Quantify non-energy and local economic benefits of the environmental efficiency Local Government Partnerships in hard-to-reach and disadvantaged communities.⁵

Under “status,” the ESJ Action Plan Version 1.0 states that:

D.18-05-041 required the IOUs file a motion proposing how to quantify these benefits. The motion was filed on August 31, 2018 [with a] Proposed Decision expected by early 2020.⁶

This status update refers to the mandate in D.18-05-041 for IOUs and Local Government Partnership partners to quantify “co-benefits and economic development benefits of programs in disadvantaged communities and/or for hard-to-reach customers.”⁷ On August 31, 2018, the IOUs filed this joint motion.⁸ While the joint motion includes a discussion of NEBs, it does so only in an attachment with several factors to be determined, including data points and monitoring frequencies.⁹ On August 9, 2019, the CPUC ruled on this motion, deferring consideration of NEBs to a consultant process.¹⁰ The consultant process resulted in Evergreen Economics’ final report, Local Government Partnership Quantification of Co-Benefits and Local Economic Benefits in Hard-to-Reach and Disadvantaged Communities (2021).¹¹ Notably, however, this report does not include NEBs important to DAC residents, including affordability and health.¹² In addition, “[d]ata on co-benefits are not currently tracked by all partnerships, nor is data collection consistent across these partnerships.”¹³ While this report represents a good start, there is still much work to be done to meet the ESJ Action Plan and Energy Commission recommendations. It is unclear how the CPUC intends to further develop the data and metrics necessary to adequately consider NEBs.

Given Goal 2 of the current ESJ Action Plan, this inadequate consideration is particularly problematic. It is not possible to consider the benefits to DACs if the CPUC’s programs are simply not designed to consider several of those benefits. This deficiency is troubling for energy

⁴ *Id.* at 62.

⁵ ESJ Action Plan Ver. 1.0 (February 21, 2019) at 44, available at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/environmental-and-social-justice.pdf>

⁶ *Id.*

⁷ D.18-05-041 at 189.

⁸ A.17-01-013 (and related matters) Joint Motion for Approval of Standard Contract For Local Government Partnerships (August 31, 2018) available at <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M231/K128/231128543.PDF>

⁹ *Id.* at Attachment B.

¹⁰ D.19-08-006.

¹¹ Local Government Partnership Quantification of Co-Benefits and Local Economic Benefits in Hard-to-Reach and Disadvantaged Communities (May 2021) https://www.calmac.org/publications/LGP_Co-Benefits_Final_Report_051421.pdf

¹² *Id.* at 3.

¹³ *Id.* at 4.

efficiency specifically, as lack of consideration of NEBs omits consideration of the many structural, market and policy barriers to energy efficiency programs. For instance, deployment of energy efficiency in ESJ communities may often require additional retrofits and treatments due to housing stock quality, resulting in higher comparative costs that current cost-effectiveness tests cannot recognize or justify. The DACAG therefore requests that Energy Division coordinate with relevant stakeholders and members of the public to continue work on quantifying and incorporating NEBs as a metric for program evaluation as soon as possible.

This work can begin immediately, with prerequisite data collection and reporting even if the CPUC has not yet finalized quantifying NEBs. As a start, the CPUC can begin to collect data to inform the proposed metrics detailed below. For example, although the CPUC has not yet adopted a methodology to quantify criteria pollutant reductions in monetary terms, the CPUC can at least begin collecting data to determine how to evaluate the benefits of reduced local pollution.

In addition, the CPUC should revise and implement a cost-effectiveness test that can adequately consider NEBs. Currently, with inadequate cost-effectiveness tests, it makes sense to exclude resource acquisition from cost-effectiveness requirements under the equity segment. The Total Resource Cost test is currently not appropriate to adequately compare the costs and benefits of energy efficiency programs in DACs. Although the test includes participant costs, it fails to consider participant benefits, importantly including NEBs. As detailed above, this skews cost-effectiveness determinations to the detriment of DAC residents and potential participants. Determining cost-effectiveness of resource acquisition in the equity segment should evolve as the CPUC adequately determines NEBs. Total system benefits could certainly include NEB factors, such as criteria pollutants. The DACAG therefore requests that Energy Division, concurrent with its work in determining and quantifying NEBs, also develop and propose for public comment a cost-effectiveness test that is capable of adequately considering NEBs.

II. The Commission Should Increase the Equity Segment Budget Cap and Impose a Budget Floor

Upfront investment and affordability present significant barriers to clean energy resources, including energy efficiency. The SB 350 Low-Income Barriers Study identifies that:

[Additional IOU energy programs targeting specific sectors of the low-income community and] funding from additional sources can be extremely important . . . to maximize the scope of energy efficiency . . . projects in housing for low-income persons and disadvantaged communities.¹⁴

The DACAG requests that the CPUC remove the budget cap for market support and equity. Alternatively, the CPUC should at least raise the cap. A 30% cap is too low given the number of DAC households alone in the state. As we add in underserved and hard-to-reach customers as well, the total population eligible for the equity segment expands, and likely exceeds 30%. In any event, budget distribution should reflect historic underinvestment, rather than just being proportional to population. Furthermore, because the previously-discussed barriers may make individual interventions more expensive per-capita and per-kWh, a larger fraction of the budget may need to be allocated to these communities to ensure equivalent levels of efficiency savings.

¹⁴ SB 350 Low-Income Barriers Study, Part A - Commission Final Report at 28.

Related, the CPUC should also impose a budget floor as a percentage of overall budget. Comparing IOU and non-IOU Project Administrator equity budgets, while the equity budget amounts are relatively similar, the percentage of budget for the IOUs is far less (5-14%) compared to the CCAs (25-26%, but subject to the 30% cap) and RENs (63-76%). SDGE, for instance, does not even seem to budget for residential energy efficiency in the equity segment for 2022-2023, or, the budget is so small that it is practically invisible on the chart.¹⁵ As recommended in the Low-Income Barriers Study, the IOUs should target a greater percentage of their budget to the equity segment.

III. The Commission Should Use the Following Metrics for the Equity Segment

In order to track progress towards achieving equity, the program administrators (PAs) submitted a slate of candidate metrics and indicators. The majority of PAs proposed they would collect data on these metrics and indicators for two years before setting targets. However, we suggest that instead the PAs identify a meaningful long-term goal and then ensure that their annual targets will achieve that goal. More specifically, we know that in order to achieve its climate targets, California must decarbonize all of its buildings by 2045.¹⁶ However, populations such as renters, low-income households, and other historically underserved communities often face the highest barriers to adopting clean and efficient technologies,¹⁷ even though they also often have the highest energy cost burdens and could most benefit from efficiency measures. To alleviate energy cost burdens, it makes sense to prioritize households in historically underserved communities first, and therefore set a pre-2045 target — e.g., to expand efficiency to all of these populations by 2035.

The business plan metrics and targets should therefore be structured in a way that such a goal can be easily achieved and progress measured. We therefore strongly recommend that the metrics include both the total number of customers served as currently proposed — such as single family or multifamily homes — as well as the percentage of eligible customers served. Assuming, for example, that the business plans officially start in 2024, more than 8 percent of hard-to-reach, undeserved, and ESJ/DAC customers would need to be reached every year to ensure all of these customers receive efficiency upgrades by the end of 2035. While the number of buildings reached per year may not be constant, the targets should be set in such a way that they clearly demonstrate how each PA is on a pathway to achieve such a goal, and the metrics designed to clearly evaluate progress towards this end goal.

In order to identify the customers that should be targeted for equity-focused efficiency investments, the DACAG supports the inclusion of hard-to-reach and ESJ communities with disadvantaged communities. To add more precision to such definitions, we suggest that these should include all communities on Tribal lands, all customers currently qualifying for bill assistance programs such as CARE, and customers facing energy cost burdens over six percent per year or facing affordability challenges such as those identified through the California

¹⁵ Energy Division July 15, 2022 Presentation to DACAG on EE Business Plan Equity Segment, Slide 10.

¹⁶ Building Decarbonization Coalition, A Roadmap to Decarbonize Buildings (2019) *available at* https://gridworks.org/wp-content/uploads/2019/02/BDC_Roadmap_final_online.pdf.

¹⁷ See SB 350 Low-Income Barriers Study, Part A - Commission Final Report

Public Utilities Commission's Affordability Ratio¹⁸ or similar metrics. This list is not meant to be exhaustive, but is provided to suggest a few specific populations for inclusion. Therefore, in defining "underserved populations," the DACAG recommends that the Commission use Option 2 "plus" where PAs begin with the ESJ Communities definition, and these additions detailed above, and also propose additional categories of underserved customers, along with an accompanying rationale supporting the addition.

In addition to the percentage of target customers reached every year, we suggest a few other additions to the metrics and indicators reported by PAs. These metrics can help provide data to calculate NEBs in future iterations. Our suggested metrics and indicators are as follows:

- The percentage of eligible customers reached for each customer class (in addition to total number of customers reached).
- The average kWh, kW, and therm savings per customer, by customer class (in addition to the total savings for the program).
- The average annual bill savings for participating customers, both first year and annually.
- The average energy cost burdens, and reduction in energy cost burdens, for residential customers.
- The number and percentage of CARE or other bill-assistance customers (and eligible customers) who receive efficiency upgrades, as well as the energy savings and bill savings for these customers. Specifically, the data should enable us to determine whether energy cost burdens have fallen for these customers, by how much, and the bill-assistance savings that have been achieved through energy efficiency investments.
- Appropriate metrics to track workforce development, job quality and job placement, as well as access to training and employment for disadvantaged populations.
- The estimated reduction of criteria air pollutant (tons), both in-home and from the electric grid, in addition to GHG reductions.
- Average disconnection and arrears rates for homes pre- and post-treatment.
- An evaluation of how many/much of the indicators, including other NEBs, programs meet. NEBs should be an indicator for all Energy Efficiency Programs.

While we suggest setting an overarching target that enables efficiency measures to reach all eligible buildings by roughly 2035, the additional metrics and indicators we suggest above can be used to help refine some of these targets, such as to provide specific goals regarding reductions in energy cost burdens or in indoor air pollutant emissions. Thus, after two years of reporting, it would be valuable to review these indicators and metrics and identify additional goals.

We also agree with the parties who suggest that gas appliances investments should be excluded from the business plans. We are concerned that investments in gas appliances would lock in stranded assets, and such investments should be directed towards electrification instead.

IV. Conclusion

In summary, we believe the Energy Efficiency Business Plans would be strengthened by the inclusion of non-energy benefits and the expansion of the metrics and indicators used to evaluate Plan success. We also believe the impacts of these plans on undeserved, hard-to-

¹⁸ R.18-07-006, CPUC Affordability Staff Proposal (2021) available at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/affordability-proceeding/r1807006--staff-proposal-on-affordability-metrics-implementation.pdf>.

reach, and ESJ communities could be greatly expanded by creating an equity budget floor, raising or eliminating the budget cap, and ensuring each PA's targets set it on a pathway to ensure energy efficiency programs reach all eligible customers on a meaningful timeline.

We thank the Energy Division for its presentation to the DACAG and consideration of our comments and welcome ongoing discussion on the Energy Efficiency Business Plans.

Sincerely,

The Disadvantaged Communities Advisory Group

END ATTACHMENT 1