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Decision 24-08-036 August 22, 2024

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 (U39E).	Application 22-03-006

DECISION ADDRESSING THE CLEAN ENERGY OPTIMIZATION PILOT OF PACIFIC GAS AND ELECTRIC COMPANY

Summary

This decision denies the application of Pacific Gas and Electric Company for authorization of a Clean Energy Optimization Pilot funded by greenhouse gas allowance revenues. This proceeding is closed.

1. Background

1.1. Procedural Background

On March 4, 2022, Pacific Gas and Electric Company (PG&E) filed Application (A.) 22-03-006 (Application) for approval of a Clean Energy Optimization Pilot (CEOP) funded by greenhouse gas (GHG) allowance revenues. The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) filed a protest to the Application on April 8, 2022. The University of California (UC) filed a response on April 4, 2022, and Southern California Edison Company (SCE) filed a response on April 8, 2022. On April 18, 2022, PG&E filed a reply to the responses and the protest.

The assigned Administrative Law Judge (ALJ) held a prehearing conference on April 28, 2022, to discuss procedural matters. The assigned Commissioner issued a scoping memo and ruling to establish the issues and schedule on May 24, 2022.

PG&E, SCE, Cal Advocates, and UC filed a joint case management statement on October 17, 2022, where the parties agreed that evidentiary hearings were not necessary. On October 24, 2022, the assigned ALJ issued a ruling to cancel evidentiary hearings and direct parties to answer specific questions in a settlement agreement or briefs.

On December 5, 2022, PG&E, SCE, Cal Advocates, and UC each filed an opening brief. On December 6, 2022, PG&E and Cal Advocates filed a joint stipulation (Joint Stipulation). On December 19, 2022, PG&E and Cal Advocates each filed a reply brief.

On March 2, 2023, the assigned ALJ issued a ruling (March 2023 Ruling) to direct SCE to file the final evaluation report for its CEOP in this proceeding and direct PG&E to respond to specific questions. SCE filed its Year 2 Annual and Mid-Term CEOP Report on April 3, 2023. PG&E, SCE, and UC filed responses to the March 2023 Ruling on April 19, 2023. No party filed a reply to the responses.

On April 4, 2024, the assigned ALJ issued a ruling (Exhibits Ruling) to direct PG&E to work with parties to file and serve a consolidated motion to admit exhibits into evidence (Exhibits Motion). PG&E filed the Exhibits Motion on May 10, 2024. No party responded to the Exhibits Motion.

The proceeding record for this matter was submitted on May 10, 2024, upon the filing of the Exhibits Motion.

1.2. Southern California Edison Company's Clean Energy Optimization Pilot

In Decision (D.) 19-04-010, the Commission authorized a CEOP to allow SCE to pilot a streamlined, technology-neutral approach to reducing GHG emissions at seven campuses of UC and California State University (CSU). In D.19-04-010, the Commission approved a settlement agreement that included a budget of $20.4 million, funded with GHG allowance revenues under Section 748.5(c) of the Public Utilities Code (Pub. Util. Code), and a four-year pilot duration. D.19-04-010 provided that the adoption of the settlement agreement had no binding effect on any principle or issue of the settlement agreement.

1.3. Overview of Pacific Gas and Electric Company's Clean Energy Optimization Pilot Proposal

In the Application, PG&E proposed to replicate and "scale-up" SCE's CEOP authorized in D.19-04-010. PG&E proposed to provide incentive payments for GHG emissions reductions, rather than incentives for equipment or gas or electric savings (as existing demand-side incentive programs provide). PG&E also proposed for an evaluation contractor to review the performance payment calculations.

PG&E proposed a pilot budget of $50 million for a four-year period, funded by GHG allowance revenues. PG&E projected that approximately $50 million in GHG allowance revenues would be available for the CEOP based on the 15 percent allowance of GHG revenues for clean energy and energy efficiency (CEEE) projects pursuant to Section 748.5(c) of the Pub. Util. Code.

2. Issues Before the Commission

The issues before the Commission are as follows:

a. Whether PG&E's proposal to fund the CEOP through GHG allowance revenues complies with applicable laws relating to the use of cap-and-trade allowance revenues for clean energy and energy efficiency projects, including Pub. Util. Code Section 748.5(c) and D.14-10-033;[1]

b. Whether PG&E's proposed design of the CEOP is reasonable, including alignment with the goals of the Distributed Energy Resource (DER) Action Plan 2.0 and impacts on environmental and social justice (ESJ) communities and achievement of the Commission's ESJ Action Plan;

c. Whether PG&E's proposed budget and funding source for the CEOP is reasonable; and

d. Whether PG&E's CEOP proposal raises safety concerns.

As this decision denies the CEOP based on issues (a) and (b), this decision does not address issues (c) and (d).

3. Whether Funding the Clean Energy Optimization Pilot with Greenhouse Gas Allowance Revenues Complies with Applicable Laws

Assembly Bill 32, Stats. 2006, ch. 488 established GHG emissions reduction requirements for California and authorized the development of market-based compliance mechanisms, as codified in Section 748 of the Pub. Util. Code. Section 748.5(a) provides that the Commission shall require GHG allowance revenues to be credited directly to the residential, small business, and

[1] PG&E originally proposed in the Application that if cap-and-trade allowance revenues were insufficient, the balance of the $50 million budget would be funded with Public Purpose Program funds. In the Joint Stipulation, PG&E and Cal Advocates agreed that Public Purpose Program funds should not be used to fund the CEOP. Accordingly, this decision does not consider whether funding the pilot through Public Purpose Program funding would be reasonable.

emissions-intensive trade-exposed retail customers of the electric utilities regulated by the Commission (utilities). These customer credits are referred to as Climate Credits. Section 748.5(c) provides that the Commission may allocate up to 15 percent of a utility's GHG allowance revenues for CEEE projects established pursuant to statute that are administered by the utility or a qualified third-party administrator, and that are not otherwise funded by another funding source.

In D.12-12-033, the Commission clarified that the "established pursuant to statute" requirement in Section 748.5(c) does not refer to specific programs established by statute and includes any clean energy or energy efficiency projects that generally fall under the Commission's jurisdiction. D.12-12-033 required GHG reductions to be a stated and measurable goal of any projects utilizing Section 748.5(c) funding.

In the Joint Stipulations, PG&E and Cal Advocates agreed that the CEOP proposal complies with most of the requirements of Section 748.5 as implemented by D.12-12-033 for the following reasons: (a) CEOP is a clean energy and energy efficiency program under the Commission's jurisdiction; (b) CEOP's central goal is to incentivize verified GHG reductions on UC and CSU campuses through DERs and other on-site measures; and (c) PG&E, a qualifying electric utility, will administer the CEOP.

Cal Advocates opposed authorization of the CEOP, arguing in opening briefs that PG&E's CEOP proposal does not comply with the requirement that the project is not otherwise funded by another funding source. Cal Advocates argued that the existing energy efficiency incentive, demand response, and electric vehicle infrastructure programs listed in the Application are examples of other sources of funding for the proposed pilot.

PG&E argued that its CEOP proposal would not otherwise be funded by another funding source for the following reasons: (a) there is no existing program that comprehensively incentivizes all demand-side measures based on GHG reductions; and (b) existing demand-side incentive programs have different program rules and cannot be used to fund the CEOP proposal.[2]

Upon review, the Commission finds that PG&E's CEOP complies with the requirement of Section 748.5(c) to demonstrate that the project is not otherwise funded by other funding sources. We agree that PG&E's proposed pilot design for CEOP is inconsistent with the program rules for existing demand-side programs because PG&E specifically designed the pilot to allow participants to receive incentive payments for GHG payments without complying with the program rules for existing demand-side programs.

However, as discussed in the following section, we disagree that it is necessary for PG&E to design an integrated demand-side pilot to rely solely on GHG allowance revenues for funding.

4. Whether the Proposed Pilot Design is Reasonable

PG&E argued that the design of its proposed CEOP would be substantially the same as the design of SCE's CEOP, with the following major exceptions:

- PG&E proposed to increase the number of campuses from seven to 16 campuses.
- PG&E proposed to benefit disadvantaged communities (DACs) through participation of three out of 16 campuses (19 percent) located in DACs, compared with three out of seven campuses (43 percent) located in DACs in the SCE pilot.[3]

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[2] Exhibit PG&E-01.

[3] Exhibit PG&E-01 and D.19-04-010.

On April 3, 2023, SCE filed its Year 2 Annual and Mid-Term CEOP Report (SCE Mid-Term Report), which described the initial results of SCE's CEOP. The report explained that the pilot had been delayed due to the COVID-19 emergency and that the final evaluation report would be completed in the second quarter of 2025.[4]

PG&E argued that the SCE Mid-Term Report indicated that SCE's CEOP was successful because both GHG reductions and incentive payments exceeded SCE's expectations. PG&E asserted it would incorporate the initial lessons learned in the SCE Mid-Term Report in its proposed pilot, such as providing regular information on performance to participants through a dashboard and monitoring changes to campus facilities throughout the year.[5]

UC also argued that the SCE Mid-Term Report demonstrated success during the first two years of SCE's pilot. UC argued that a PG&E CEOP could provide additional information because PG&E provides both electricity and gas, whereas SCE only provides electricity. UC also argued that a PG&E CEOP could provide data about performance in different climate zones.[6]

In opening briefs, Cal Advocates opposed authorization of the CEOP, arguing that the Commission should not approve another CEOP prior to reviewing the final evaluation of SCE's CEOP. We agree with Cal Advocates that it is premature to determine whether SCE's pilot was successful based on the initial report.

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[4] On November 24, 2020, the Commission issued D.20-11-030 approving SCE's Petition for Modification of D.19-04-010 to pause the CEOP due to the COVID-19 emergency. SCE restarted the pilot and ran Pilot Year 2 with the participating campuses from October 1, 2021, to September 30, 2022.

[5] PG&E's comments filed on April 19, 2023.

[6] UC's comments filed on April 19, 2023.

In opening briefs, Cal Advocates also argued that it would be an unreasonable expenditure of ratepayer funds to approve PG&E's proposed activities because the proposal is duplicative of SCE's CEOP.

Upon review, we share Cal Advocates' concern that the design of PG&E's proposed pilot is duplicative of SCE's CEOP. We are not persuaded that it would be worthwhile to ratepayers to authorize substantially the same pilot as SCE's CEOP for the purpose of gathering additional data.

Further, PG&E has not sufficiently justified designing the pilot to provide incentive payments for GHG reductions without requiring the pilot participants to comply with the requirements of existing demand-side programs, which would have allowed the pilot to leverage existing program funds.

PG&E argued in its opening brief that the proposed incentive payment structure is effective because customers have the "flexibility and autonomy" to identify and implement GHG reduction measures and are not paid until performance is verified. Neither PG&E nor the UCs have provided a sufficient justification for why the UCs or CSUs should not be required to follow the program rules for existing demand-side programs, which include rules for ensuring benefits to ratepayers, preventing free ridership, and ensuring long-term GHG reduction benefits. No party has argued that the UCs or CSUs are unable to use existing demand-side programs to achieve the institutions' GHG reduction goals. Nor has any party argued that the UCs or CSUs have the characteristics of hard-to-reach customers that have greater difficulty with participating in existing demand-side programs.

In addition, the proposed pilot design is not sufficiently aligned with the Commission's ESJ Action Plan 2.0. Only three out of 16 campuses proposed for participation in PG&E's CEOP are located in DACs. PG&E argued in its opening brief that the UCs and CSUs "are uniquely situated institutions to leverage funds to benefit hundreds of thousands of Californians from all backgrounds, including from disadvantaged communities" because these institutions enroll a substantial percentage of students from diverse backgrounds. However, PG&E did not explain how the pilot design would ensure direct benefits to students from disadvantaged communities and did not provide an estimated number of students from disadvantaged communities that would directly benefit from the pilot.

For the reasons above, the proposed design of the CEOP is not reasonable. The Application should be denied.

5. Procedural Matters

On May 10, 2024, PG&E filed a consolidated Exhibits Motion to admit exhibits into evidence as directed by the assigned ALJ. No party responded to the Exhibits Motion.

This decision marks for identification and admits into evidence each of the following exhibits listed in the attachment to the Exhibits Motion on the effective date of this decision: Exhibit CA-01; Exhibit PG&E-01; Exhibit PG&E-02E; Exhibit PG&E-03; Exhibit UC-01; and Exhibit UC-02.All motions not previously ruled upon by the assigned Commissioner or the assigned ALJ are denied.

6. Summary of Public Comment

Rule 1.18 of the Commission's Rules of Practice and Procedure (Rules) allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written comment submitted in a proceeding be summarized in the final decision issued in that proceeding. There are no relevant public comments on the Docket Card.

7. Comments on Proposed Decision

The proposed decision of ALJ Stephanie Wang in this matter was mailed to the parties in accordance with Pub. Util. Code Section 311 and comments were allowed under Rule 14.3. Comments were filed on August 5, 2024 by PG&E and UC.

8. Assignment of Proceeding

President Alice Reynolds is the assigned Commissioner and Stephanie Wang is the assigned ALJ and presiding officer in this proceeding.

Findings of Fact

1. PG&E's proposed CEOP is designed to rely on GHG allowance revenues as the sole funding source for incentive payments.
2. PG&E's CEOP proposal would not otherwise be funded by another funding source.
3. PG&E's proposed pilot design for the CEOP is substantially the same as the design of the SCE CEOP.
4. Only three out of the 16 campuses proposed for participation in PG&E's CEOP are located in DACs.

Conclusions of Law

1. PG&E's proposed design for the CEOP is not reasonable.
2. Application 22-03-006 should be denied.
3. It is reasonable to mark for identification and admit into evidence each of the following exhibits listed in the attachment to the Exhibits Motion on the effective date of this decision: Exhibit CA-01; Exhibit PG&E-01; Exhibit PG&E-02E; Exhibit PG&E-03; Exhibit UC-01; and Exhibit UC-02.

4. All motions not previously ruled upon by the assigned Commissioner or the assigned ALJ should be denied.

5. This proceeding should be closed.

O R D E R

IT IS ORDERED that:

1. Application 22-03-006 filed by Pacific Gas and Electric Company is denied.

2. Each of the following exhibits listed in the attachment to PG&E's motion to admit exhibits into evidence filed on May 10, 2024, is marked for identification and admitted into evidence on the effective date of this decision: Exhibit CA-01; Exhibit PG&E-01; Exhibit PG&E-02E; Exhibit PG&E-03; Exhibit UC-01; and Exhibit UC-02.

3. All motions not previously ruled upon by the assigned Commissioner or the assigned Administrative Law Judge are denied.

4. Application 22-03-006 is closed.

This order is effective today.

Dated August 22, 2024, at San Francisco, California.

ALICE REYNOLDS
President
DARCIE L. HOUCK
JOHN REYNOLDS
KAREN DOUGLAS
Commissioners

Commissioner Matthew Baker recused himself and did not participate in the vote of this item.