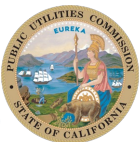


Staff Proposal: Phase Out of Natural Gas EE Incentives

A.22-02-005: Aug. 2 Ruling Workshop – 8/26/22

Travis Holtby

**Today's meeting will be recorded*



California Public
Utilities Commission

Today's Agenda

- 2-2:05pm: Intro / Logistics
- 2:05-2:10: Opening remarks from Com. Shiroma
- 2:10-2:30: Commission staff presentation on staff proposal
- 2:30-3:00: Panel Discussion (Sierra Club/SCG/CalPA) - prepared questions (below) from Commission staff
- 3:00 – 3:20: Panel Discussion (Sierra Club/SCG/CalPA) - questions / comments from public
- 3:20-3:30: Break
- 3:30-3:50: Open discussion of questions from category 1
- 3:50-4:10: Open discussion of questions from category 2
- 4:10-4:30: Open discussion of questions from category 3
- 4:30-4:50: Open discussion of questions from category 4
- 4:50-5pm: Closing remarks

Staff Proposal: Background

Policy Context

- CA has set GHG reduction and decarbonization as a priority
 - AB 3232, SB 100, 2021 IEPR, etc.
- CPUC has signaled our emphasis on decarbonization
 - 2021 EE Potential and Goals, BUILD, TECH, etc.
- EE Business Plan Applications
 - Several PAs (including PG&E, SCE, MCE) support ending or significantly reducing incentives for natural gas EE

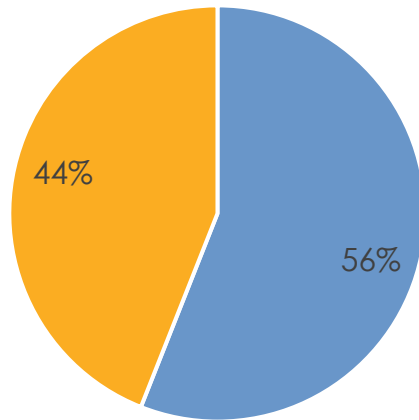
Staff Proposal Background

- Sierra Club's Motion – January 2022
 - Eliminating EE incentives for non cost-effective natural gas (NG) appliances

Stakeholder	Supports	Does Not Support
CEDMEC		X
CalPA	X	
NRDC	X	
PGE	NA	NA
BayREN, 3C-RENS, Ventura		X
SCE	X	
Sempra (SCG, SDGE)		X

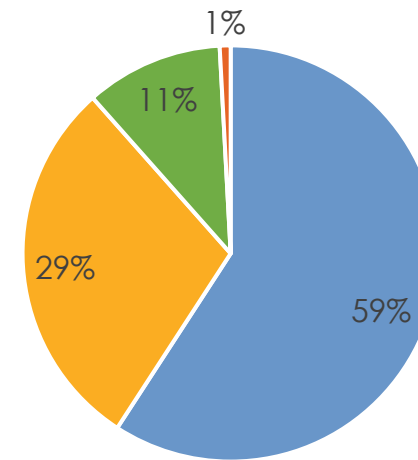
Budget Background

2021: % Natural Gas EE Filing Budget By Cost-Effectiveness (CE)



■ CE ■ Non-CE

2021: Non-CE Gas Appliance Filing Budget by Sector



■ Res ■ Com ■ Ind ■ Ag

Res + Com = 88%

Staff Proposal: Policy

Staff Proposal

1. Phase out most natural gas EE incentives over ~10 years
2. Parallel Path - provide greater support for electrification alternatives and insulation/building envelope measures

New Construction

(PY 2024 = address in current BP/App)

Step	Implementation Date	Sectors	Effected Measures	CE Threshold	Portfolio Segment(s)
1	PY 2024	Residential Commercial Industrial Agricultural	Non-CE gas appliances with a viable electric alternative	Measure = TRC < 1 Program = TRC < 1 if more than 80% of projected program energy savings from gas appliances.	Resource acquisition Equity Market Support
2	PY 2028	Residential Commercial Industrial Agricultural	All non-exempt gas measures with a viable electric alternative.		Resource acquisition Equity Market Support

Retrofits

(Also applies to pop.-level NMEC)

Step	Implementation Date	Sectors	Affected Measures	CE Threshold	Portfolio Segment(s)
1	PY 2024	Residential Commercial	Non-CE gas appliances with a viable electric alternative	Measure = TRC < 1 Program = TRC < 1 if more than 80% of projected program energy savings from gas appliances.	Resource acquisition
2	PY 2028	Residential Commercial	All gas appliance measures with a viable electric alternative		Resource acquisition Equity Market Support
3	PY 2030	Residential Commercial	All non-exempt gas measures with a viable electric alternative		Resource acquisition Equity Market Support
		Industrial Agricultural	Non-CE gas appliances with a viable electric alternative	Measure = TRC < 1 Program = TRC < 1 if more than 80% of projected program energy savings from gas appliances.	Resource acquisition
4	PY 2032	Residential Commercial Industrial Agricultural	All non-exempt gas measures with a viable electric alternative.		Resource acquisition Equity Market Support

Custom Projects

Weighted incentives

Step	Implementation Date	% Change of Electric Incentive	% Change of Gas Incentive
1	PY 2024	25%	-25%
2	PY 2028	50%	-50%
3	PY 2030	75%	-75%
4	PY 2032	100%	-100%

NMEC

- Applies only to gas site-level NMEC
- Weighted incentives

Step	Implementation Date	% Change of Electric Incentive	% Change of Gas Incentive
1	PY 2024	+50%	-50%
2	PY 2026	+100%	-100%

Viable Electric Alternative

- Viable Electric Alternative

1. Is there an electric alternative to the gas measure that has the same end use in any eTRM measure package?
2. Is the measure package for the electric alternative substituting from a natural gas baseline to electric, or from a mixed-fuel (natural gas and electric) baseline to electric?
3. Is the sum of the labor and materials costs, as recorded in the eTRM permutations table, for the electric alternative equal to or less than 116 percent of the sum of the labor and materials costs for the baseline gas measure?

1. Infrastructure costs (to be added in the future)

4. Bill impact (to be added in the future)

- Stakeholder working group to determine existing non-FS viable electric alternatives.

Exempt Measures and Cost Effectiveness

- Exempt Measures

- Measures that result in gas savings, but do not burn gas.
 - Ex: building insulation, sealing, smart thermostats, faucet aerators, and building envelope measures

- Cost Effectiveness

- Staff recommends the use of TRC
 - Currently the primary measure of cost-effectiveness in EE
 - Used in the EE Potential and Goals Study
- Equity and Market Support segments

Panel Discussion

Panel Discussion

- Facilitator: Jen Kalafut, CPUC Program Manager for Energy Efficiency and Transportation Electrification
- Panelists:
 - SCG: Brian Prusnek, Director of Customer Programs and Assistance
 - Sierra Club: Sara Gersen, Clean Energy Senior Attorney
 - CalPA: Michael Campbell, Branch Chief, Electricity Pricing & Customer Program
- Each panelist will answer 1 question
- Each panelist will have 5 min to answer their question
- Then the other panelists will each have a 2 min response
- Following the structured questions, we will open up to public questions/comments

Questions for Panel

- To Sierra Club: Building codes and appliance standards are already moving in the direction of decarbonization. Do we need a more direct phase out of EE incentives for natural gas (NG) appliances now?
- To SCG: What, in your view, are any unintended consequences from the staff proposal? How would you propose mitigating those?
- To CalPA: One of the open questions in the staff proposal is on affordability. Do you think that this affordability information is needed before we implement the first phases of this bold approach to NG appliances, and in later phases for other NG EE measures?

Panel Discussion: Questions/Comments from Public

- Please state:
 - Your name
 - Your organization
 - And if your question is directed to a specific panelist

Discussion Sections

Discussion 1 – Definitions

- How should “viable electric alternative” be defined?
 - How should infrastructure costs, such as electric panel upgrades, be included in determining what constitutes a viable electric alternative?
 - What would be the fastest and most accurate way to gather data on infrastructure costs for electrification measures statewide?
- How should “exempt measures” be defined?

Discussion 2 - Categorization

- Do gas appliances serve a market support and/or equity function given the state's goals and progress towards electrification?
- Which assessment metric (total resource cost, total system benefit, etc.) should be used to assess cost effectiveness in the relevant steps in this proposal in determining the eligibility of gas measures for receiving incentives?

Discussion 3 - Timelines

- Do you agree with the proposed steps and associated timeframes included in this staff proposal? If not, what should the transition timeline away from natural gas EE incentives be?
- How does the transition and timeline to phase out energy efficiency gas incentives align with other related proceedings?

Discussion 4 – Supporting Electrification

- What are the other options for uses of the gas incentives that staff proposes to phase out?
 - Decrease gas energy efficiency collections?
 - Use for other measures?
 - Examples: wildfire-proof soffits, passive solar houses, awnings, etc.
 - Provide to gas ratepayers for fuel substitution?
 - Use the gas incentives for electric measures?
- What other options should the Commission examine for promoting electrification through the staff proposal, beyond redirecting incentives from gas measures?

Closing

Deadlines

- Comments due: September 9th
- Reply comments due: September 19th



California Public Utilities Commission

Travis.Holtby@cpuc.ca.gov