

SoCalREN Advisory Committee Meeting

CALIFORNIA
Efficiency
+ Demand
Management
COUNCIL

Advancing Our Clean Economy

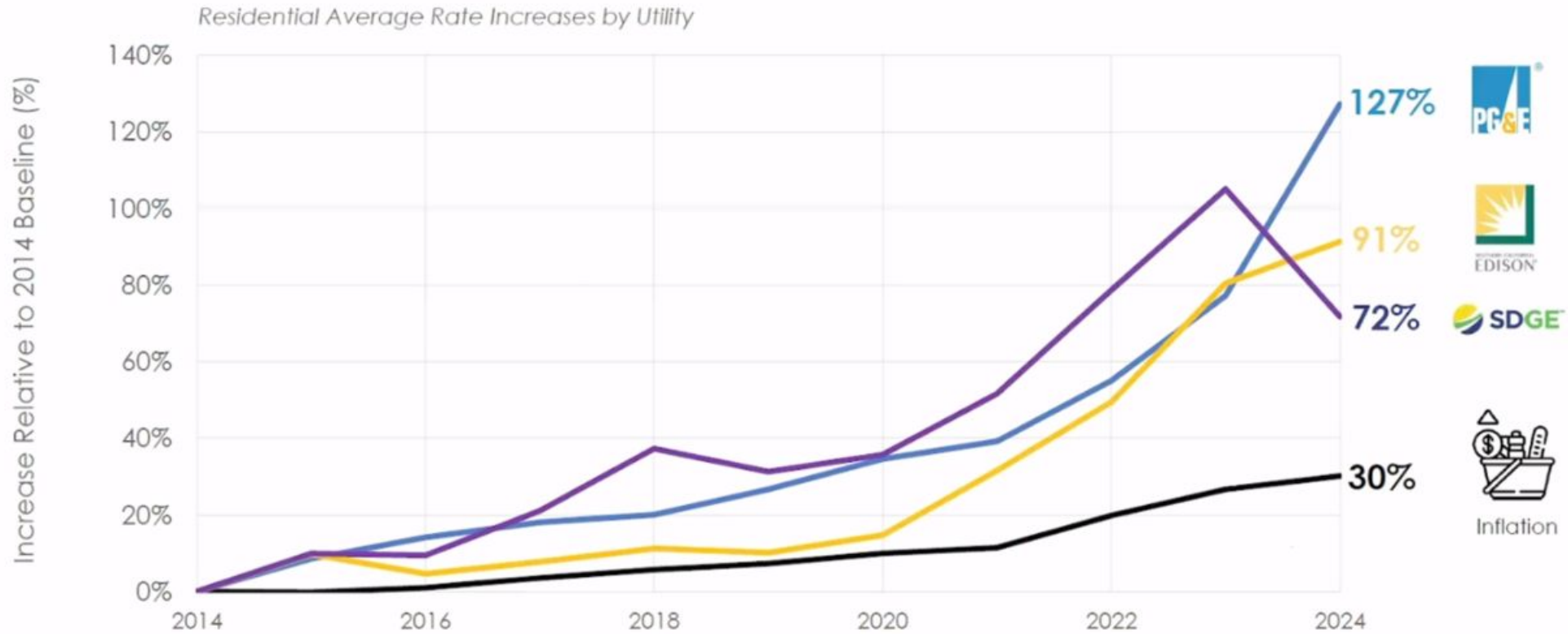
Joe Desmond
CEDMC

August 8, 2024

PAO Presentation & Select Comments

Linda Serizawa, Interim Director and Deputy Director of Energy
CPUC Public Advocates Office
Assembly Utilities & Electricity
Oversight Hearing
March 6, 2024

California electric rates are far outpacing inflation

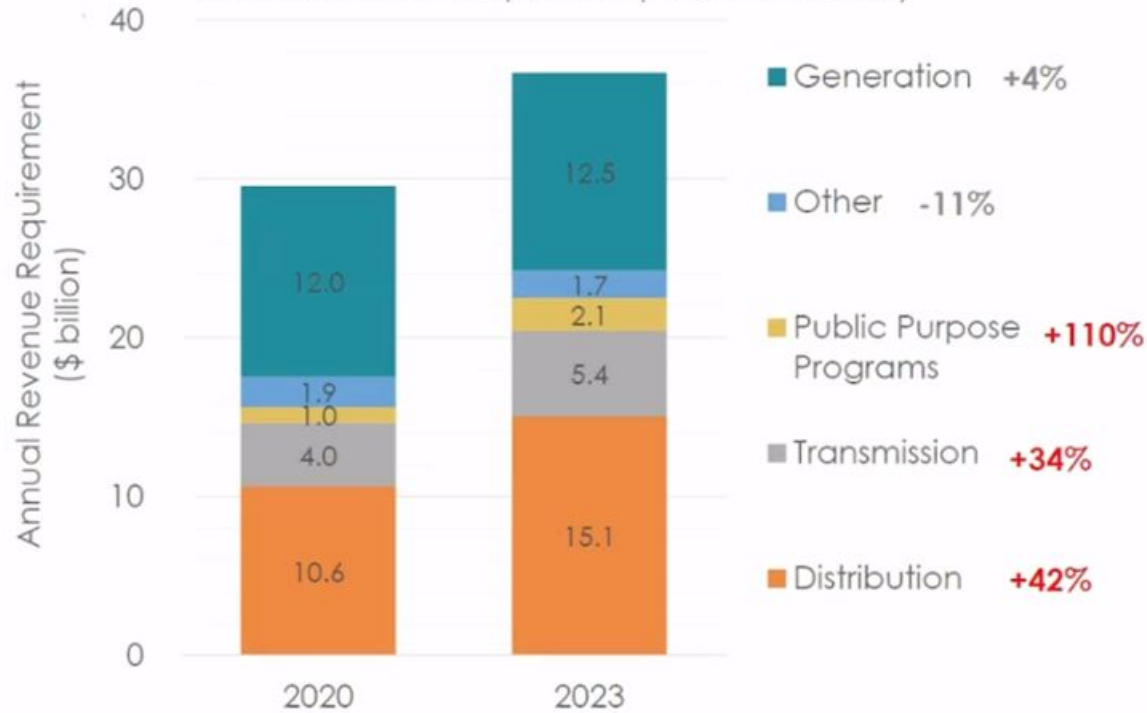


2024 USA Average Values Based on Q3 2023 data, the latest for which there was available information at the time of publication.
Source: Investor-Owned Utility Advice Letters (California Rates) & Consumer Price Index (Inflation)

Grid investments have rapidly increased in recent years

What are customer bills paying for?

Combined revenue requirement (PG&E, SCE, SDG&E)



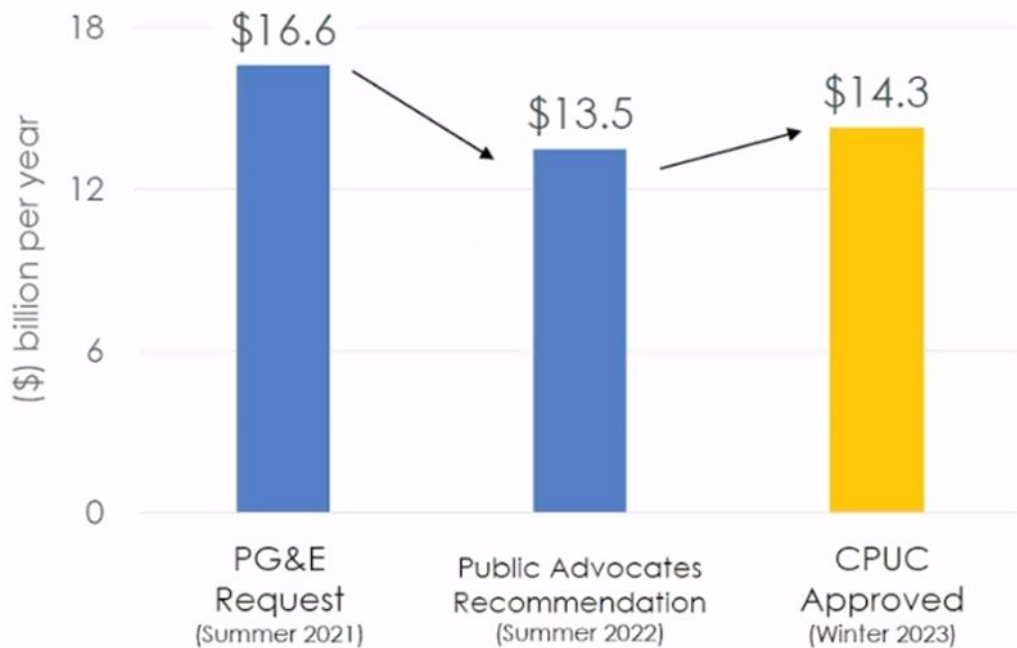
Notable Cost Drivers

- Wildfire-related expenses
- Distribution system maintenance & upgrades
- Transmission buildout

We scrutinize utility requests to find ratepayer savings

“the Commission must ensure that PG&E focuses its revenue requirement request on the most realistic, practical, and necessary projects...” – Public Advocates Office filing (November 4, 2022)

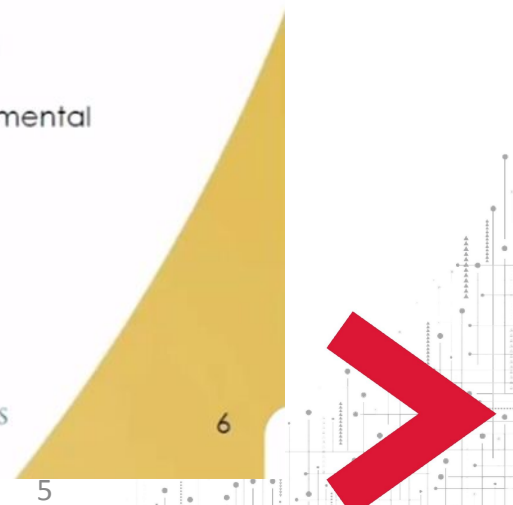
PG&E General Rate Case Revenue Requirement



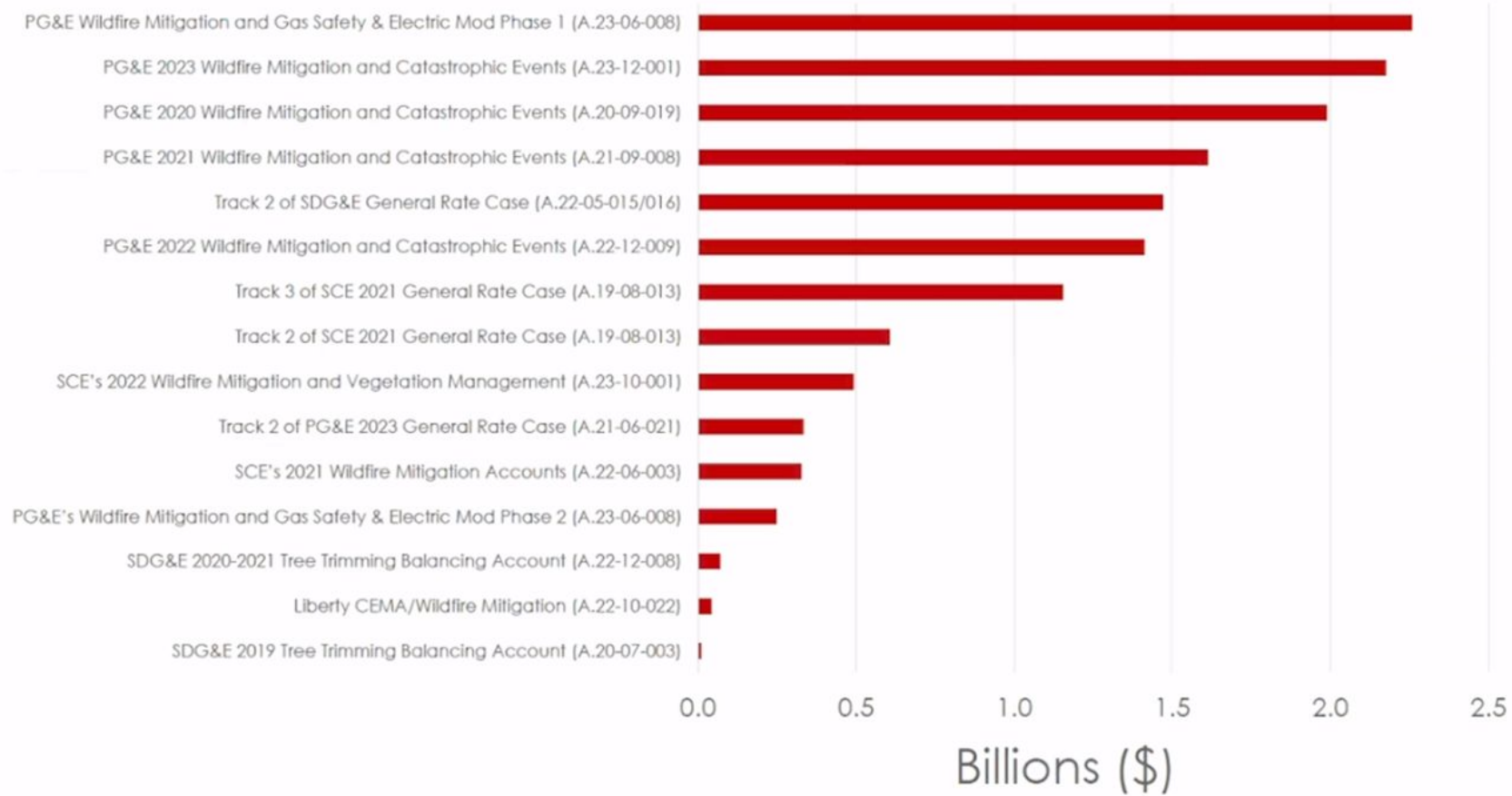
Note: The above bars represent the average amount over PG&E's TY 2023 General Rate Case Application from 2023 to 2026

Where we found over \$3 billion per year

- **Electric grid capital.** System Hardening, Emergency Recovery, Distribution Substation Capacity, Distribution Transformer Replacements, etc.
- **Natural gas system operations.** Transmission Pipeline, Corrosion Control, and Leak Management, etc.
- **Human resources & IT.** HR Service Delivery and Inclusion, Benefits, 401k Retirement Savings Plan, Transportation & Aviation Services, Land & Environmental Management etc.
- And more... ([link](#))



We reviewed **\$14+ billion** of utility wildfire-related requests since 2020

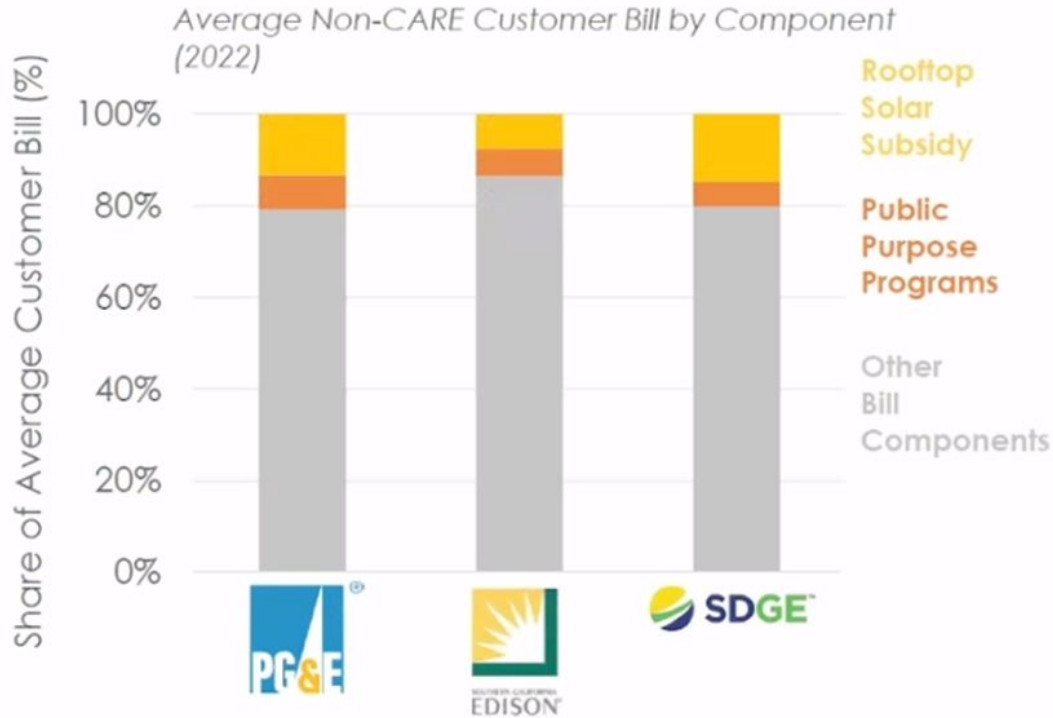


Note: These represent the major, incremental wildfire-related applications to increase revenue requirements reviewed by the Public Advocates Office

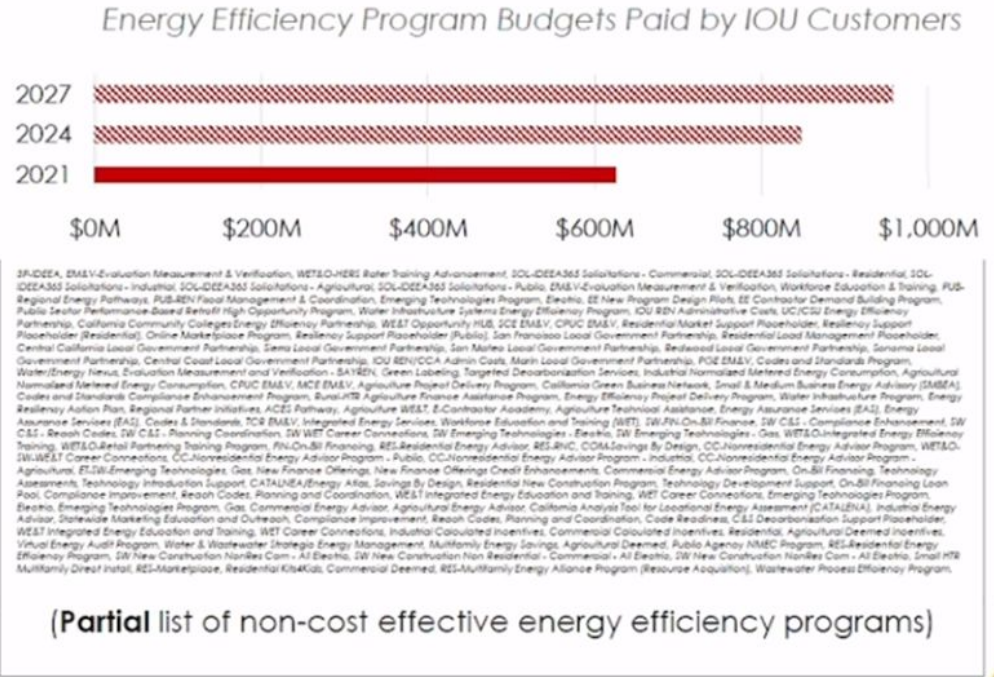


Utility spending is not the only driver of increases

Reason 1. Subsidies are driving rates up faster than how much utilities can collect alone



Reason 2. Bills pay hundreds of millions of millions for non-cost effective programs each year



Source: California Public Utilities Commission. Recreated from data in 2023 Senate Bill 695 Report: Report to the Governor and Legislature on Actions to Limit Utility Cost and Rate Increases Pursuant to PUC Code Section 913.1. (Rooftop Solar Subsidy "Cost Shift"), Public Advocates Office analysis, including proposed program budgets (energy efficiency programs)



PAO comments at

So what can we do? Our objectives in the public Advocates office is to try to bend the cost curve down. So rate increases are lower than the rate of inflation. This will take a combination of immediate rate relief measures and long-term reforms. We look at Solutions through three lens.

06:19

First, hold utilities accountable to their authorized budgets. This means returning to basic budgeting and cost control measures. And also includes not authorizing new balancing accounts keeping for basic service. Keeping in mind that balancing accounts provide the utility guaranteed cost recovery from rate parents. The second lens is to make the clean energy transition, more affordable for all customers.

06:47

In the short term, we should take out all the fat in the utility bills. **This means eliminating cost ineffective programs.** And the longer term, we need to design electrification in a way that provides downward pressure on rates. And third, we need to adapt to increasing Wildfire mitigation and Disaster Recovery costs.

07:08

Right now, these specific costs are being worn on ratepayers immediately. We need to figure out a way to spread these costs over a longer period of time. In conclusion, I want to acknowledge that some very difficult decisions lie ahead in order to prioritize affordability and achieve the state's climate goals.

3P-IDEEA, EM&V-Evaluation Measurement & Verification, WET&O-HERS Rater Training Advancement, SOL-IDEEA365 Solicitations - Commercial, SOL-IDEEA365 Solicitations - Residential, SOL-IDEEA365 Solicitations - Industrial, SOL-IDEEA365 Solicitations - Agricultural, SOL-IDEEA365 Solicitations - Public, EM&V-Evaluation Measurement & Verification, Workforce Education & Training, PUB-Regional Energy Pathways, PUB-REN Fiscal Management & Coordination, Emerging Technologies Program, Electric, EE New Program Design Pilots, EE Contractor Demand Building Program, Public Sector Performance-Based Retrofit High Opportunity Program, Water Infrastructure Systems Energy Efficiency Program, IOU REN Administrative Costs, UC/CSU Energy Efficiency Partnership, California Community Colleges Energy Efficiency Partnership, WE&T Opportunity HUB, SCE EM&V, CPUC EM&V, Residential Market Support Placeholder, Resiliency Support Placeholder (Residential), Online Marketplace Program, Resiliency Support Placeholder (Public), San Francisco Local Government Partnership, Residential Load Management Placeholder, Central California Local Government Partnership, Sierra Local Government Partnership, San Mateo Local Government Partnership, Redwood Local Government Partnership, Sonoma Local Government Partnership, Central Coast Local Government Partnership, IOU REN/CCA Admin Costs, Marin Local Government Partnership, PGE EM&V, Codes and Standards Program, Water/Energy Nexus, Evaluation Measurement and Verification - BAYREN, Green Labeling, Targeted Decarbonization Services, Industrial Normalized Metered Energy Consumption, Agricultural Normalized Metered Energy Consumption, CPUC EM&V, MCE EM&V, Agriculture Project Delivery Program, California Green Business Network, Small & Medium Business Energy Advisory (SMBEA), Codes and Standards Compliance Enhancement Program, Rural-HTR Agriculture Finance Assistance Program, Energy Efficiency Project Delivery Program, Water Infrastructure Program, Energy Resiliency Action Plan, Regional Partner Initiatives, ACES Pathway, Agriculture WE&T, E-Contractor Academy, Agriculture Technical Assistance, Energy Assurance Services (EAS), Energy Assurance Services (EAS), Codes & Standards, TCR EM&V, Integrated Energy Services, Workforce Education and Training (WET), SW-FIN-On-Bill Finance, SW C&S - Compliance Enhancement, SW C&S - Reach Codes, SW C&S - Planning Coordination, SW WET Career Connections, SW Emerging Technologies - Electric, SW Emerging Technologies - Gas, WET&O-Integrated Energy Efficiency Training, WET&O-Retail Partnering Training Program, FIN-On-Bill Financing, RES-Residential Energy Advisor, RES-RNC, COM-Savings By Design, CC-Nonresidential Energy Advisor Program, WET&O-SW-WE&T Career Connections, CC-Nonresidential Energy Advisor Program - Public, CC-Nonresidential Energy Advisor Program - Industrial, CC-Nonresidential Energy Advisor Program - Agricultural, ET-SW-Emerging Technologies, Gas, New Finance Offerings, New Finance Offerings Credit Enhancements, Commercial Energy Advisor Program, On-Bill Financing, Technology Assessments, Technology Introduction Support, CATALNEA/Energy Atlas, Savings By Design, Residential New Construction Program, Technology Development Support, On-Bill Financing Loan Pool, Compliance Improvement, Reach Codes, Planning and Coordination, WE&T Integrated Energy Education and Training, WET Career Connections, Emerging Technologies Program, Electric, Emerging Technologies Program, Gas, Commercial Energy Advisor, Agricultural Energy Advisor, California Analysis Tool for Locational Energy Assessment (CATALENA), Industrial Energy Advisor, Statewide Marketing Education and Outreach, Compliance Improvement, Reach Codes, Planning and Coordination, Code Readiness, C&S Decarbonization Support Placeholder, WE&T Integrated Energy Education and Training, WET Career Connections, Industrial Calculated Incentives, Commercial Calculated Incentives, Residential, Agricultural Deemed Incentives, Virtual Energy Audit Program, Water & Wastewater Strategic Energy Management, Multifamily Energy Savings, Agricultural Deemed, Public Agency NMEC Program, RES-Residential Energy Efficiency Program, SW New Construction NonRes Com - All Electric, SW New Construction Non Residential - All Electric, SW New Construction NonRes Com - All Electric, Small HTR Multifamily Direct Install, RES-Marketplace, Residential Kits4Kids, Commercial Deemed, RES-Multifamily Energy Alliance Program (Resource Acquisition), Wastewater Process Efficiency Program.

•(Partial list of non-cost effective energy efficiency programs)

Almost all of the programs listed as 'non-cost effective energy efficiency programs' by the PAO are not resource acquisition EE programs.

For example, the list includes NMEC, which is a pay-for- performance program which poses no risk to ratepayers, worker training programs that are designed to support electrification, codes and standards programs, EM&V required by the CPUC, targeted decarbonization programs, on-bill financing, residential new construction, California Analysis Tool for Locational Energy Assessment (CATALENA) - a tool supporting distributional equity analysis that was transferred to the CEC in 2023, technical services in support of decarb, equity and education, and local governments, to highlight just a few.



AB3264

PROPOSED AMENDMENTS

AB 3016

— 2 —

Existing law requires the Public Utilities Commission (PUC) to allocate funds collected by electrical corporations from a rate component that is a nonbypassable element of the local distribution service for various programs, including programs for cost-effective energy efficiency and conservation activities.

This bill would make inoperative, on January 1, 2026, the requirement to allocate funds for cost-effective energy efficiency and conservation activities, unless a relevant policy committee of the Legislature conducts a review of programs funded by that allocation and subsequent legislation is enacted providing for the continuation of those programs, as specified.

This bill would require the PUC, in collaboration with the Energy Commission, on or before January 1, 2026, to establish annual targets for statewide energy savings that will achieve a 15% reduction in retail customer total energy bills by January 1, 2030, to the extent doing so will not adversely impact public health and safety.

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SUBSTANTIVE

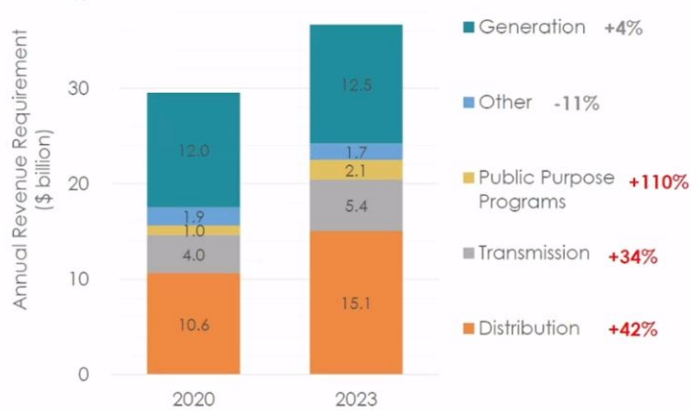
AB 3264

Last week we learned that the U&E committee consultant confirmed AB 3264 is going to be the vehicle for the Energy Efficiency Public Purpose Programs (EE PPP) proposal we've been discussing in various Member Working Groups over the last several weeks

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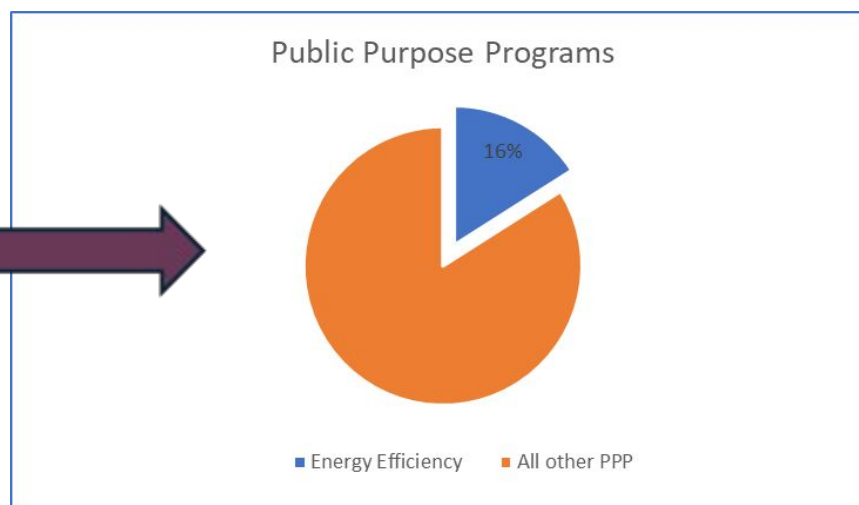
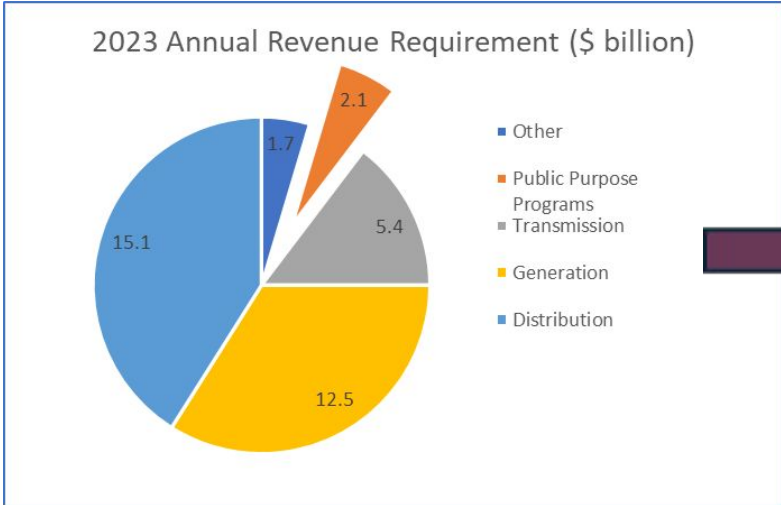
CARE

Year	Budget	Expense Total
2012	\$ 1,097,655,018.00	\$ 1,123,899,629.15
2013	\$ 1,270,733,758.00	\$ 1,267,932,790.53
2014	\$ 1,282,291,396.00	\$ 1,196,713,436.21
2015	\$ 1,282,281,476.00	\$ 1,136,724,180.23
2016	\$ 1,283,025,756.00	\$ 1,176,888,496.62
2017	\$ 1,284,525,807.78	\$ 1,274,932,566.24
2018	\$ 1,318,415,052.51	\$ 1,257,713,994.16
2019	\$ 1,330,709,879.05	\$ 1,286,158,746.40
2020	\$ 1,391,610,922.26	\$ 1,627,141,470.96
2021	\$ 1,406,956,225.55	\$ 1,906,906,882.92
2022	\$ 1,432,288,218.00	\$ 2,121,042,265.63
	30%	89%

From 2012 to 2022, the CARE Budget increased by 30% to \$1.43 Billion, while actual expenses nearly doubled, increasing by 89%, to \$2.12 Billion, the last year for which data is available.



2023 Annual Revenue Requirement (\$ billion)		
Other	1.7	5%
Public Purpose Programs	2.1	6%
Transmission	5.4	15%
Generation	12.5	34%
Distribution	15.1	41%
	36.8	100%



2023-127 AUDIT SCOPE AND OBJECTIVES

California Public Utilities Commission—Energy Efficiency Programs Oversight

The audit by the California State Auditor will provide independently developed and verified information related to the California Public Utilities Commission’s (CPUC) oversight of energy efficiency programs. The audit’s scope will include, but not be limited to, the following activities:

1. Review and evaluate the laws, rules, and regulations significant to the audit objectives.
2. Determine the amount of funds collected from ratepayers for energy efficiency programs overseen by the CPUC from 2012 through 2022 and how much those programs have expended and perform the following related analyses:
 - (a) To the extent possible, determine the amount of ratepayer funds spent in the following ways:
 - i. Across various economic sectors, including public, commercial, residential, industrial, agricultural.
 - ii. Across census tracts and geographic regions.
 - iii. On low-income Californians.
 - iv. On gas appliances.
 - v. On pay-for-performance programs by type.
 - (b) Determine what technologies and improvements energy efficiency programs are funding and incentivizing, including natural gas and HVAC technologies and appliances and pay-for-performance programs. Identify any programs that enable fuel substitution to electricity versus programs that do not include electrification.
3. To the extent possible, review the effectiveness of a selection of the CPUC’s energy efficiency programs by measuring energy savings, greenhouse gas reductions, and cumulative savings on energy bills from 2012 through 2022, distinguishing between electricity and gas.
4. Review the CPUC’s processes for overseeing the design of energy efficiency programs and determine their effects on the adoption of new technology.
5. For a selection of programs, determine whether policies or regulatory requirements may have led to some of the programs not spending all of their funding or limiting program participation.
6. Review the adequacy of the CPUC’s process for determining the effectiveness of energy efficiency programs it oversees and perform the following related analyses:
 - (a) To the extent possible, evaluate the CPUC’s current, historical, and proposed cost-effectiveness measures for energy efficiency programs, including their effects on the demand for energy and the adoption of new technology, and how recently enacted changes to the law in Assembly Bill 205 (Chapter 61, Statutes of 2022) will affect these processes.

2023-127 AUDIT SCOPE AND OBJECTIVES

California Public Utilities Commission—Energy Efficiency Programs Oversight

Page 2

- (b) Compare the CPUC’s process for overseeing its energy efficiency programs with the processes used by the California Energy Commission to oversee the California Schools Healthy Air, Plumbing, and Efficiency Program.
7. Review and assess any other issues that are significant to the audit.



Discussion & Q&A

Thank You!

Please contact us if you have any questions.

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www.cedmc.org

