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SoCalGas Comments on IEPR Workshop on the Role of Energy Efficiency in Building Decarbonization

Additional submitted attachment is included below.



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September 7, 2021
The Honorable J. Andrew McAllister
Commissioner, California Energy Commission
Docket Unit, MS-4
Docket No. 21-IEPR-06
715 P Street
Sacramento, CA 95814-5512

Subject: Comments on the Integrated Energy Policy Report (IEPR) Workshop on the Role of Energy Efficiency in Building Decarbonization

Dear Commissioner McAllister,

Southern California Gas Company (SoCalGas) appreciates the opportunity to provide public comments on the California Energy Commission’s (CEC) August 24, 2021, Integrated Energy Policy Report (IEPR) Workshop on the Role of Energy Efficiency in Building Decarbonization. As stated by CEC Commissioner McAllister during the workshop series, “we must do more, as our economy grows...with less.”¹ The Commissioner’s statement reflects the importance of using cost-effective energy efficiency strategies to reduce the carbon intensity of the State’s energy consumption, while also reducing costs to ratepayers. The CEC has a record of successful implementation of State-wide energy efficiency frameworks, and we commend the Commission for its progress on these programs.

Notably, during the IEPR workshop series, CEC Commissioner Gunda stated that Californians “use about 31 percent less energy than the national average” and this can be attributed to the efforts of the CEC and partnerships with utilities. SoCalGas’ energy efficiency programs helped conserve more energy in 2020 than any other natural gas utility in the Country, and because of using less energy, our customers saved more than \$44 million in energy costs last year and reduced greenhouse gas emissions by more than 211,000 metric tons, which is equivalent to removing

¹ See The California Energy Commission (Producer). (2021, August 24). IEPR Commissioner Workshop on the Role of Energy Efficiency in Building Decarbonization [Zoom Video File], available at: https://energy.zoom.us/rec/play/GLr0XuDtVs3PZfCgYMLPKtmhZgTUyPq2Uud0Lv6v6HY0wQmTQmNIs-mNUI_TdFlb_45iHJgQLVsvcBsg.QJpaclwwgAfbOk6?continueMode=true&_xzm_rtaid=OwRe-5IUQkOeYrXCEy3PA.1630535258905.c5a51a992032c02b81be9ae90ad98caa&_xzm_rhtaid=86

45,000 cars from the road.² In the spirit of collaboration, we offer the following comments on the role of energy efficiency in building decarbonization:

1. Creating a central repository that leverages existing utility data will more effectively target energy efficiency measures and decarbonization efforts in disadvantaged communities.
2. Targeting incentives to address non-energy barriers can increase the efficacy of utility programs in disadvantaged communities.
3. By leveraging State funding and the existing policy framework, we can attract private capital to California's energy efficiency efforts.

1. Creating a central repository that leverages existing utility data will more effectively target energy efficiency measures and decarbonization efforts in disadvantaged communities.

During Session 1, Commissioner McAllister asked if there is anything that the State can do to utilize data as a tool to target programs and fund intelligently.³ The need to allocate resources efficiently is only likely to grow with the passage Senate Bill (SB) 756,⁴ which would raise eligibility requirements from 200 to 250 percent of the defined federal poverty levels for home weatherization assistance. Utilities could collect aggregate energy usage patterns for the communities they serve, and a centralized repository of such data could help agencies, utilities, nonprofits, and contractors access near real-time, community-level energy consumption data and the corresponding programs that are available to help fund the repair of infrastructure issues.⁵

For example, SoCalGas' Advanced Meter Program (AMP) collects hourly data from 6 million residential meters. This equates to about 140 million gas usage data points per day and about 52 billion data points a year. This robust dataset is further refined through our Aerial Methane Mapping (AMM) program⁶ which helps refine our algorithms to better target energy efficiency upgrades for customers with less efficient appliances. In practice, through the AMP, measuring normal consumption at the hourly level allows SoCalGas to identify consumption anomalies,

² See SoCalGas Newsroom, SoCalGas Energy Efficiency Programs Save Customers \$44 Million, available at: <https://newsroom.socalgas.com/stories/socalgas-energy-efficiency-programs-save-customers-44-million>

³ See The California Energy Commission (Producer). (2021, August 24). IEPR Commissioner Workshop on the Role of Energy Efficiency in Building Decarbonization – The Importance of Energy Efficiency [Zoom Video File], available at:

https://energy.zoom.us/rec/play/GLr0XuDtVs3PZfCgYMLPKtmhZgTUyPq2Uud0Lv6HY0wOmTQmNIs-mNUI_TdFlb_45iHJgQLVsvcBsg.QJpaclwWgAfbDok6?continueMode=true&_xzm_rtaid=OwRe-5IUQkOeYrXCEey3PA.1630535258905.c5a51a992032c02b81be9ae90ad98caa&_xzm_rhtaid=86

⁴ See SB-756 Home weatherization services for low-income customers, available at:

https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202120220SB756

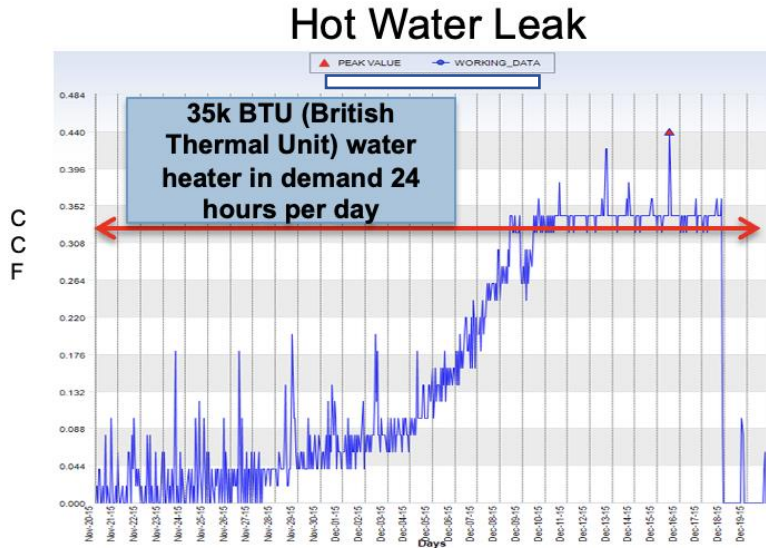
⁵ This is premised upon energy usage data that is sufficiently aggregated such that it cannot be tied back to or identify an individual customer. See CPUC D.12-08-045 (establishing privacy protections regarding customer usage data for gas customers of SoCalGas and other gas utilities), available at:

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M131/K677/131677744.PDF>.

⁶ See Aerial Methane Mapping Research Update dated Jan. 21, 2021 presented by SoCalGas and SDG&E at the SB 1371 Winter Workshop, available at: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/safety-policy-division/documents/day-2-slide-1---sempra---bp17_20a---aerial-methane-mapping-randd---sempra.pdf.

automate evaluation of meters for possible safety concerns, and schedule field visits by technicians.

Figure 1: Example of a hot water leak identified by AMP



As seen in Figure 1, SoCalGas’ AMP consumption analytics can identify hot water leaks and proactively notify customers. Our California Alternate Rates for Energy (CARE) customers may not be equipped, however, to readily address the issue due to the cost of replacing equipment, additional costs from removal of non-energy barriers, or their dependence on a landlord or property manager to fix the issue. The CEC could explore utilizing a third party to document consumption anomalies, similar to the Market Informed Demand Automation Server (MIDAS) or another open-source database and application programming interface (API), to allow CARE or Energy Savings Assistance (ESA)-program eligible customers or landlords serving those segments to access near real-time, community-level energy consumption data⁷ and the corresponding programs that are available to help fund the repair of infrastructure issues. Understanding community “hotspots” through a centralized data repository can also help agencies and contractors target funding and program outreach in communities that need these resources the most.

2. Targeting incentives to address non-energy barriers can increase the efficacy of utility programs in disadvantaged communities.

During the workshop, CPUC Commissioner Houck highlighted that, while the State moves forward with our energy efficiency and decarbonization goals, it is important that we are not leaving the most vulnerable communities behind, who disproportionately live in older housing

⁷ Sharing this type of community-level consumption data is governed by rules issued with CPUC D.14-05-016, available at: <https://docs.cpuc.ca.gov/publisheddocs/published/g000/m090/k845/90845985.pdf>

stock.⁸ About 60 percent of California’s housing units were built before 1980.⁹ Older homes contain physical barriers that increase the cost of implementing energy efficiency or weatherization programs. For example, a home may need costly electrical rewiring, reconfigured or upgraded plumbing, or other physical alterations to accommodate a modern, high-efficiency appliance or to resolve a current issue like a hot water leak. Furthermore, many homes built before 1980 include asbestos containing materials, such as thermal and electrical insulation materials, ducting, wall board, and ceiling tiles that may require removal and containment prior to retrofitting heating and cooling systems including furnaces, air handlers, and vent systems.

Most funding for utility energy efficiency programs cannot be used to address non-energy barriers that inhibit the efficacy of energy efficiency programs. According to data collected from our SoCalGas Consumption Analytics Team, about 15 percent of the hot water leaks identified through SoCalGas’ AMP in 2020 remained unresolved due to financial constraints and/or non-energy barriers. To effectively implement energy efficiency policies and help lower the energy burden in disadvantaged communities, the CEC could administer funding for utilities to assist CARE qualified customers in resolving non-energy barriers or to landlords housing CARE customers in making updates to their properties in a timely fashion.

3. By leveraging State funding and the existing policy framework, we can attract private capital to California’s energy efficiency efforts.

As articulated in the Order Instituting Rulemaking to Investigate and Design Clean Energy Financing Options for Electricity and Natural Gas Customers (OIR-20-08-022) filed by the California Public Utilities Commission (CPUC), “financing strategies will become increasingly important as California pursues its ambitious climate protection goals in the energy sector, aiming to decarbonize the retail delivery of electricity by the year 2045.”¹⁰ In order to pursue energy efficiency policy objectives that benefit low-income customers, we encourage the CEC, CPUC and related agencies to view financing strategies more broadly. For example, the CPUC authorized SoCalGas to collaborate with certain State agencies in the development of energy efficiency financing programs through investor-owned utility ratepayer program funds and we continue to support the co-funding of these types of programs with both Commissions.¹¹ Specifically, the Residential Energy Efficiency Loan (REEL) Program currently has 537 contractors enrolled and has supported more than \$24 Million in loans for California homeowners and renters who wanted to access affordable financing for energy efficiency projects.¹² With additional funding and support

⁸ See The California Energy Commission (Producer). (2021, August 24). IEPR Commissioner Workshop on the Role of Energy Efficiency in Building Decarbonization – The Importance of Energy Efficiency [Zoom Video File]. available at:

https://energy.zoom.us/rec/play/GLr0XuDtVs3PZfCgYMLPKtmhZgTUyPq2Uud0Lv6v6HY0wOmTQmNIs-mNUI_TdFlb_45iHJgQLVsvcBsg.QJpaclwggAfbOk6?continueMode=true&_xzm_rtaid=OwRe-5IUQkOeYrXCEey3PA.1630535258905.c5a51a992032c02b81be9ae90ad98caa&_xzm_rhtaid=86

⁹ As of 2019, California has 14.367 million housing units. See U.S. Census, American Community Survey, 2019 1-year estimates data profiles. Table DP04, available at:

<https://data.census.gov/cedsci/table?q=california%20housing%20units&tid=ACSDP1Y2019.DP04>

¹⁰ See Order Instituting Rulemaking to Investigate and Design Clean Energy Financing Options for Electricity and Natural Gas Customers [OIR-20-08-022] p.2, available at:

<https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M346/K361/346361154.PDF>

¹¹ See e.g., Go Green Financing, About the Program, available at: <https://gogreenfinancing.com/about-us>

¹² See Go Green Financing Home, available at: <https://gogreenfinancing.com/residential>

from the State for these types of programs within our existing energy efficiency ecosystem, we could see an increase in residential energy improvements benefitting customers, while positively impacting energy efficiency and building decarbonization goals.

SoCalGas encourages the CEC to consider other types of financial vehicles, like green bonds, to fund energy efficiency projects. As described by the Milken Institute, a green bond is a traditional fixed income security whose proceeds must be earmarked for environmentally friendly projects. Green bonds are currently a small percentage of the overall Environmental, Social, and Governance (ESG) market, yet are a practical method to invest in distressed communities through the advancement of clean energy technologies.¹³ Commissioner McAllister aptly asked, “how do we leverage state funding and our own particular ecosystem to get private capital to come to the sector,” during the IEPR Workshop on the Importance of Energy Efficiency. In response, we encourage the Commission to utilize a broader view of financing to reach energy efficiency and decarbonization goals within the State of California. The Commission should continue to look for ways in which it can ensure that clean energy finance opportunities are available to those populations that face excessive barriers, such as credit worthiness and access to affordable capital.

To this end, green bonds have proven to be extremely effective in solving environmental and climate-related problems on the global scale by the World Bank. An analysis of the World Bank’s history of green bonds issuance demonstrates that approximately \$14.4 Billion in green bonds have been issued by the World Bank since 2008, with 164 green bonds spanning 32 countries.¹⁴ Furthermore, commitments and allocations have primarily been focused on the Renewable Energy and Energy Efficiency Sector, totaling approximately \$6.1 Billion.¹⁵ Markets in low- and middle-income countries are the most vulnerable to climate change and face an unprecedented challenge to decarbonize, while maintaining a sustainable level of economic development; the same could be concluded about the low- and middle-income populations within California.¹⁶

SoCalGas proposes that the measurement of effectiveness of any green-labeled bond issued for the funding of a central repository, stated in Section 1, should be further explored. Generally, the framework for reporting on the environmental impact and benefits generated from green bond issuance should include trackable and transparent metrics, such as the number of customers that connected with the central repository to rectify their infrastructure issue.¹⁷ Furthermore, it is important to include a third-party evaluation from climate, environmental, social, or governmental institutions to appraise the impacts and/or benefits of State-issued green bond projects. Evaluating the establishment and standardization of definitions or performance metrics for green bonds would position the CEC at the forefront of developing innovative, environmentally beneficial funding mechanisms for disadvantaged customers in the State.

¹³ See Milken Institute, *Financial Innovations Lab: Growing the US Green Bond Market: Lab 2*, 2020, available at: https://milkeninstitute.org/sites/default/files/reports-pdf/MI_GreenBondsLab_FINAL%20WEB_0.pdf

¹⁴ See The World Bank Sustainable Development Bonds & Green Bonds | Impact Report 2020, available at: <https://issuu.com/jlim5/docs/world-bank-ibrd-impact-report-2020?mode=window>

¹⁵ *Id*

¹⁶ See International Journal of Corporate Social Responsibility: Green bonds issuance: insights in low- and middle-income countries, available at: <https://jcsr.springeropen.com/articles/10.1186/s40991-020-00056-0>

¹⁷ See Municipal Securities Rulemaking Board, what are Green Bonds? Overview, available at: <https://www.msrb.org/~media/Files/Resources/About-Green-Bonds.ashx>

Conclusion

As we collectively pursue decarbonizing California's energy system and our built environment, SoCalGas recommends that the CEC take advantage of existing utility data to help target energy efficiency and decarbonization efforts in disadvantaged communities, target incentives to address non-energy barriers, and explore creative financing options. SoCalGas looks forward to contributing to and advancing those efforts by working with the CEC, their sister agencies, and stakeholders to identify solutions for leveraging the energy efficiency solutions and enabling the energy transition. Thank you for your consideration of our comments.

Respectfully,

/s/ Kevin Barker

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cc: Darcie L. Houck, CPUC Commissioner