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SoCalGas Comments on BUILD Implementation Plan

Additional submitted attachment is included below.

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August 7, 2020

Jordan Scavo
BUILD Implementation Project Manager
California Energy Commission

RE: Comments on the BUILD Program Implementation Draft Plan Dated July 2020

Dear Mr. Scavo:

Southern California Gas Company (SoCalGas) is submitting the following comments regarding the CEC Staff Report "Building Initiative for Low-Emissions Development (BUILD Program" Implementation Plan dated July 2020.

BILL SAVINGS METHODOLOGY

A. Bill Savings Rate Projections

SoCalGas agrees with staff report recommendation that the rate projections used in the bill savings calculations should be updated periodically. It is difficult to accurately forecast utility rates over a 15-year period due to the rapidly changing policies and developments in the energy sector. The CEC Integrated Energy Planning Report (IEPR) forecast tends to be a conservative forecast that projects rates based on longer-term trends in commodity and utility pricing. This forecast has been a useful tool for demand forecast trends over the long-term. However, it may miss some of the near-term impacts of regulatory accounting and dislocations in rate forecasts due to regulatory filings, such as the General Rate Case (GRC).

SoCalGas is concerned by Staff's suggestion to use the rate projections from the referenced E3 studies published in 2019 and 2020. The rate projections in both studies are based on flawed assumptions about near-term electric rate increases. In their 2019 study on Building Electrification, E3 indicates electric rates will increase by 2% above inflation each year.[1] In their 2020 study on Retail Gas in California, E3 suggests electric rates are relatively flat in the near-term.[2] By contrast, we have seen SCE make a request for an increase that is more than 3 times higher than the estimate underlying E3's analysis. On August 6, 2020, Southern California Edison (SCE) amended their GRC testimony requesting a 34% cumulative rate increase through 2023.[3] Similarly, the Los Angeles Department of Water and Power (LADWP) projected a roughly 30% rate increase by 2024 in their 2017 Strategic Long-term Resource Plan.[4] It should be noted that neither of these forecasts even consider the accelerated decarbonization targets required by Senate Bill (SB) 100. The electric utilities are considering how to meet those long-term targets, which will likely require significant investment in the next 10 years.

These near-term rate impacts have not been adequately captured in any of the three rate projections identified by CEC staff to calculate bill savings under the BUILD program. Using artificially low electric rates, especially near-term rate projections, in the analysis to justify electrification will thwart the intention of Senate Bill (SB) 1477 to ensure no bill increase for customers. SoCalGas recommends a more thoughtful rate forecast exercise, that includes reviewing currently available information not listed in the Staff Paper and provide a range of rate projections to take into account uncertainty. Interested parties should be able to provide input on the ranges developed to ensure real bill savings are obtained by California consumers.

B. Clarity & Transparency to Ensure Bill Neutrality

SoCalGas has concerns that there are still many unknowns in how the bill savings for BUILD project proposals will be calculated and in turn, ensuring bill neutrality. Chapter 6 of the BUILD Implementation Plan states:

"To assist with design considerations, in cases where the expected combination of energy efficiency measures and new electric technologies does not indicate bill savings will also be accomplished, CEC staff can do upfront analysis using CBECC to determine what building performance criteria must be met to show utility bill savings."

And

[1] E3 study 'Residential Building Electrification in California', April 2019, at p. 36 https://www.ethree.com/wp-content/uploads/2019/04/E3_Residential_Building_Electrification_in_California_April_2019.pdf

[2] E3 study 'The Challenge of Retail Gas in California's Low-Carbon Future', April 2020, at p. 53

[3] SCE amended testimony, August 6, 2020 http://www3.sce.com/sscc/law/dis/dbattach5e.nsf/0/4BB2FC47C1C0FCDF882585BC007CE4AF/$FILE/SCE52A.pdf

Note: The SoCalGas June 29, 2020, Comments on the BUILD Program Implementation Workshop reflected SCE's GRC proposal at the time of filing.

[4] See Figure ES-10. Total retail electric rate composite by fiscal year, 2017 Final Power Strategic Long-Term Resource Plan, LADWP, December 2017, https://www.ladwp.com/cs/idcplg?IdcService=GET_FILE&dDocName=OPLADWPCCB655007&RevisionSelectionMethod=LatestReleased

"CEC staff have proposed using a conservative method for the Bill Savings Methodology that incorporates an additional 5% cushion in the calculation of realized cost as compared to baseline cost to ensure the resulting project complies with the bill savings requirement."

SoCalGas is not against CEC staff assisting managers of BUILD project proposals nor is SoCalGas against using a "cushion" to take into account a margin of error in forecasting bills; however, there should be transparency to parties of this proceeding on how this will be accomplished. If proposals are changed in order to meet bill savings neutrality, these proposals and modeling should be fully updated to reflect they are permitted to be approved. Further, a "cushion" should be based on validated standard errors and not simply a percentage at random. SoCalGas recommends clarification to the public on how these activities will be conducted prior to BUILD project approvals.

Sincerely,

/s/ Tim Carmichael
Tim Carmichael
Agency Relations Manager
Southern California Gas Company