

**DOCKETED**

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# Societal Cost Test Overview

*Disadvantaged Communities Advisory Group (DACAG)*

Dan Buch, Energy Division

November 15, 2024



**California Public  
Utilities Commission**

# Procedural Background

- CPUC **Standard Practice Manual** defines four cost-effectiveness tests from different perspectives (TRC, RIM, PCT, PAC) - all of which are entirely focused on only grid benefits and grid costs
- Energy Division staff introduced a Societal Cost Test (SCT) through a **2017 staff proposal**. The SCT would most closely approximate the TRC but would expand the parameters from the grid/ratepayers to global society at-large.
- D.19-05-019 authorized a proposed Societal Cost Test to be **tested** in the Integrated Resource Planning proceeding, Rulemaking (R.) 16-02-007. D.19-05-019 also directed Energy Division staff to, in 2021, evaluate results of the SCT testing and recommend the best use of the SCT in future decision-making.
- The research results were published in a January 2022 report: *Societal Cost Test Impact Evaluation: CPUC Staff Report on the **Impact of a Societal Cost Test** on Resource Procurement*
- Additionally research and results of on particulate air pollution from various sources including gas generation was published in a 2021 report: *Quantifying the **Air Quality Impacts** of Decarbonization and Distributed Energy Programs in California*

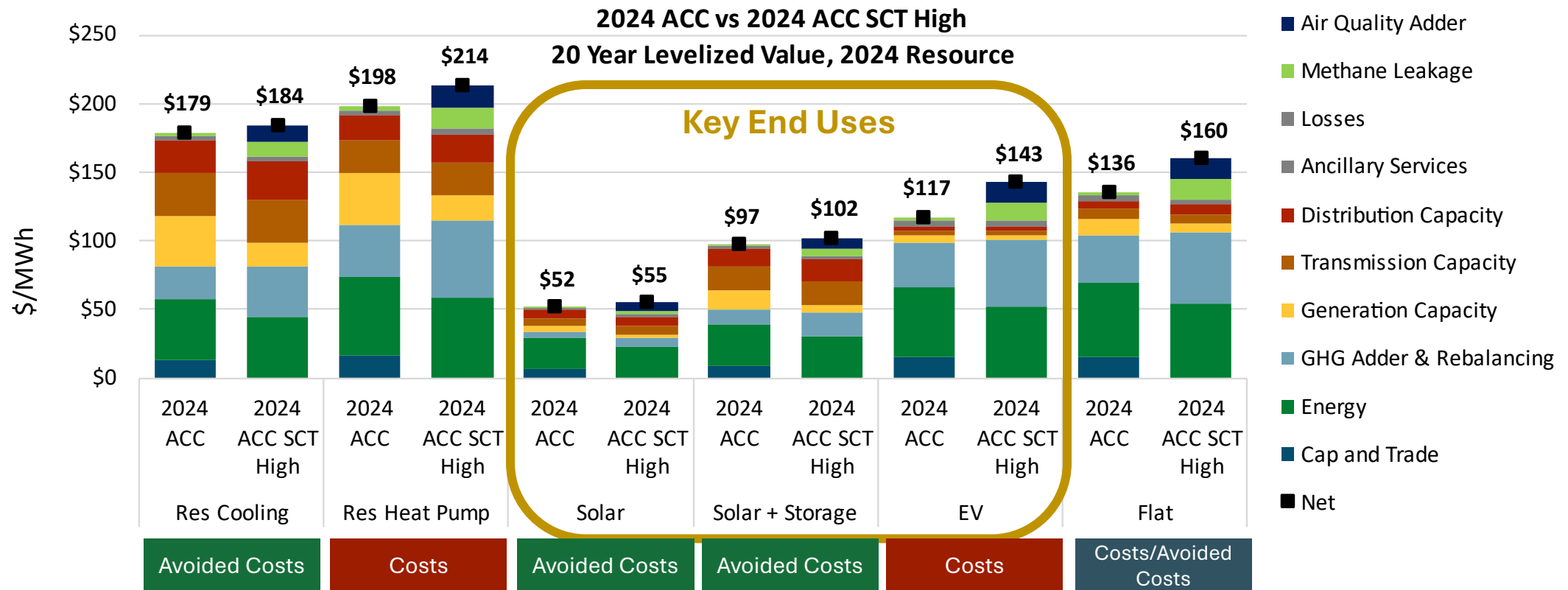
# Societal Cost Test Inputs

SCT Inputs	Final Decision
Discount Rate	Apply a 3% Social Discount Rate.
Social Cost of Carbon	Report <b>both</b> the Base Social Cost of Carbon (50 <sup>th</sup> percentile) and High Social Cost of Carbon (95 <sup>th</sup> percentile) in all SCT results.
Methane Leakage	Adopt the updated methane leakage of 2.3%
"Society" Definition	Treat federal incentives as a transfer
Air Quality Adder	Adopt the updated Air Quality Adder of \$14/MWh

# Societal Total Avoided Costs by End Use

## 2024 ACC TRC vs. 2024 ACC SCT High

- + Higher Greenhouse Gas, Methane Leakage, and Air Quality values increase avoided costs and costs
- + Greenhouse Gas avoided costs increase while generation capacity avoided costs decrease



# Final Decision

- On July 15, 2024, [D.24-07-015](#) was issued and adopted the Societal Cost Test (SCT) as an additional test for the Commission to consider when evaluating the cost-effectiveness of DERs.
  - SCT was implemented in the 2024 ACC Resolution issued on November 7, 2024 and becomes effective April 1, 2025
- The SCT considers the principal benefits and costs experienced by society (e.g., the impact of particulate air pollution on human health) in its evaluation of cost-effectiveness for behind-the-meter resources.
  - The SCT is an information-only test. The Total Resource Cost (TRC) Test remains the primary cost-effectiveness test for evaluating DER cost-effectiveness.



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