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City of Palo Alto Comments on 2019 Energy Efficiency Action Plan

Additional submitted attachment is included below.

CITY OF PALO ALTO
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City of Palo Alto Comments on 2019 California Energy Efficiency Action Plan
Docket 19-IEPR-06

October 2, 2019

On August 27, 2019, the California Energy Commission (CEC) and the California Public Utilities Commission (CPUC) held a joint workshop to present the draft 2019 California Energy Efficiency Action Plan (EE Action Plan). This EE Action Plan will address both the requirements of AB 758 (2009) and the requirements of SB 350 (2015), i.e. to increase energy efficiency in existing buildings and to achieve a statewide, cumulative doubling of energy efficiency savings of electricity and natural gas end uses by 2030 respectively.

During the workshop, CEC staff presented the projected energy efficiency (EE) savings attributed to utility programs and "beyond utility" programs such as Codes & Standards and programs funded by the Greenhouse Gas Reduction Fund (GGRF). Specifically, CEC staff clarified that in the SB 350 Report published in October 2017, EE savings attributed to fuel substitution only include projected savings from new buildings. Up until a year ago, funding for fuel substitution measures in existing buildings has been lacking. With the enactment of SB 1477 (2018) and the recent CPUC decision that permits the use of ratepayer energy efficiency program funds for fuel substitution programs, the next update of the SB 350 report should incorporate EE and GHG savings from fuel substitution in existing buildings.

The City of Palo Alto appreciates the opportunity to offer the following comments related to the update of the EE Action Plan.

CPUC/CEC should consider undertaking a study in the near term to evaluate the cost effective potential of fuel substitution to inform the next update of the SB 350 report.

The CPUC recently published the final report for the 2019 EE Potential and Goals Study[1]. This study did not examine fuel substitution, but referenced a second volume of the report to be published later that will address a framework to integrate fuel substitution in a future potential study cycle.[2]

Palo Alto recommends that the CEC/CPUC undertake a study in the near term to examine the technical and economic potential of electrifying gas energy systems (e.g. water heating, space heating) in existing buildings, rather than waiting until the next potential study cycle two years later. We expect that there are cost effective options to replace gas equipment at the end of their useful life with high efficiency electric alternatives. Examples include rooftop gas packs (or packaged units) for commercial buildings, and gas furnaces in single family homes where air conditioners are also in use. The cost effectiveness of such replacements should take into account the societal cost of carbon. The study results can inform the

[1] 2019 EE Potential and Goals Study, prepared for CPUC by Navigant Consulting, July 1, 2019
[2] Ibid, p. 10

next update of the SB 350 report, but more importantly, it will also inform EE program administrators who design and implement fuel switching programs that target existing buildings.

Palo Alto is planning to revisit its gas and electric efficiency potential over the next year, and will be undertaking a study to examine the technical and economic potential of fuel switching at the same time. As a city committed to an aggressive greenhouse reduction goal of 80% from the 1990 level by 2030, Palo Alto will need to pursue deep decarbonization of both the building and transportation sectors. In addition to expanding rebate offerings beyond heat pump water heaters, Palo Alto will be working to estimate the fuel switching cost for different types of buildings. Our City looks forward to collaborating with state agencies and other cities to develop a comprehensive framework to implement fuel substitution programs in both new and existing buildings.

CPUC/CEC should develop a process to allow both utility and non-utility entities to report EE savings and GHG reductions achieved through fuel substitution programs.

Publicly owned utilities are currently required to report annually to the CEC, among other items, investments in energy efficiency and demand reduction (DR) programs as well as expected and actual EE savings and DR results. This requirement was established by SB 1037 (2005), long before greenhouse gas reductions became a statewide climate policy priority. To give recognition to the fuel substitution programs that are currently in place, the CPUC/CEC should encourage both utilities and non-utility entities to voluntarily report the energy and GHG savings as well as description of the programs, program expenditures, and cost effectiveness of each program. The reported data can serve many purposes, e.g. provide a baseline for future potential study, document what works and what doesn't, and serve as templates for other interested program implementers. The ability to report achievements of fuel substitution programs also raises the visibility of these programs.

As a starting point, the CEC can convene a working group to develop a reporting format for fuel substitution programs. This could be an interim solution and might be subjected to future changes, given that there are still open questions on the methodology of aggregating electricity and natural gas end-use energy efficiency savings when establishing EE savings target.

Palo Alto looks forward to continuing to work with CEC and stakeholders to facilitate fuel substitution as a key strategy to meeting SB 350's EE targets.

Respectfully,

/s/ Dean Batchelor

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