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CMUA, NCPA, and SCPPA Joint Comments on the Draft Staff Papers re: SB 350 Doubling EE Savings

Additional submitted attachment is included below.

BEFORE THE CALIFORNIA ENERGY COMMISSION

In the Matter of:	**Docket No. 17-IEPR-06**
2017 Integrated Energy Policy Report	**RE: Draft Staff Papers on SB 350 Energy Efficiency Savings Doubling Targets**

**JOINT PUBLICLY OWNED UTILITIES'
COMMENTS ON DRAFT STAFF PAPERS ON
SB 350 ENERGY EFFICIENCY SAVINGS DOUBLING TARGETS**

The California Municipal Utilities Association ("CMUA"), Southern California Public Power Authority ("SCPPA"), and Northern California Power Agency ("NCPA") (collectively, "Joint POUs") appreciate the opportunity to provide these comments to the California Energy Commission ("Commission" or "CEC") on the draft energy efficiency savings targets proposed by CEC staff per Senate Bill 350 ("SB 350") (De León, 2015).

In particular, these comments address the cost effective and feasibility analyses contained in the two separate staff papers authored by different divisions of the CEC, published on July 21, 2017. CEC Energy Assessments Division staff published draft targets for energy savings to be achieved from ratepayer-funded activities.[1] CEC Efficiency Division staff published draft targets for energy savings to be achieved from all other sources.[2] These two staff papers reflect the culmination of months of meetings, public workshops, stakeholder feedback, and research and analysis undertaken by CEC staff. The Joint POUs sincerely appreciate the collegial manner in which CEC staff proactively solicited and incorporated input from the public power community, as well as a broad and diverse group of other stakeholder groups, in an effort to

[1] Giyenko, E., Rogers, C., Jaske, M., and Schrupp, L. 2017. *Senate Bill 350 Energy Efficiency Target Setting for Utility Programs*. California Energy Commission. Publication No.: CEC-200-2017-005-SD.
[2] Kenney, M., Samuelson, B., and Manjit, A. 2017. *Senate Bill 350 Energy Efficiency Targets for Programs Not Funded through Utility Rates*. California Energy Commission. Publication No.: CEC-400-2017-009-SD.

successfully implement the Governor's bold vision for increased energy efficiency, as codified by the Legislature in SB 350. It is in this spirit of collaboration that the Joint POUs respectfully submit these comments for the CEC's consideration.

I. 2030 ENERGY EFFICIENCY SAVINGS TARGETS OVERVIEW

SB 350 directs the Commission to establish annual targets for statewide energy efficiency ("EE") savings and demand reduction that will achieve a cumulative doubling of statewide EE savings in electricity and natural gas final end uses of retail customers by January 1, 2030. The annual statewide targets shall be based on a doubling of the 2014 additional achievable energy efficiency savings ("2014 AAEE") adopted by the Commission and the 2013 targets adopted by POUs ("2013 POU targets")[3], extended to 2030, to the extent doing so is cost-effective, feasible, and will not adversely impact public health and safety.[4]

On June 30, 2017, the Joint POUs filed comments[5] in this docket regarding the CEC'sw proposed framework for developing the SB 350 2030 EE savings goal; this framework served as the basis for the two staff papers. The Joint POUs reiterate our support for CEC staff's proposed bifurcation of the target setting to (1) establish a 2030 EE savings goal based on a literal doubling of the 2014 AAEE and 2013 POU targets, and; (2) to establish annual EE targets that are cost-effective, feasible, and that will not adversely impact public health and safety. The Joint POUs concur with CEC staff that this approach facilitates comparison of annual EE targets to the 2030 goal to identify potential gaps, track progress of POU ratepayer and non-ratepayer EE programs towards annual targets and the 2030 goal, and provide recommendations for EE

[3] 2014-2023 Annual Energy Efficiency Savings Targets, as reported by POUs in 2014: http://www.ncpa.com/wp-content/uploads/2015/02/FINAL_SB1037_Report1.pdf.
[4] Cal. Pub. Res. Code §25310(c)(1).
[5] *Joint POU Comments on Methodologies for 2030 EE Target Setting*, docketed June 30, 2017. Available: https://efiling.energy.ca.gov/Lists/DocketLog.aspx?docketnumber=17-IEPR-06.

program improvement and policy modifications.

II. ENERGY ASSESSMENT DIVISION'S STAFF PAPER

Chapter 4 of the Energy Assessment Division ("EAD") Draft Staff Paper explores the energy savings that electric POU energy efficiency programs can contribute to achieving the SB 350 statewide target. As noted in the June 30th comments, the Joint POUs support the proposed adjustments to the POU adopted 2018-2027 energy efficiency targets for the purpose of determining the contribution of POU programs, as defined, to statewide annual EE savings targets. However, as set forth below, other aspects of the proposal are not only problematic from an implementation perspective, but also infringe on the local authority of POU governing bodies.

The Joint POUs strongly object to: (1) the CEC staff's interpretation of SB 350 as it relates to POU programs; (2) the premature assertion that POUs should be expected to deliver greater energy efficiency savings than they have in the past without any further analysis, and; (3) the proposal for CEC staff to preempt a local governing board's authority to adopt energy efficiency 10-year energy efficiency targets, including POUs subject to the SB 350 integrated resource plan ("IRP") requirements.[6] The Joint POUs, as discussed in detail below, urge the CEC to reframe their characterization of energy savings from POU programs as they relate to the SB 350 2030 EE goal and proposals for future actions related to public power IRPs.

(a) CEC Staff Interpretation of SB 350 Regarding POU EE Targets

Staff interprets the intent of SB 350 to be that utilities should do more to achieve a cumulative doubling of statewide energy efficiency savings in electricity and natural gas final end uses of retail customers by January 1, 2030.[7] Yet, nothing in the legislation encourages, supports, or otherwise substantiates the interpretation that SB 350 specifically directs the CEC to

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[6] Cal. Pub. Util. Code § 9621.
[7] See CEC-200-2017-005-SD, pg. 32.

drive POUs to deliver greater energy savings. Instead of pursuing utility-specific mandates, which was an option in competing legislation, the statewide approach outlined in SB 350, which POUs helped to craft, was pursued and adopted as the Legislature's preferred framework for achieving the Governor's goal of doubling California's energy savings from energy efficiency by 2030. This framework intentionally allows for specifically tailored EE programs that can achieve the greatest EE savings at the lowest costs.

Existing statutes that govern POU assessment and adoption of 10-year EE energy savings targets already require POUs to identify all cost-effective, feasible, and reliable energy savings and demand reductions.[8] To anticipate additional energy savings would necessitate a violation of at least one of the three limitations: cost-effectiveness; feasibility; or reliability, which are all restated as limitations on the CEC for establishing statewide EE savings targets for 2030 pursuant to SB 350. Absent compelling analysis and assessment to the contrary, the CEC is not currently equipped to determine that POU "business as usual" is not consistent with and supporting of the Legislature's intent in adopting SB 350.

(b) Presumption of Additional POU Energy Savings

In March 2017, POUs provided the CEC with 2018-2027 energy efficiency potential studies and goals, as required by statute.[9] POUs contracted with Navigant Consulting to develop the EE potential studies and goals using the Electric Resource Assessment Model (ELRAM), which is substantively similar to the modeling tool Navigant used for the investor-owned utility EE potential studies and goals. While the adopted targets for 2018-2027 are more aggressive both as a percent of load and in terms of total energy (kWh) saved than the previous goals adopted for 2014-2023, the targets still trend downwards over time.

[8] Cal. Pub. Util. Code § 9615; Cal Pub. Util. Code § 9505(b).
[9] Cal. Pub. Util. Code § 9505(b).

The main driver of the downward trend over the 2018-2027 horizon is a recognition that codes and standards for appliances and buildings, at the state and federal level, are anticipated to become much more stringent in coming years. The push for Zero Net Energy ("ZNE") new construction for residential buildings by 2020 and non-residential buildings by 2030, requires the maximum amount of energy efficiency measures to be included in future homes and offices. Likewise, *California's Existing Buildings Energy Efficiency Action Plan*[10] (and the 2016 update)[11] is driving the adoption of more stringent building codes regarding existing building stock. Both of these efforts will have dramatic impacts on the attribution of future energy savings from utility EE programs. Absent more aggressive codes and standards, there would have been greater opportunities for POUs to pursue some of the energy savings through their customer rebate and incentive programs for measures that will otherwise be included in the new building construct and retrofits.

In recognition that codes and standards will seek to build even greater efficiency into buildings—new and existing—POUs are expanding their role in developing, implementing, and supporting compliance with future codes and standards updates. However, none of the POU investment of funds and resources to support codes and standards are attributable to POUs under the framework proposed by either of the two staff papers. The Joint POUs understand the need to differentiate between traditional utility programs and statewide codes and standards to avoid double-counting for the purposes of the 2030 doubling of EE savings goal, but this differentiation must recognize the totality of the POU efforts in effecting greater EE savings and achieving the *statewide* savings target. As noted in the June 30th comments, the Joint POUs

[10] California Energy Commission. 2015. *California's Existing Buildings Energy Efficiency Action Plan*. Publication No.: CEC-400-2015-013-F.
[11] California Energy Commission. 2016. *2016 Existing Buildings Energy Efficiency Plan Update*. Publication No.: CEC-400-2016-023CMF.

support adjusting the reported POU 2018-2027 annual EE targets to exclude EE savings from codes and standards.

The Joint POU support of the CEC staff's proposed bifurcation of calculating a literal, arithmetic doubling of 2014 AAEE and 2014 POU targets as an aspiration goal for 2030 compared to annual statewide targets comprised on energy savings from a range of programs, is contingent upon the fact that *an actual analysis* will drive CEC recommendations and conclusions regarding progress towards the aspirational goal, and set appropriate energy savings targets given the legislatively-mandated constraints of cost-effectiveness, feasibility, and reliability/adverse impacts to public health and safety. The EAD Staff Report presupposes without supporting analysis the outcome before any separate CEC analysis has been completed—that POUs should be expectedto deliver additional energy savings.

Furthermore, the Joint POUs and their member utilities were well aware of the Legislature's and Governor's 2030 goal for energy efficiency when the 2018-2027 targets were being developed. In support of this goal, when developing their 2018-2027 energy efficiency potential studies and goals, a number of POUs reported on their plans to participate in the promulgation and implementation of codes and standards in their 2018-2027 EE savings targets. Some POUs reworked the inputs of the ELRAM runs by Navigant to generate greater energy savings as the initial runs were unacceptably conservative. Still other POUs adopted energy savings stretch goals that exceeded even the reworked ELRAM output. The CEC, after a more thorough review and assessment of the reported POU targets, may determine that there are additional savings potential, such as in programs or technologies that were not considered that could be effective in specific POU communities. Such findings are appropriate to be considered in future POU potential studies and goals; however, such findings should not be assumed. The

Joint POUs understand that the CEC has contracted with Navigant to provide just such an assessment of the reported POU 2018-2027 EE savings targets. However, based on the staff proposals, that assessment is already biased by the unsubstantiated presumption that the POU targets are inadequate.

To the extent unlocking greater energy savings from energy efficiency will be more challenging, in particular as POUs focus on low-income households and disadvantaged communities, the Joint POUs are in complete agreement that we, as well as the State, should all be expected to "do more" to achieve the goals of SB 350. However, expending greater effort does not necessarily mean that a commensurate amount of energy savings will be achieved, especially as non-utility programs–and codes and standards, in particular—are anticipated to deliver significantly greater energy savings between now and 2030 that would have otherwise been achievable through utility interventions.

The Joint POUs share a great deal about the successes—and failures—of their programs with each other and the public with the goal of identifying best practices. Similarly, we have learned a great deal from the programs offered by IOUs, program administrators, and other EE stakeholders. California public power also welcomes suggestions from the CEC and stakeholders about successful programs and emerging technologies that could be of interest and a benefit to the customers we serve. However, arbitrarily aggressive numeric targets—which the EAD Staff Paper proposes will be forthcoming for POUs—that in no way account for the characteristics of local constituents and communities, and that contradict established metrics for cost-effectiveness and feasibility, are neither useful nor productive.

(c) CEC Staff Supplanting Local Governing Board Authority

As noted previously, SB 350 does not envision, require, or otherwise encourage the CEC to develop utility-specific targets. Yet, the EAD Staff Paper states, "Staff proposes to establish SB 350 targets for larger POUs identified as an Integrated Resource Planning (IRP) group and thus will request enhancements of POU electricity savings reporting so that the biennial reporting to the Legislature can be complete and accurate."[12] To the latter point about enhancements to reporting, the Joint POUs are willing to continue our discussion with the CEC staff on ways we can improve our annual reporting to better inform the CEC while not creating an undue burden for POUs, which would be particularly onerous for smaller and mid-size POUs. More specifically, providing hourly estimates program savings impacts and disaggregating estimates to separate impacts in disadvantaged communities from those for other program participants poses a significant challenge for most POUs and warrants further consideration, as suggested in the EAD staff paper.[13]

The former pointregarding CEC staff establishing targets for POUs, however, needs to be rephrased for consistency with the scope of the CEC's statutory authority under SB 350. Prior to the adoption of SB 350, previous bills had vested the authority for adopting 10-year energy efficiency targets with the local governing board of a POU.[14] Nothing in SB 350, or subsequent legislation, has transferred this authority to the CEC. As we have consistently noted throughout these comments, and in numerous other conversations, the Joint POUs fully support CEC inclusion of energy savings from POU programs in developing the SB 350 statewide EE targets, but not the establishment of utility-specific targets. The difference between "determining the

[12] See CEC-200-2017-005-SD, pg. 32.
[13] See CEC-200-2017-005-SD, pg. 60-61.
[14] Cal. Pub. Util. Code § 9505(b).

energy savings from POU EE programs" and "establishing energy savings targets for POUs" is more than semantics. The Joint POUs support the overall approach that the CEC is proposing for calculating the contribution of the POU programs to the statewide target. However, the reference to establishing targets for IRP utilities should be reframed as it implies that the CEC staff targets preempt the POU targets adopted by local governing boards, and that POUs subject to the IRP will be expected to incorporate the CEC staff targets instead of their own adopted targets into their IRP filings; neither of which is within the scope of the CEC's authority to direct.

(d) Support Data for Table C-5

The EAD Staff Paper proposes to make the following adjustments to the adopted POU 2018-2027 EE savings targets that were submitted to the CEC in March 2017:

- Exclude code and standard savings from utility targets, and include such savings in the nonutility program savings group.
- Shift gross to net basis for calculating historical and future savings.
- Add historical savings for 2015-2017 and extrapolate savings from 2027 through 12/31/2029.[15]

The application of these three adjustments varies by POU as not all POUs included codes and standards in their 2018-2027 targets or adopted targets on a gross basis. While there is an open debate surrounding appropriate use of net versus gross energy savings for the different reporting and planning purposes, the Joint POUs support calculating electric energy savings on a consistent basis across all utilities. As previously noted, the Joint POUs also recognize the need to avoid double counting energy savings across program categories and, therefore, support delineating between POU EE programs specific to their customers and their service territories as

[15] See CEC-200-2017-005-SD, pgs. 41-42.

compared to POU (and IOU) support for the development, advocacy, implementation, and improved compliance with codes and standards—however, characterizing codes and standards as not funded through rates is patently false, as the investment of staff time and resources into supporting codes and standards is necessarily funded by utility rates.

Figure 17 depicts the POU Annual Incremental Targets with Adjustments.[16] While the graph generally depicts the anticipated impact of the adjustments to the reported POU 2018-2027 targets, the Joint POUs request that the CEC include a table of the adjustments to allow for a side-by-side comparison of the differences between the reported POU annual incremental energy savings and the proposed CEC-adjusted annual incremental energy savings.

Similarly, Table C-5 notes the CEC-adjusted cumulative energy savings for the purposes of SB 350. However, the EAD Staff Paper does not include the specific formulas or detailed methodologies used to translate the adjusted incremental energy savings into cumulative targets. Based on our understanding of how the CEC intended to adjust the reported POU 2018-2027 targets, the values in Table C-5 significantly deviate from our own calculations. In order to clarify these inconsistencies, the additional documentation on the methodologies and assumptions behind Table C-5 should be made public. In addition, the Joint POUs recommend a follow-up meeting or public workshop to discuss and solicit feedback on the adjusted cumulative energy savings, the methodologies and assumptions used in making the adjustments, as well as the role the POU adjusted cumulative energy savings will play in future CEC demand forecasts and the CEC's review of POU IRPs.

[16] *Ibid*, pg. 43.

III. EFFICIENCY DIVISION DRAFT STAFF PAPER

The Joint POUs commend the Efficiency Division's substantial efforts to estimate the potential energy savings from multiple non-utility programs that have been appropriately categorized into three groups:

1. Codes and Standards
2. Financing
3. Behavioral and Market Transformation Programs

The Joint POUs concur with staff's conclusion that the different analyses need to be expanded or extended because in many cases, as the staff paper freely states, the energy savings estimates are highly variable because "each program's energy savings are based on certain assumptions that may result in overestimation or underestimation."[17] While this is common in forecasting efforts, the Commission should not base such important policy decisions that are being contemplated in this proceeding on perfunctory or incomplete analyses. In addition, as the Efficiency Division staff note, there is an overlap, or lack of clear distinction, between the utility and non-utility programs.[18] In light of this, the Joint POUs urge the Commission to provide ample time for staff to complete the analyses of each non-utility program so as to ensure that all sources of EE savings can be appropriately used to meet the aggressive 2030 statewide goals.

In addition, the Joint POUs note that staff has surprisingly placed a relatively high expectation on EE savings from the PACE Program in the future. There is growing concern among legislators, consumers, and other stakeholders that PACE Programs may not be providing the optimal or intended value to all participants.[19] Given the extent to which these future

[17] See CEC-400-2017-009-SD, pg. 63.
[18] See CEC-400-2017-009-SD, pg. vii.
[19] National Consumer Law Center. 2016. PACE Energy Efficiency Loans: Good Intentions, Big Risks for Consumers. Available: https://www.nclc.org/issues/pace-energy-efficiency-loans.html.

savings have been called into question, the Joint POUs caution the Commission from putting too much reliance on PACE to continue to provide increasing amounts of energy savings in order to achieve the statewide goals by 2030.

Finally, there are a number of programs listed in this report of "programs not funded by ratepayers" that would not exist were it not for the direct involvement of utilities and the expenditure of fund collected from ratepayers: building standards; appliance regulations,; behavioral and market transformation programs; benchmarking; smart meters and controls; fuel substitution; behavioral, retrocommissioning, operational savings; industrial savings; agricultural savings. These programs warrant specific strategies and considerations to more fully realize their cost-effective and feasible energy savings potential. The characterization, however, that these programs do not, and will not, involve utilities or ratepayer funds, is inaccurate and misleading. Given the CEC's stated interest in the EAD staff paper to "continue working with POUs to achieve more energy-efficiency savings than they have in the past,"[20] then the investments of POUs to support the full-range of programs needs to be appropriately recognized by the CEC in both this proceeding as well as the review of POU IRPs.

IV. CONCLUSION

The Joint POUs appreciate the opportunity to provide these comments to the Commission, and look forward to continuing working with staff on refining the framework for establishing and achieving the energy efficiency targets required by SB 350.

Thorsby, D. December 14, 2016. Why You May Want to Rethink a PACE Loan for Energy-Efficient Home Improvements. U.S. News & World Report. Available: http://realestate.usnews.com/real-estate/articles/why-you-may-want-to-rethink-a-pace-loan-for-energy-efficient-home-improvements/.

[20] See CEC-200-2017-005-SD, pg. 32.

Respectfully submitted,

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