

PACIFIC GAS AND ELECTRIC COMPANY
Energy Efficiency 2018-2025 Rolling Portfolio Business Plan
Application 17-01-015
Data Response

PG&E Data Request No.:	TURN_001-Q03		
PG&E File Name:	EnergyEfficiency2018-2025-RollingPortfolioBusinessPlan_DR_TURN_001-Q03		
Request Date:	February 17, 2017	Requester DR No.:	001
Date Sent:	March 6, 2017	Requesting Party:	The Utility Reform Network
PG&E Witness:	Chris Kato	Requester:	Hayley Goodson

SUBJECT: PG&E 2018-2025 EE ROLLING PORTFOLIO BUSINESS PLAN & BUDGET. TURN DATA REQUEST TURN-PG&E-01.

ENERGY EFFICIENCY POLICY REQUESTS

QUESTION 3

On page 23 of PG&E’s application, PG&E requests that the Commission permit it to include “benefits for Codes and Standards and spillover effects” in “all TRC calculations” and no longer treat these benefits as a “bonus” or “hedge”. PG&E points to the “adverse impact of the 2017 avoided costs updates on the cost-effectiveness” of its EE portfolio to support this request. Regarding this request:

- a. Is PG&E requesting to include the costs and benefits of the Codes and Standards program (C&S) in “all TRC calculations,” or just the benefits?
- b. Is PG&E requesting to include the cost and benefits of C&S, plus spillover effects, in all PAC calculations or only TRC calculations, as PG&E’s application suggests?
- c. Is PG&E requesting to include the costs and benefits of C&S, plus spillover effects, irrespective of whether the Commission applies a 1.0 or 1.25 cost-effectiveness threshold to the EE Business Plan applications? (SDG&E and SoCalGas have expressly sought clarification that a 1.0 threshold should apply, while SCE has assumed a 1.0 threshold should apply.¹) Please explain why or why not.
- d. Please explain PG&E’s understanding of why the Commission previously required PG&E to meet a 1.25 cost-effectiveness level on an ex ante forecast basis without C&S and spillover effects (leaving C&S and spillover to serve as a “bonus” or “hedge” against the possibility that the portfolio as implemented would underperform relative to PG&E’s forecast and drop below a 1.0 cost-effectiveness level), including why PG&E believes that the Commission’s prior caution is unnecessary to protect ratepayers in the current context.

¹ See SDG&E Business Plan, Appendix A (Commission Clarifications Needed for A Successful Business Plan), p. 224; SoCalGas Business Plan, Appendix F (Policy Considerations), pp. 541-542; SCE Amended Business Plan, Section III.H, pp. 31-33 (redline).

ANSWER 3

- a. PG&E intends to include the costs and benefits of C&S in all TRC calculations.
- b. PG&E intends to include the costs and benefits of C&S in all TRC and PAC calculations.
- c. Yes, PG&E is requesting to include the costs and benefits of C&S, plus spillover effects, irrespective of whether the Commission applies a 1.0 or a 1.25 cost-effectiveness threshold. C&S advocacy is a foundational element of PG&E's business plan, and a fundamental strategy for the IOUs to achieve state policy goals, and should be treated with equal footing as other resource programs in IOUs' EE portfolios. PG&E believes the Commission should evaluate the cost-effectiveness of an IOUs' portfolio to include the benefits of all resource, rather than selectively parsing out certain benefits. This will allow energy efficiency to continue to be considered first in the loading order, from a TRC perspective.
- d. As PG&E understands it, the Commission formerly used C&S and spillover as "hedges against uncertainties in the other components of the portfolios to ensure that the implemented portfolios are cost effective in reality." However, PG&E believes this logic is flawed.

Functionally, within the suite of EE activities, all "programs" (including C&S) are inextricably linked, work together and complement each other, with programs preparing the market for C&S adoption and C&S resulting in wider adoption of EE measures than can be effected by the programs. Therefore, PG&E believes it is illogical to coordinate the programs operationally, but then deal with them separately for cost-effectiveness assessments. For spillover, net savings assessments are intended to capture free ridership and spillover. Capturing only one of them results in a lopsided view of what the net impact is. As ACEEE notes: "it is inappropriate to only apply downward adjustments to gross savings to account for "free-riders" without also considering the potential upward adjustments from "spillover".² While PG&E believes all program administrators should take precautions to deliver cost-effective portfolios, and hence protect ratepayers, separating C&S costs and benefits from other resource programs for cost-effectiveness assessments does not seem the appropriate precaution.

² Kushler, Martin "Net Savings for Non-Evaluators: Some Concepts Rather Than Statistics," *American Council for an Energy-Efficiency Economy*, <http://aceee.org/blog/2014/01/net-savings-non-evaluators-some-conce>