PUBLIC UTILITIES COMMISSION
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Date: December 3, 2024

To: Pacific Gas and Electric (PG&E)

From: Seyyed Mousavi, California Public Utilities Commission (CPUC)

Cc: Leanne Hoadley and Lisa Paulo, California Public Utilities Commission (CPUC

Subject: CPUC Response to PG&E "To-Code/SP" Eligibility Memo

This memo is in response to PG&E's request for clarification on CPUC's interpretation of policy language regarding to-code measures. Energy Division Staff reviewed the related policy statements summarized below.

Per AB802, programs shall include energy usage reductions resulting from the adoption of a measure or installation of equipment required for modifications to existing buildings to bring them into conformity with, or exceed, the requirements of Title 24 of the California Code of Regulations. This applies only to Normalized Metered Energy Consumption (NMEC) projects. The following is language from AB802.

AB 802 SEC. 6. Section 381.2 (b), "Recognizing the already underway 2015 commission work to adopt efficiency potential and goals, the Energy Commission work on its 2015 energy demand forecast, and the need to determine how to incorporate meter-based performance into determinations of goals, portfolio cost-effectiveness, and authorized budgets, the commission, in a separate or existing proceeding, shall, by September 1, 2016, authorize electrical corporations or gas corporations to provide financial incentives, rebates, technical assistance, and support to their customers to increase the energy efficiency of existing buildings based on all estimated energy savings and energy usage reductions, *taking into consideration the overall reduction in normalized metered energy consumption as a measure of energy savings*. Those programs shall include energy usage reductions resulting from the adoption of a measure or installation of equipment required for modifications to existing buildings to bring them into conformity with, or exceed, the requirements of Title 24 of the California Code of Regulations, as well as operational, behavioral, and retro commissioning activities reasonably expected to produce multiyear savings. Electrical corporations and gas corporations shall be permitted to recover in rates the reasonable costs of these programs."

Subsequent decisions were based on AB802 but did not include language restricting "to-code" measures to NMEC projects.

D 16-08-019 Conclusions of Law 21, "Customer incentive design, in light of the change to default baseline policy, should consider differential benefits of the above-code savings relative to the to-code savings, and reflect those benefits in the payment structure."

Resolution E-4818 Findings 20, "The language of AB802 legislation implies energy efficiency programs recognize energy savings from measures that bring existing building into compliance with building code and not necessarily exceed code."

D 17-11-006 Findings of Fact 4, "On October 8, 2015, the Governor approved AB 802, which required the Commission to change its default baseline policy from code (or code compliant) efficiency, to existing conditions, and authorized the IOUs to offer customer incentives and support for the installation of measures that bring existing buildings into compliance with current building code."

D 17-11-006 Conclusions of Law 3, "The energy efficiency program administrators must design and implement cost-effective portfolios that include to-code and through-code incentive offerings."

<u>Conclusion on policy on to-code savings</u>
The AB802 directive and subsequent CPUC decisions directed the energy efficiency program administrators to design and implement measures to include to-code savings although above-code savings measures should be encouraged for the greater benefits of the energy efficiency programs. Both ex-ante reviews and ex-post evaluations will adhere to the above guidelines and relevant CPUC custom rules while reviewing projects.

<u>CIAC PY 2022 Evaluation Results</u>
The CIAC PY 2022 evaluation had zeroed out savings for the projects PRJ-03318678, PRJ-01687856 and PRJ-02927534 for two reasons:

1. The measure not exceeding code
2. The measure EUL being less than 5 years

Based on the eligibility requirements in the "2021 Investor-Owned Utility Customized Offering Procedures Manual for Business Version 1.0" stated on the Sections below:

Section 1.5 Qualifying Energy Efficiency Measures 2 Must Operate at Least Five Years. Measures that will not provide the PA with 100% of the related energy benefits for at least five (5) years from receipt of incentive are generally ineligible. PAs may allow selected measures with less than five years of operation at their sole discretion.
Section 1.11 Project Persistence, "Due to the flexible nature of some measures, the Applicant is required to take steps to ensure that the measures will remain in place, or persist for at least five years."

Therefore, there are no changes to the CIAC PY 2022 evaluation results.

<u>Conclusion on CIAC Evaluation Results</u>
The projects identified in PG&E's memo, which were zeroed out in the CIAC PY 2022 evaluation, were evaluated based on the eligibility requirements in the "2021 Investor-Owned Utility Customized Offering Procedures Manual for Business Version 1.0. Section 1.5 Qualifying Energy Efficiency Measures 2 Must Operate at Least Five Years.