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California Energy Commission
715 P Street
Sacramento CA 95814

CC:

California Public Utilities Commission
Energy Division
505 Van Ness Avenue
San Francisco CA 94102

VIA EMAIL

Re: Comment on Petition for Rulemaking to Integrate Non-Energy Benefits and Social Costs into Resource Planning and Investment Decision-Making

To the California Energy Commission,

The SB 350 Disadvantaged Communities (DAC) Advisory Group (DACAG) provides the following comments on the petition submitted on February 5, 2024 to the California Energy Commission (CEC) by the Center for Biological Diversity, Central California Asthma Collaborative, California Environmental Justice Alliance, Asian Pacific Environmental Network, Greenlining Institute, Local Clean Energy Alliance, Sierra Club California, The Climate Center, the Center on Race, Poverty and the Environment, Clean Coalition, 350 Bay Area, GRID Alternatives, The Protect Our Communities Foundation, the BEEP Coalition, the Local Government Sustainable Energy Coalition, and Environment California.[1] (Petition)

The Petition reveals the inadequacies of omitting non-energy benefits (NEBs) and social costs from cost-effectiveness methodologies. This omission negatively impacts DACs in two significant ways.

First, the existing framework masks the local impacts of dirty energy resources.

As the petition states, "biomethane production associated with dairies and concentrated animal feeding operations has led to thousands of water quality violations in DACs."[2] Combustion projects similarly add to local air quality degradation in communities that already suffer a disproportionate and unacceptable level of pollution burden.[3] Those energy resources, however, precisely because the existing cost benefit framework omits consideration of these societal impacts, are considered by the CEC to be extremely cost-effective. Despite these environmental injustices, on account of their "cost-effectiveness," these projects continue to make up a large part of the mix of resources for our "clean" energy future.

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[1] Petition *available at* https://biologicaldiversity.org/programs/energy-justice/pdfs/Center-petition-CA-Energy-Commission-Net-Energy-Benefits-02052024.pdf

[2] Petition at 18.

[3] *Id.*

Second, the existing framework fails to realize the benefits of clean energy investment in DACs.

As the petition highlights, the funding allocations in energy efficiency programs illustrate this significant problem.

> For instance, in the most recent budget for energy efficiency portfolios for 2024-2027 and business plans for 2024-2031, "cost-effective" programs received an approved budget of $3,603,369,471, while "cost-ineffective" programs under the existing framework that ignores NEBs and social costs—which are those that serve greater proportions of DAC and low-income communities—received an approved budget of $678,339,464.[4] In other words, ***due in large part to outdated cost-effectiveness tests, DAC and low-income communities receive about 18% of clean energy funding compared to more affluent areas of the state***.

Clean energy developers are further disincentivized to serve lower wealth areas, and instead, the current and inadequate cost-effectiveness framework rewards developers for "captur[ing] easy and quick savings." The following hypothetical from the Petition highlights this disconnect between the existing regulatory framework and real world needs in DACs.

The Small School District	**The Large School District**
• Limited staffing from superintendent or principal • No access to capital • No ability to hold debt • No benefit of economies of scale.	• Dedicated outreach and marketing manager • Access to capital • Ability to hold debt • Benefits from economies of scale to buy-down the cost of the clean energy measure.
Savings potential = **50kW**	Savings potential: **50kW**
Hours needed by Developer to sell product: 40 hours (due to time needed for increased outreach, education, travel time, lack of competition)	Hours needed by Developer to sell product: 10 hours.
Simple Value Proposition: **1.25kW per hour worked**	Simple Value Proposition: **5kW per hour worked**

[4] CPUC Decision 23-06-055 (June 29, 2023).

As the petition states,

> This process directly leads to "the entitlement of the status quo" where wealthier communities are consistently served (building wealth and resilience) and less-wealthy communities are passed over. Year over year, the climate gap widens, and the resources necessary to close the gap grows. As the gap grows, so does the cost to close the gap. Without incorporating NEBs into resource and portfolio decisions, the entitlement of the status quo remains.[5]

The DACAG agrees. Environmental justice communities are often left behind, or receive a disproportionate share of benefits from state funded clean energy resources as a result of projects not "penciling out." Yet the reason for projects not penciling out is the over-reliance on outdated cost-effectiveness tests.

We further concur that the current SB 100/Joint Agency Report approach, while considering NEBs and social costs, does not cure these issues.

As the petition states,

> The SB 100 Pathway Analysis . . . produces different resource portfolios, or the mix of resources the State will pursue to meet SB 100. However, it silos NEBs and related social cost impacts to a *post hoc* evaluation role. In other words, the CEC proposes to include NEBs and social costs as a metric to evaluate or study various resource portfolios or scenarios in order to determine the degree of "tradeoffs" necessary under the ultimately adopted scenario or resource portfolio.[6]

Certainly, our group has previously amplified the need to incorporate NEBs and social costs into decision-making processes, whether in our Charter or in several comments.[7]

For the foregoing reasons, the DACAG supports the petition, and requests that the CEC grant the petition to inform the development of the 2025 Joint Agency Report.

Sincerely,

The Disadvantaged Communities Advisory Group

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[5] Petition at 16-17.

[6] Petition at 10.

[7] *See e.g.* DACAG Letter on SB 100, August 2020, *available at* https://efiling.energy.ca.gov/GetDocument.aspx?tn=234415&DocumentContentId=67287, (identifying "the need for the Joint Agency Report to address non-energy benefits and social costs of energy resources." *See also* DACAG Comment on 2022 IEPR Update at 4, *available at* https://efiling.energy.ca.gov/GetDocument.aspx?tn=248461 ("[Environmental Justice] communities are often left behind, or receive a disproportionate share of benefits from state funded clean energy resources as a result of projects not "penciling out." Yet the reason for projects not penciling out is the CEC and CPUC's over-reliance on outdated cost-effectiveness tests. Those cost-effectiveness tests omit consideration of non-energy benefits . . . Until the CEC corrects these omissions, clean energy program design and deployment will always be skewed towards the status quo and will not achieve energy justice . . . [the CEC should] complete its work on non-energy benefits as soon as possible.")