

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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Petition of the Public Advocates Office to
Adopt, Amend, or Repeal a Regulation
Pursuant to Pub. Util. Code § 1708.5.

Petition 24-03-013

**PUBLIC ADVOCATES OFFICE REPLY TO RESPONSES
TO ITS PETITION TO OPEN A RULEMAKING PURSUANT
TO PUBLIC UTILITIES CODE SECTION 1708.5**

MICHAEL EINHORN
DAVID GIBBS
Attorneys for

Public Advocates Office
California Public Utilities Commission
320 West 4th Street, Suite 500
Los Angeles, CA 90013
Telephone: (213) 576-7031
Email: David.Gibbs@cpuc.ca.gov

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JAMES AHLSTEDT
PUI-WA LI
KY-AN TRAN
MATTHEW CAUDLE
OMAR GUTIERREZ TAPIA
ANDY ZHANG
Analysts for

Public Advocates Office
California Public Utilities Commission
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102
Phone: (916) 894-5783
Email: Pui-Wa.Li@cpuc.ca.gov

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I. INTRODUCTION

Pursuant to Rule 6.3(d) of the California Public Utilities Commission’s (Commission) Rules of Practice and Procedure, the Public Advocates Office at the California Public Utilities Commission (Cal Advocates) submits this reply to responses to *The Public Advocates Office Petition to Open a Rulemaking Pursuant to Public Utilities Code Section 1708.5* (Petition) served March 6, 2024.¹

Thirteen responses to the Petition were filed by parties with diverse interests. The parties make a variety of proposals to modify or approve certain aspects of the rulemaking proposed by the Petition. Cal Advocates replies to certain arguments in parties’ responses, as discussed below.

II. DISCUSSION

A. **All unreasonable use of ratepayer funds is unacceptable given the affordability crisis.**

In its response Southern California Regional Energy Network (SoCalREN) states that the Commission should deny the Petition because public purpose program (PPP) surcharge funds contribute to a *de minimis* share of utility bills.² Several Regional Energy Networks argue that the combined budgets for ESA, energy efficiency, and demand response are small enough that inefficient program spending can effectively be ignored by the Commission.³ Similarly, the California Efficiency + Demand Management Council (CEDMC) states: “PAO’s focus on ‘rate affordability’ is misguided

¹ Petition (P.) 24-03-013, *The Public Advocates Office Petition to Open a Rulemaking Pursuant to Public Utilities Code Section 1708.5* (Petition), Public Advocates Office at the California Public Utilities Commission (Cal Advocates), March 6, 2024.

² P.24-03-013, *Response of the Southern California Regional Network (CPUC #940) on the Public Advocates Office Petition to Open a Rulemaking Pursuant to Public Utilities Code Section 1708.5* (SoCalREN Response), April 5, 2024, at 8-9. See, SoCalREN Response at 8 and Joint REN Response at 11-13.

³ P.24-03-013, *Joint Regional Energy Network Response to Petition for Rulemaking* (Joint REN Response), April 5, 2024, at 12 – 13; SoCalREN Response at 5.

because it overlooks what truly matters to ratepayers: the overall size of their utility bills.”⁴

Contrary to these claims, these charges represent real and significant costs to utility customers. Indeed, this “*de minimis* portion” of a utility bill for ESA, energy efficiency, and demand response budgets amounts to \$1.6 billion in annual revenue requirements.⁵ Given the increasing challenges to affordability,⁶ the Commission should prioritize effective ratepayer spending wherever possible.

The Commission is obligated to ensure that rates resulting from demand-side programs are just and reasonable.⁷ The need to ensure just and reasonable electric rates is especially relevant to achieving the state’s decarbonization goals because as fossil fuel infrastructure is replaced with electric infrastructure, customers will typically use more electricity (e.g., when customers switch from gas furnaces to heat pumps or from gasoline fueled vehicles to electric vehicles). High electric rates could cause customers to avoid fuel switching in favor of options that utilize cheaper fuel. In fact, one of the preliminary findings of a Commission directed market study highlights that “[i]n the absence of gas incentives, heat pump incentives may help grab customers’ attention, and *electric rates have the potential to be the deciding factor*” (Emphasis Added).⁸ Any program that fails to properly balance the costs and benefits to ratepayers is unreasonable and should be reevaluated and modified with reasonableness in mind.

⁴ P.24-03-013, *Response of the California Efficiency + Demand Management Council to the Public Advocates Office Petition to Open a Rulemaking Pursuant to Public Utilities Code Section 1708.5* (CEDMC Response), April 5, 2024, at 4.

⁵ Joint REN Response at 12.

⁶ See Public Advocates Office Quarterly Rates Report for Q4 2023: <https://www.publicadvocates.cpuc.ca.gov/-/media/cal-advocates-website/files/press-room/reports-and-analyses/240119-caladvocates-q4-2023-quarterly-rate-report.pdf>.

⁷ Cal. Pub. Util. Code § 451.

⁸ Opinion Dynamics, *Fuel Sub Infrastructure Costs and Impact of Incentives Preliminary Results Presentation*, April 9, 2024, at 78. Accessed at: https://pda.energydataweb.com/api/view/3948/CA%20IOU%20Fuel%20Sub%20Preliminary%20Results%20Presentation_FINAL_2024-04-04.pdf

B. CEDMC and SoCalREN inaccurately claim that the Petition will reduce benefits to customers.

CEDMC states: “in a scenario in which demand-side programs are reduced in size or are eliminated outright, electricity consumption will increase; even if electric rates fall, the overall customer bill will increase because the demand-side program savings will no longer be realized.”² Additionally, SoCalREN argues that the Petition is too focused on cost-effectiveness and that any “tightening” of cost-effectiveness rules will result in making programs more restrictive and less available to vulnerable customers.¹⁰

CEDMC and SoCalREN’s responses inaccurately represent the intent of the Petition. Contrary to SoCalREN’s claims, rather than focus narrowly on costs while ignoring benefits the purpose of the Petition is to provide for a holistic review of demand-side program design and budgets, so they align with the Commission’s electrification, decarbonization, equity, and reliability goals.¹¹ A demand-side program review would include “designing budgets to ensure that decarbonization and electrification goals are met while ensuring that electric rates remain affordable.”¹² As stated previously, rate affordability is a crucial component of the state’s ongoing push for electrification and decarbonization. Thus, failure to properly balance costs and benefits could actually impede access to demand-side programs for vulnerable customers in the long-term.

SoCalREN’s responses appear to ignore the purpose of the Petition.¹³ Namely, to obtain a holistic review of demand-side programs that will allow the Commission to identify and improve both under-performing programs and programs that are advancing the Commission’s goals while balancing rate affordability.¹⁴ The claim that the Petition

² P.24-03-013, *Response of the California Efficiency + Demand Management Council to the Public Advocates Office Petition to Open a Rulemaking Pursuant to Public Utilities Code Section 1708.5* (CEDMC Response), April 5, 2024, at 4.

¹⁰ SoCalREN Response at 10.

¹¹ Petition at 1.

¹² Petition at 6.

¹³ SoCalREN Response at 9.

¹⁴ Petition at 2-4.

is solely intended to cut program funding while making no other revisions is inconsistent with the stated goals of the Petition. Rather, a holistic review of demand-side programs, as proposed in the Petition, may increase access to those programs for vulnerable customers by elevating equity issues out of the current siloed approach which looks at each program individually. For these reasons, the Commission should open the rulemaking which includes balancing the costs and benefits of demand-side programs with rate affordability within the scope of the proposed rulemaking.

C. The Commission should not delay opening the rulemaking given the urgent timing to align the three demand-side program cycles.

Several parties recommend that the Commission conduct additional workshops before opening a rulemaking.¹⁵ ¹⁶ However, these proposals would introduce delays that would undermine the benefits of timely opening a new rulemaking. The due date for the Mid-Cycle Report for the Energy Efficiency Business Plans and the application deadline for ESA, California Alternate Rates for Energy (CARE), and Family Electric Rate Assistance (FERA) for the program years 2027-2032 are fast approaching.¹⁷ The Commission should not miss the opportunity to provide guidance before the new cycle begins. The ESA budget cycle concludes at the end of 2026, and the Commission should provide guidance as early as possible to ensure that programs targeted at equity are aligned.¹⁸

Additionally, as stated in the Petition, the current portfolio budgets for both energy efficiency and demand response expire at the end of 2027 making this a rare opportunity

¹⁵ P.24-03-013, *Response of Southern California Edison Company (U 338-E) to Petition of the Public Advocates Office to Open a Rulemaking Pursuant to Public Utilities Code Section 1708.5* (SCE Response), April 5, 2024, at 4.

¹⁶ P.24-03-013, *Response of Southern California Gas Company (U 904 G) to the Public Advocates Office Petition to Open a Rulemaking Pursuant to Public Utilities Code Section 1708.5* (SoCalGas Response), April 5, 2024, at 6.

¹⁷ Cal Advocates supports the separation of ESA budget applications from applications for consideration for CARE and FERA program rules, in alignment with PG&E. See PG&E Response at 5.

¹⁸ See, Decision on Large Investor-owned Utilities' and Marin Clean Energy's California Alternate Rates for Energy (CARE), Energy Savings Assistance (ESA), And Family Electric Rate Assistance (FERA) Program Applications for Program Years 2021-2026, D.21-06-015, A.19-11-003 et al., June 7, 2021.

to address both programs in concert.¹⁹ Given that program administrator preparations for the next budget cycle will likely begin in earnest by 2026, it is imperative that the Commission act now to ensure alignment. As Pacific Gas and Electric Company (PG&E) states, the Commission should “urgently consider the timing of applications and program cycles, given the need for application work under existing rulemaking policy to begin imminently at the soonest (for ESA) or in 2025 at the latest (for EE and DR).”²⁰ San Diego Gas & Electric Company (SDG&E) similarly acknowledges the “major upcoming activities” in these proceedings and urges the Commission to consider the “acute timing impacts” and “allow its prompt resolution.”²¹ Parties will therefore benefit from the Commission’s guidance ahead of the upcoming budget application deadlines. The rulemaking is the appropriate vehicle for parties to provide further input on implementation.

Finally, PG&E proposes that the Commission include a mechanism available to the investor-owned utilities (IOUs) to request bridge funding in the event of a gap in Income Qualified Programs (IQP) funds between the current budget cycle ending in 2026 and the next budget cycle.²² Cal Advocates is amenable to the Commission granting bridge-year funding specifically for ESA. With bridge funding, the Commission can

¹⁹ D.23-06-055 authorized the 2024-2027 energy efficiency portfolio budgets and approved the 2028-2031 budget forecast for Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas), San Diego Gas & Electric Company (SDG&E), Marin Clean Energy (MCE), Bay Area Regional Energy Network (BayREN), Rural Regional Energy Network (R-REN), Tri-County Regional Energy Network (3C-REN), and Southern California Regional Energy Network (SoCalREN). D.21-11-013 authorized Inland Regional Energy Network’s 2022-2027 budget (I-REN). I-REN is the sole energy efficiency program administrator without a 2028-2031 budget forecast. D.23-12-005 authorized the 2024-2027 demand response portfolio budgets and directed PG&E, SCE, and SDG&E to submit their 2028-2032 Demand Response Portfolio Application by November 1, 2026.

²⁰ P.24-03-013, *Pacific Gas and Electric Company’s (U 39 M) Response to the Public Advocates Office Petition to Open a Rulemaking Pursuant to Public Utilities Code Section 1708.5* (PG&E Response), April 5, 2024, at 7.

²¹ P.24-03-013, *Response of San Diego Gas & Electric Company (U 902-M) to the Public Advocates Office’s Petition to Open a Rulemaking Pursuant to Public Utilities Code Section 1708.5* (SDG&E Response), April 5, 2024, at 2.

²² PG&E Response at 6.

synchronize the budget cycle for ESA with the budget cycles of the other demand-side programs.²³

D. Several parties recommended revisions to the Petition’s scope are generally reasonable.

Several parties provide constructive recommendations for the scope and guiding principles for the new rulemaking.²⁴ For example, PG&E recommends certain guiding principles and several revisions to the proposed scope.²⁵ Cal Advocates finds most of the recommendations from PG&E to be generally reasonable; however, several of the proposals warrant further discussion and the Commission should not incorporate PG&E’s proposals into the new rulemaking at this time. In particular, the Commission should not adopt PG&E’s recommendations to consider workforce standards that are included in a pending study by Opinion Dynamics until full consideration of the implications of the report have been considered.²⁶ Additionally, PG&E suggests removing Cal Advocates’ proposed scoping sub-issue III.a.i.1 to avoid pre-determining the measures of success. However, the total system benefits (TSB) test is a viable option, among others, for setting goals for equity programs.²⁷ Nevertheless, Cal Advocates welcomes the opportunity for further discussions about specific issues to include in the rulemaking through the Commission’s rulemaking processes.

²³ PG&E Response at 6, which raises the question for the Commission if it opens this rulemaking. (“What procedural mechanism is available to the IOUs to request bridge funding should there be a gap year between the current IQP program cycle (through 2026) and the next IQP program cycle with inadequate unspent funds to support an incremental program year.”)

²⁴ See *Response Of The Natural Resources Defense Council And The Utility Reform Network To The Petition Of The Public Advocates Office To Open A Rulemaking Pursuant To Public Utilities Code Section 1708.5*, at 7-9; *Response Of The Coalition For Energy Efficiency To Petition Of The Public Advocates Office To Open A Consolidated Rulemaking On Demand-side program Designs And Budgets*, at 10-11; and *Center For Accessible Technology’s Response In Support Of The Public Advocates Office Petition To Open A Rulemaking Pursuant To Public Utilities Code Section 1708.5*, at 2-4.

²⁵ PG&E Response at Attachment A.

²⁶ Opinion Dynamics, *CPUC Workforce Standards Evaluation Final Report – Draft*, March 26, 2024. Public Comment Period for this draft report has been extended, with a new due date of April 24, 2024. Available at: <https://pda.energydataweb.com/#!/documents/3945/view>

²⁷ PG&E Response at 9-10.

E. Contrary to Southern California Gas Company’s (SCG) assertion, the proposed scope in the Petition is clear.

Southern California Gas Company (SCG) asserts that the proposed scoping issues contained in the Petition are unclear.²⁸ SCG’s assertions are without merit. The Petition requests that the Commission holistically consider three of the demand-side programs to help the state achieve its decarbonization, reliability, and equity goals. Other parties such as PG&E provided reasonable suggested modifications to the proposed scoping issues through their responses to the Petition. SCG similarly could have used the opportunity to suggest specific, constructive modifications to the scoping issues, yet they declined to do so.

F. The Petition does not relitigate previously decided issues.

Several parties contend that the Petition is an attempt to relitigate issues previously decided by the Commission.^{29, 30} Specifically, SoCalREN and the Joint RENs argue that decisions in Rulemaking (R.) 13-11-005 would be relitigated under a new rulemaking.³¹ However, the purpose of a new rulemaking is to enact a holistic alignment of the three demand-side programs, which has yet to be undertaken.³² Additionally, as stated in the Petition, R.13-11-005 was never intended to address larger issues such as aligning electrification and demand-side program goals with equity concerns while maintaining system reliability. R.13-11-005 also does not account for the potential cumulative impacts of other demand-side programs outside of energy efficiency, including ESA and

²⁸ SoCalGas Response at 6.

²⁹ SoCalREN Response at 11.

³⁰ Joint REN Response at 7-15.

³¹ See Joint REN Response at 13 – 17, and SoCalREN Response at 11 – 15.

³² Petition at 13, which clarified the following with respect to Rule 6.3(f):

- The proposed issues “go beyond what has been determined in the energy efficiency rulemaking [Rulemaking 13-11-005];” and
- Our proposed OIR [Order Instituting Rulemaking] “would go beyond these energy efficiency goals [in R.13-11-005] and consider additional demand-side programs and ensure that the goals for these demand-side programs are aligned with California and the Commission’s larger electrification goals.”

demand response programs. The Petition seeks to go beyond what has been determined in R.13-11-005 and consider the demand-side programs together so that they better fit with California’s larger electrification and decarbonization goals. Finally, it is worth noting that there is no current open rulemaking that addresses either low-income assistance or demand response, thus a new rulemaking is necessary to address any potential updates to those programs and to better align them with state goals. The Commission has the authority to open a new rulemaking to address these issues and “may at any time institute rulemaking proceedings on its own motion... to modify prior Commission decisions which were adopted by rulemaking.”³³ A holistic demand-side program rulemaking could lead to updates to previous decisions, but the Commission has full authority to initiate new rulemakings for such updates.

The Joint RENs question Cal Advocates’ motivation for requesting the rulemaking and its “relationship with equity.”^{34,35} However, the Petition seeks to ensure that ratepayer dollars are used effectively and to balance decarbonization and electrification goals with the need to keep rates just and reasonable – in which equity plays an important role, particularly since lower-income customers are disproportionately harmed by high rates.

As PG&E states, some of the policies adopted in ESA, energy efficiency, and demand response proceedings “served objectives that may have evolved over time or may no longer be relevant” and suggest the Commission “examine these legacy rules to determine whether they still deliver value in fulfilling the new rulemaking’s objectives.”³⁶ Now is the time for the Commission to open a new rulemaking to harmonize the demand-side programs and holistically review and coordinate them to help California succeed in achieving its climate goals equitably.

³³ Rule 6.1 of the Commission Rules of Practice and Procedure.

³⁴ Joint REN Response at 11 – 15.

³⁵ Joint REN Response at 11: “Cal Advocates has an uneasy relationship with equity.”

³⁶ PG&E Response at 8.

G. The Petition is neither overly broad nor myopic in its focus.

SoCalREN states that it supports a holistic approach to demand-side program coordination.³⁷ However, SoCalREN’s demand-side statements are at odds with its opposition to the Petition. In response to the Petition, SoCalREN states that it “...encourages the commission to take a more holistic approach to how programs and budgets can work together to support increased opportunities for energy savings, electrification, decarbonization and other benefits.”³⁸ In fact, the holistic approach that SoCalREN encourages the Commission to adopt, is the exact purpose of the Petition. As stated in the first sentence of the Petition, the Petition seeks “to commence a rulemaking proceeding to align demand-side program designs and budgets with current electrification, decarbonization, equity, and reliability goals.”³⁹

Despite the shared goal for a rulemaking that performs a holistic review of demand-side programs, SoCalREN derides the Petition as being both overly broad by including demand-side programs under one administrative ruleset and myopic by ignoring broader complementary opportunities in electrification and decarbonization.⁴⁰ SoCalREN admits that demand-side programs have points of overlap and share similar elements but argues that each are designed with different objectives.⁴¹ SoCalREN’s myopic interpretation of demand-side programs ignores the shared goals of each program – namely, to help participating customers manage or reduce their need for electricity in light of the state’s electrification, decarbonization, equity, and reliability goals.⁴²

Additionally, SoCalREN’s statement that the Petition would “ignore the benefits of demand-side programs with respect to affordability as well as other benefits”

³⁷ SoCalREN Response at 15.

³⁸ SoCalREN Response at 15.

³⁹ Petition at 1.

⁴⁰ SoCalREN Response at 15.

⁴¹ SoCalREN Response at 16.

⁴² See generally, Public Utilities (Pub. Util.) Code §§ 2790 and 379.5(b) and see Petition at 1.

misinterprets the goals of the Petition.⁴³ The Commission cannot conduct a holistic review of demand-side programs without considering the benefits that the programs provide, both individually and as a whole. The Petition says as much where it states that, “the second track [of the rulemaking] should advance policies to ensure that the **benefits of demand-side programs** are equitably realized by all customers” (emphasis added).⁴⁴ As stated in the Petition, despite the commonalities between programs, the Commission has not previously considered the overlapping benefits of demand-side programs.⁴⁵

Ultimately, the purpose of the Petition is to provide the Commission with a common and comprehensive framework for evaluating and addressing the shared goals of demand-side programs. SoCalREN’s objections to the Petition misinterpret its goals –in fact, the Petition aligns with SoCalREN’s stated goal of reviewing demand-side programs holistically. As such, the Commission should not adopt SoCalREN’s position to reject the Petition and should instead commence a proceeding to align demand-side program design and budgets with the common goals of electrification, decarbonization, equity, and reliability.

H. The Commission has recognized that integration of Demand Response and Energy Efficiency will play a crucial role in California’s energy future.

SoCalREN, Southern California Edison Company (SCE), and Center for Energy Efficiency and Renewable Technologies argue that demand response and energy efficiency are “fundamentally different.”⁴⁶ These parties state that demand-side measures are incompatible and cover “distinct sets of issues and scopes” that should be reserved for their own proceedings.⁴⁷ These statements are inaccurate. The Commission has already

⁴³ SoCalREN Responses at 9.

⁴⁴ Petition at 8.

⁴⁵ Petition at 2-3.

⁴⁶ SoCalREN Response at 15-17.

⁴⁷ P.24-03-013, *Response of Center for Energy Efficiency and Renewable Technologies to the Public Advocates Office Petition to Open a Rulemaking Pursuant to Public Utilities Code Section 1708.5*, April 5, 2024, at 4; SCE Response at 4; SoCalREN Response at 15-17.

envisioned Integrated Demand-Side Management (IDSM)⁴⁸ as a holistic approach that is crucial to achieving California’s zero net energy goals.⁴⁹ In actuality, these parties’ statements are indicative of the same siloed funding philosophy that the Commission has identified as a “major barrier” currently impairing progress.⁵⁰ The Commission should prevent further delays in realizing its vision for IDSM by approving this new rulemaking.

The Commission has consistently “contemplated” and recognized the synergistic potential for demand response and energy efficiency.⁵¹ Contrary to claims by some parties,⁵² there are numerous instances where the Commission has set the foundation to implement IDSM, including obvious overlaps in the Commission’s stated goals for demand response and energy efficiency.⁵³ Specifically, the Commission’s 2008 and 2011 Strategic Plans identified an IDSM approach of “coordinated marketing and regulatory integration” in demand response and energy efficiency measures as a method for realizing “increased energy savings at lower cost.”⁵⁴ Additionally, recent decisions on

⁴⁸ The Commission’s vision for Integrated Demand-Side Management (IDSM) is that “[e]nergy efficiency, energy conservation, demand response, advanced metering, and distributed generation technologies are offered as elements of an integrated solution that supports energy and carbon reduction goals immediately, and eventually water and other resource conservation goals in the future.”; *California Energy Efficiency Strategic Plan* (2008 EE Strategic Plan), September 2008, at 71; *California Energy Efficiency Strategic Plan January 2011 Update* (2011 EE Strategic Plan), January 2011, at 67.

⁴⁹ D.12-11-015 at 86-87, (“Integrated demand side management is identified in the Strategic Plan as an overarching strategy to promote customer-side energy management and achievement of zero net energy goals.”)

⁵⁰ D.12-11-015 at 87, (“The IOUs have taken steps to pursue IDSM, but significant barriers remain that prevent the development of more cohesive IDSM strategies, programs, and tools. Funding silos – and particularly funding of distributed generation components of IDSM efforts – remain a major barrier.”)

⁵¹ SoCalREN Response at 16.

⁵² SoCalREN Response at 15, (“However to SoCalREN’s knowledge, the Commission has not contemplated the merger of the demand side management portfolios of programs.”)

⁵³ Both EE and DR programs aim to assist in meeting environmental objectives, cost-effectively support grid needs, and enable customers to meet their energy requirements at a reduced cost. Additionally, both DR and EE programs seek to enhance overall energy efficiency and reduce demand to achieve broader sustainability targets; D.16-09-056 at 2-3; D.17-09-025 at 2-3.

⁵⁴ 2008 EE Strategic Plan at 72; 2011 EE Strategic Plan at 68.

energy efficiency have continued to encourage program administrators to explore possible IDSM opportunities, in spite of the challenges posed by funding silos.⁵⁵

Taking a case-by-case and program-by-program approach to demand-side programs is not a sustainable strategy. An overarching strategy necessitates a proper forum to implement these plans, rather than simply using the proceeding that oversees the most funding. SoCalREN objects to opening a new rulemaking that would take an overarching approach to demand-side programs on the claims that RENs cannot offer ESA and demand response programs.⁵⁶ Contrary to SoCalREN's claims, successful programs without compatible analogues in the other portfolios, like event-based demand response programs, should have an opportunity to continue. The Commission is capable of supporting programs of "different primary goals and criteria" with varying rulesets as it has done through segmentation of the energy efficiency portfolio program.^{57, 58} Taking a holistic approach to demand response and energy efficiency programs will not preclude programs that focus solely on demand response or energy efficiency. The Commission's IDSM development approach relies on working with "key stakeholders to develop and implement a comprehensive, coordinated long-term approach."⁵⁹ To accomplish this goal, it is necessary to establish the proper procedural vehicle. This rulemaking presents a timely way for the Commission to evaluate which opportunities to pursue if the barriers of integration are lessened.

⁵⁵ D.12-11-015 at 86-89; D.23-06-055 at 74, 77-80.

⁵⁶ SoCalREN Response 20-26, ("As a starting point, RENs cannot offer demand response and ESA programs.")

⁵⁷ SoCalREN Response at 15, ("Energy efficiency, demand response and ESA are established with different primary goals and criteria, and for both policy and practical reasons forcing these programs under one specific ruleset and budget-setting proceeding would lead to poor outcomes.")

⁵⁸ See D.23-06-055, *Decision Authorizing Energy Efficiency Portfolios for 2024-2037 and Business Plans for 2024-2031*, issued July 3, 2023.

⁵⁹ 2008 Strategic EE Plan at 72; 2011 Strategic EE Plan at 68.

I. ESA statutory requirements do not prohibit integration with other demand-side programs.

As the Natural Resources Defense Council/The Utility Reform Network (NRDC/TURN), PG&E, and SDG&E correctly note, ESA is subject to specific statutory requirements and objectives under Pub. Util. Code §§ 327, 382, 739.1, and 2790.⁶⁰ Although ESA imposes unique statutory obligations, the statutes governing ESA do not preclude the Commission from considering ESA, energy efficiency, and demand response in one proceeding.

In fact, the statutory language for ESA contained within Pub. Util. Code § 2790 expresses similar goals when compared to the statutory language pertaining to energy efficiency contained within Pub. Util. Code § 379.5(b). Specifically, Pub. Util. Code § 2790 states that the Commission shall require electrical and gas corporations to perform home weatherization services for low-income customers considering cost-effectiveness and the policy of reducing hardship.⁶¹ It goes on to say that “weatherization” may also include energy efficiency measures such as conservation measures, education, and energy management technologies.⁶² For energy efficiency, Pub. Util. Code § 379.5(b) states that the Commission shall adopt energy conservation demand-side management and other initiatives to reduce demand for electricity and reduce load during peak demand periods.⁶³ Those initiatives should include, but are not limited to weatherization programs, HVAC improvements, new construction energy efficiency, and commercial lighting and HVAC programs, among others.⁶⁴ So, while energy efficiency programs and ESA may derive from separate statutory language, both programs share the goal of

⁶⁰ P.24-03-013, *Response of the Natural Resources Defense Council and The Utility Reform Network to the Petition of the Public Advocates Office to Open a Rulemaking Pursuant to Public Utilities Code Section 1708.5* (NRDC/TURN Response), April 5, 2024, footnote 8, at 8; PG&E Response at 11; SDG&E Response at 10-11.

⁶¹ Pub. Util. Code § 2790(a).

⁶² Pub. Util. Code § 2790(c).

⁶³ Pub. Util. Code § 379.5(b).

⁶⁴ Pub. Util. Code § 379.5(b)(1-8).

improving the energy efficiency of customers' homes.⁶⁵ It is not only reasonable but also necessary to consider ESA with other demand-side programs such as energy efficiency as the Commission strives to achieve its electrification, decarbonization, equity, and reliability goals.⁶⁶

Additionally, this rulemaking provides the Commission the opportunity to further promote integration between ESA and demand response. The Commission has previously approved IOUs' demand response marketing, education and outreach activities related to ESA and goals to increase participation in energy management technologies.⁶⁷ Moreover, the Commission requires IOUs' ESA multifamily whole building programs to "each work towards maximizing a building's *demand response technologies*, greenhouse gas reduction, water energy nexus, and the health, comfort and safety of tenants" (emphasis added).⁶⁸

A comprehensive rulemaking will advance coordination and alignment between ESA and demand response technologies. Ultimately, considering the ESA program alongside energy efficiency and demand response programs provides the Commission with an opportunity to streamline and promote equity objectives for customer demand-side programs.

J. It is crucial to leverage non-ratepayer funding sources for energy efficiency, demand response, and ESA programs.

In reference to the long-term stability of funding for energy efficiency, demand response, and ESA programs, CEDMC claims that ratepayer funds are significantly more stable than non-ratepayer funds.⁶⁹ CEDMC identifies the state's General Fund as one

⁶⁵ Pub. Util. Code §§ 2790(c) and 379.5(b).

⁶⁶ Petition at 1.

⁶⁷ D.17-12-003 at 108, 110. ("PG&E's marketing strategies include conducting outreach through multi-channel, multi-touch campaigns, coordination demand response outreach with other Energy Savings Assistance Program, and bundling offers through a single promotion."); ("SDG&E plans to use its funding to promote three objectives... 2) increase awareness and participating in energy management technologies that can help customers realize energy savings.").

⁶⁸ D.21-06-015, Ordering Paragraph 118, at 500.

⁶⁹ CEDMC Response at 3.

such unstable source of non-ratepayer funds.⁷⁰ However, other stable sources of non-ratepayer funding exist. Examples of stable non-ratepayer funds include the residential tax credits and commercial tax deductions for energy efficiency available from the federal Inflation Reduction Act of 2022 (IRA).⁷¹ In fact, the impact of federal IRA tax credits and deductions were included in the total system benefit and energy savings goals for energy efficiency from 2024 to 2035.⁷²

SoCalREN raises concerns with requiring a program administrator to exhaust non-ratepayer funding sources before ratepayer dollars may be authorized or expended.⁷³ However, the Commission supported the objective of accessing non-ratepayer funds when it rejected SCE’s Building Electrification Application, stating that:

SCE should fully leverage existing programs to produce the most benefits for the least cost, and SCE should optimize the use of all other state and federal funding opportunities, before further ratepayer funds are sought to advance building electrification programs in SCE’s territory, such as SCE’s Proposal.⁷⁴

The Commission has a history of requiring program administrators to consider non-ratepayer funds when designing programs. For example, the Commission recently required program administrators of the Self-Generation Incentive Program to update their program applications to consider the IRA tax credits.⁷⁵ Additionally, the Commission did not authorize additional ratepayer funding for the on-bill financing program, and

⁷⁰ CEDMC Response at 3.

⁷¹ 26 U.S.C § 25C; 26 U.S.C § 179D.

⁷² D.23-08-005, Ordering Paragraph 1, at 25.

⁷³ SoCalREN Response at 25.

⁷⁴ D.24-01-004, Conclusion of Law 3, at 55-56.

⁷⁵ D.24-03-071, Ordering Paragraph 28, at 104.

“Program Administrators for the Self-Generation Incentive Program, within 90 days of the issuance of this decision, must update their applications to:

- (a) Indicate the expected Inflation Reduction Act (IRA) tax credit value on their project application and this amount will be deducted from the SGIP incentive request.
- (b) For applicants that indicate that they will not claim the IRA tax credit, include in or attach to their application a statement explaining why the project would be ineligible for the credit.”

instead directed the IOUs to pursue non-ratepayer sources of funding.⁷⁶ These decisions reflect the importance of leveraging available non-ratepayer funds to support program objectives and promote rate affordability.

PG&E states that the efforts in the clean energy financing rulemaking will leverage federal and state funds while minimizing the risk characteristic of those funding streams.⁷⁷ Although the Commission has directed the IOUs to identify and pursue non-ratepayer funding streams from federal and state sources to fund on-bill financing,⁷⁸ financing programs are primarily available to non-residential customers. It is crucial for program administrators to identify and pursue all available non-ratepayer funding sources beyond the requirements for clean energy financing programs.⁷⁹

Cal Advocates agrees with the Center for Accessible Technology that the rulemaking should consider efforts to maximize all potential non-ratepayer funding sources.⁸⁰ Recently, the California Energy Commission conducted a workshop on the \$292 million federal IRA Home Efficiency Rebates (HOMES) program.⁸¹ The workshop's slide deck indicates that 60 percent of the HOMES budget is to be allocated towards the Equitable Building Decarbonization Direct Install Program and 40 percent of the HOMES budget is to be allocated towards a residential pay for performance program.

⁷⁶ D.23-08-026 at 40.

⁷⁷ PG&E Response at 17.

⁷⁸ D.23-08-026 at 38.

⁷⁹ In addition to the non-ratepayer funds discussed in this section, on April 4, 2024, the U.S. Environmental Protection Agency announced its selections for \$20 billion in grant awards within the \$27 billion Greenhouse Gas Reduction Fund with the objective to “create a national clean financing network for clean energy and climate solutions across sectors, ensuring communities have access to the capital they need to participate in and benefit from a cleaner, more sustainable economy.” Accessed April 15, 2024 at: <https://www.epa.gov/newsreleases/biden-harris-administration-announces-20-billion-grants-mobilize-private-capital-and>

⁸⁰ P.24-03-013, *Center for Accessible Technology's Response in Support of the Public Advocates Office Petition to Open a Rulemaking Pursuant to Public Utilities Code Section 1708.5* (CforAT Response), April 5, 2024, at 2-3.

⁸¹ California Energy Commission HOMES Program Overview, IRA HOMES P4P Workshop Presentation Slides, March 28, 2024.

These programs, among other non-ratepayer funded programs,⁸² advance residential building decarbonization and energy efficiency. Indeed, any available non-ratepayer funding should be leveraged to establish appropriate portfolio budgets and goals to ultimately mitigate rate affordability issues.

As demonstrated above, many relatively stable sources of non-ratepayer funds are available for demand-side programs. In order to minimize the burden on ratepayers, the Commission should consider and leverage non-ratepayer funding sources to be used in conjunction with ratepayer funds. Ratepayer funded programs, in turn, should routinely be subject to review to optimize spending on the most beneficial uses.

III. CONCLUSION

California is at a crossroads. The complex, interconnected issues that affect California's energy future cannot be resolved by a piecemeal approach vis-à-vis siloed demand-side proceedings. High energy rates impede California's decarbonization and equity goals. California's energy problems have evolved, and so must its solutions.

The Petition proposes a single rulemaking to address these issues by incorporating a holistic approach to consider the advancement of energy efficiency, demand response, and ESA programs to achieve state goals. Now is the opportune time to institute this rulemaking. The ESA, energy efficiency and demand response applications are all currently approved, thereby giving the Commission a narrow window of time to enact these changes before the next portfolio cycles start. This proposed rulemaking would establish a much-needed forum for parties to address these issues. The Commission should not let this opportunity pass.

Among the various party responses to the Petition, PG&E and SDG&E provide reasonable revisions, guiding principles, and goals. Meanwhile, the arguments against the Petition raised by CEDMC and the RENs primarily emphasize that demand-side programs are not the significant drivers of increasing electric rates. Yet these parties fail to consider how high electric rates hinder California's decarbonization and equity goals.

⁸² SDG&E Response at 11-12; CforAT Response at 2-3.

This comprehensive rulemaking would enable the Commission and stakeholders to review demand-side programs to ensure prudent use of ratepayer funds while advancing California's electrification, decarbonization, resiliency and equity objectives.

Cal Advocates respectfully requests that the Commission grant its Petition and open a demand-side program rulemaking.

Respectfully submitted,

/s/ DAVID GIBBS
DAVID GIBBS
Attorney for

The Public Advocates Office
California Public Utilities Commission
320 West 4th Street, Suite 500
Los Angeles, CA 90013
Telephone: (213) 576-7031
Email: David.Gibbs@cpuc.ca.gov

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