Southern California Gas Company

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SoCalGas Comments on Implementation of AB802 and Existing Conditions Baseline

On January 26 and 27, California Public Utilities Commission (Commission) Staff hosted two days of public workshops dedicated to exploring existing conditions baselines and the use of normalized metered energy consumption. Southern California Gas Company (SoCalGas) appreciates the opportunity to provide comments and looks forward to working collaboratively with stakeholders to implement California Assembly Bill (AB) 802 and to meet the governor's goal to double energy efficiency by 2030.

The first day of the two-day workshops consisted of five sets of panelists discussing questions pertaining to the topic and impact of the passed legislation. As directed by Commission Staff, SoCalGas has formatted responses to answer the same questions posed to the panelists from day one.

1. ***Panel 1: What energy efficiency is currently occurring in the building stock, and what is stranded?***

SoCalGas is looking forward to the work being done on the Potential Study by Navigant and its own To-Code commercial boiler pilot to better answer this question. The work being done by Navigant to pinpoint average existing baselines can serve as a foundation to program administrator (PA) programs and in creating existing baseline deemed workpapers.

Several key comments were made during panel one that panelists felt would help to answer the question above:

- Research needed to look at age of existing equipment to see if there are stranded savings
- Measures may need to be looked at individually to determine if stranded
- Customer size may determine if savings are stranded

SoCalGas is aiming to answer all of these questions and more through its To-Code Pilot. SoCalGas has heard anecdotally from internal staff, vendors, and customers that existing boilers will continue to be repaired until service costs reach about 50% of a new boiler. In its To-Code Pilot, SoCalGas will collect data to see if that statement is true and will also collect the age of existing equipment to get a good sense of the boiler building stock in SoCalGas service territory. The pilot will focus on the small and medium size commercial customers and seek to answer whether customer size is a good proxy to

determine stranded savings. Lessons learned from the pilot will be used to develop new programs and to look at other possible stranded measures prevalent in existing building stock. The key take away from the panel was that more data is needed and SoCalGas is dedicated to getting that information.

2. ***Panel 2: What would be the implications and consequences of using existing conditions baseline without exception?***

California already utilizes existing conditions baseline for early retirement projects. Projects in this category are able to claim the energy savings between the existing conditions and the new equipment for the remaining useful life (RUL) of the equipment being replaced. The remainder of the effective useful life (EUL) claims the energy savings between code and/or industry standard practice (ISP) and the new equipment. This is possible in the current framework when the PA is able to document program influence and demonstrate intervention to retrofit the older, inefficient equipment sooner than the end of its original effective useful life.

If the current framework of demonstrating influence and measure applications are kept as is then the implications of existing baselines, as posed by the panel question, will be minimal. Current rules and policies already limit the energy savings and incentives available to customers by baseline and ISP. For example, if a customer's furnace is over 20 years old (the equipment's EUL) and still operating then it is categorized as normal replacement and a code/ISP baseline (if applicable) must be applied to the energy savings. Stranded savings are measures that are repaired indefinitely and already past its useful life otherwise it will be categorized as early replacement. Stranded savings are in a sense considered to be normal replacement and there are existing safeguards in place to ensure they are not exploited within current programs, workpapers, and calculated energy savings. If the current framework is changed, which is the intent of AB802, then it would allow the PAs to incentivize customers to go "to and through" code and aid some customer segments who would greatly benefit from increased incentives such as public schools and hard to reach markets. Disassociating similar building types from different industries will greatly help certain segments if targeted properly.

Additionally, the concept of attribution was brought up multiple times throughout the different panels. SoCalGas agrees with most of the comments made throughout the day that attribution should be handled "behind the scenes" and that program design should eliminate free riders. The goal of eliminating free-ridership is not removed with AB802 and SB350; however, there are two items SoCalGas would like commission staff to consider when deciding on policy implications. First, determine the level of free ridership that can be allowed into PA programs. While SoCalGas believes that most of our customers are indeed eligible for EE programs, evaluation results have stated the opposite.[1] It is the PA's responsibility to strategically spread resources to meet gross energy saving goals, cost-effectiveness portfolio requirements, and comply with commission directives. Second, determine based on evaluation research which customer segments are not free riders and give the segments more attention from PA programs. Additionally, requirements and documentation should be more streamlined for

[1] Evaluation results from 2010-2012 and 2013 found net to gross results of 0.49 and 0.66, respectively for nonresidential custom projects. 2013 Custom Impact Evaluation Industrial, Agricultural, and Large Commercial.

these customers that truly depend on incentives to move EE projects forward. Customers such as public schools, small businesses, and established hard to reach niches should be pre-determined to have eligible measures and stranded savings that PAs can retrofit quickly.

3. ***Panel 3: If exceptions are warranted, how do we define them? For instance, for upstream, midstream, and downstream interventions?***

SoCalGas strongly encourages the Commission to stay away from creating a paradigm that allows exceptions for certain measures or applications. Exceptions would create confusion in the marketplace, require resources to interpret policies and generate guidance documents, and ultimately create more barriers for customers to participate in EE programs. Instead, the Commission should seek to create clear and comprehensive rules and be specific in required documentation for any existing conditions baseline claim.

One of the panelists, Ted Pope from 2050 Partners, provided a draft framework on when a deemed measure can utilize an existing conditions baseline. Pope addressed several key questions that should be asked such as the level of program administrator intervention, the measure life characteristics of anticipated retrofits, and which segment does the customer reside in. The Commission should look at these questions and develop a framework that allows customers who meet certain criteria to be eligible to be incentivized based on existing conditions.

4. ***Panel 4: What issues need to be addressed with deemed and calculated savings approaches in order to accurately apply existing conditions baseline?***

SoCalGas has run calculated programs for over 20 years and has a unique customer base as a single fuel natural gas utility. One issue that needs to be addressed is the long lead times industrial, commercial and public sector energy efficiency gas projects take prior to completion. In the 2013-2015 program cycle, projects claimed by SoCalGas spent average 700 days on average from application to completion which does not even take into account discussions between account executives and customers prior to an application. Furthermore, evaluators have requested that projects be commissioned or reach a steady state before being claimed by the PAs. Applying an additional one to two years on top of an already long lead time may be detrimental for projects that are required to go through meter-based savings to validate calculated approaches.

5. ***Panel 5: Currently, virtually all of portfolio savings are estimated, either through deemed or calculated methods, but both AB 802 and SB 350 focus on meter---based savings. To what extent should the future EE portfolio be metered/ pay for performance versus deemed/calculated savings? In other words, which types of EE activities are best reached through metered approach and which are best reached with deemed or calculated savings approaches?***

SoCalGas believes that AB802 and California Senate Bill (SB) 350 will help streamline certain processes and allow for more transparency between PAs, evaluators, and stakeholders. SoCalGas envisions having some calculated/custom projects go through metered-based savings to decrease the difference between ex ante and ex post but to also provide incentives based on actual performance. Part of the plan also envisions that metered-based savings will help inform those projects that are still estimated through deemed and calculated approaches. Being able to put a sub meter on industrial process equipment for one project will provide additional insight for similar projects that go through existing programs. Metered savings will not be suitable for all customers as some may not be able to wait an additional year or two to receive full incentive payments. Other programs such as retro-commissioning, monitoring-based commissioning, whole building, and behavioral savings may fully integrate into metered-based savings based on the HOPPs ruling.