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**2018 Integrated Energy Policy Report Update Joint Agency Workshop on
Doubling Energy Efficiency Savings, 18-IEPR-07**

Additional submitted attachment is included below.



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Subject: Comments on the 2018 Integrated Energy Policy Report Update Joint Agency Workshop on Doubling Energy Efficiency Savings, 18-IEPR-07

Southern California Gas Company (SoCalGas) and San Diego Gas & Electric Company (SDG&E) appreciate the opportunity to comment on the Doubling Energy Efficiency (EE) Savings workshop conducted by the California Energy Commission (CEC) and the California Public Utilities Commission (CPUC) as part of the 2018 Integrated Energy Policy Report (IEPR) Update proceeding. We offer comments on the following:

1. Shifting from Energy Metrics to Emissions Metrics;
2. Standardizing Pay-for-Performance Methodologies;
3. Increasing EE in Agricultural and Industrial Sectors; and
4. Behavioral Savings Opportunities.

1. Shifting from Energy Metrics to Emissions Metrics

During the workshop, statements were made noting the quick movement away from metrics-based EE programs to greenhouse gas (GHG) emissions reductions-based goals. SoCalGas and SDG&E note that the CPUC requires GHG reduction metrics for the Program Administrator's EE portfolios.¹

SoCalGas and SDG&E recommend that prior to shifting from one metric to another, any changes should first be discussed with stakeholders in public workshops or working groups, such as the Demand Analysis Working Group.

2. Standardizing Pay-for-Performance Methodologies

The concept of pay-for-performance (P4P) programs has been a part of EE for many years and those programs have existed in many different methods. However, given the change in the design

¹ Decision (D.) 18-05-041

and implementation of EE programs in California, there is a need to clearly understand P4P model mechanisms.

During the workshop, Commissioner McAllister requested the utilities explain the current efforts taken to standardize P4P methodology. On March 23, 2018, the CPUC issued a ruling seeking parties' comments on certain measurement and verification (M&V) issues for EE programs to provide standard guidance to program administrators and third-party implementers. The intent of these efforts is to provide rules and technical guidelines to direct the implementation of programs and projects leveraging normalized metered energy consumption (NMEC) and other forms of embedded M&V in program design, data collection, and savings quantification.

An aspect of standardizing P4P program performance is the standardization of the NMEC methodology approved by Assembly Bill (AB) 802. This matter is being considered by the CPUC. SDG&E and SoCalGas commented on the March 23, 2018 Administrative Law Judges' Ruling Seeking Comment on Certain Measurement and Verification Issues, Including for Third Party Programs. These comments focused on CPUC Staff-proposed new M&V requirements for metered-based approaches, including a proposed NMEC rulebook.² The main points SDG&E and SoCalGas made were:

- The NMEC Guidance M&V requirements should clarify expectations for program versus project versus measure level savings estimates;
- With upfront NMEC review and approval, the custom measure ex ante review unnecessary; and
- An "NMEC Lessons Learned" CPUC workshop should be conducted.

SoCalGas and SDG&E support the Commissioner's recommendation for a consistent approach to P4P methodologies and will continue to be involved in the CPUC efforts to establish a common set of guidelines that make sure individual and market confusion is avoided.

3. Increasing EE in Agricultural and Industrial Sectors

SoCalGas' industrial customer sector represents nearly 25% of the natural gas consumed by all EE program-eligible customers. SoCalGas' agricultural sector represents nearly 2% of the natural gas consumed by all customers. SDG&E's industrial customers account for approximately 8% of electric consumption and 5% of natural gas consumption. SDG&E's agricultural sector constitutes approximately 2% of electric consumption.

The industrial and agricultural sectors face several sector challenges, including the lack of technical and financial resources available to small agricultural customers, competing priorities causing the overshadowing of EE, and the difficulty in offering standard programs that fit customer-specific needs. Notwithstanding, there has been success in these areas. The food processing customer segment is the second highest segment for therm savings. In 2016, this

² Comments of San Diego Gas & Electric Company (U 902-M) and Southern California Gas Company (U 904-G) on Measurement and Verification Issues, Including for Third Party Programs, May 14, 2018.

segment saved approximately 1.1 million therms, approximately 26% of all industrial EE sector savings. There are substantial gas-savings potential within the industrial sector, specifically with cheese manufacturing, fruit and vegetable canning, and fluid manufacturing. Incentives can help industries meet return-on-investment (ROI) cutoffs for energy projects and to encourage EE improvements. To further engage these sectors, program administrators can serve as a resource for niche food processing industries by providing technical assistance, knowledge-sharing, and training opportunities.

To engage the industrial sector, SoCalGas and SDG&E plan to promote the new Strategic Energy Management Program for its industrial customers to identify EE opportunities, including behavior, retrocommissioning, and operational (BRO) measures. The Strategic Energy Management Program approach can also be extended to the agricultural customer sector. In addition, SoCalGas and SDG&E recognize that a more specialized intervention approach would benefit the industrial and agricultural sectors. Therefore, SoCalGas and SDG&E look forward to engaging third-party implementers who may bring innovative proposals to address these customer sectors.

4. Behavioral Savings Opportunities

D.10-04-029 limited behavior-based EE program savings claims to programs evaluated using experimental design methods. Ordering Paragraph (OP) 13 states:

OP 13. Savings from behavior-based energy efficiency programs, defined as comparative energy use reporting contemplated in Senate Bill 488, shall be eligible for counting, if evaluated consistent with experimental design methods contained within the California Evaluation Protocols. The prioritization process described in the Joint Energy Division/Utility Plan for energy efficiency Evaluation, Measurement & Verification in 2010 through 2012, adopted in Ordering Paragraph 1 of this decision, shall be used to make decisions regarding which programs will be evaluated and specifically how those programs will be evaluated.

Since that time, residential behavior-based EE programs have been designed and evaluated using experimental design methods, which have resulted in statistically significant savings. In addition, these savings have been recognized in the Energy Efficiency Potential and Goals Study for 2018 and Beyond.³

The Randomized Controlled Trial (RTC): Design and Implementation paper states:

For new programs, the treatment group might be a randomly selected set of households within a utility's service territory participating in a pilot. The control group would then be households that did not participate. If the evaluation shows that a program produces net energy savings, it can be rolled out to all households.⁴

³ D.17-09-025, Appendix 1: Energy Efficiency Potential and Goals Study for 2018 and Beyond, pp. 70-75.

⁴ Draft Randomized Controlled Trial: Design and Implementation, The E2e Project, p. 1. Available at: <http://cpuc.ca.gov/general.aspx?id=6442456320>.

Since 2010, evaluation results over several program years have proven that the residential behavior programs produce statistically significant results. Therefore, consistent with the RCT paper, SDG&E and SoCalGas have recommended to the CPUC that these behavior programs should no longer be limited to the experimental design methods and be open to all eligible customers, and to discontinue RCT for behavior programs. SDG&E and SoCalGas urge the CEC to support this recommendation for realizing greater EE savings in the residential sector.

Conclusion

SoCalGas and SDG&E thank the CEC for the opportunity to participate and provide input on the 2018 IEPR Update Joint Agency Workshop on Doubling Energy Efficiency Savings. SoCalGas and SDG&E strongly believe that a diverse energy portfolio that includes multiple fuels and EE technologies is necessary to meet California's energy needs and implement environmental policies in a cost-effective and feasible manner.

Sincerely,

/s/ Tim Carmichael

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