



ORA

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California Public Utilities Commission*

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April 2, 2015

Honorable Fran Pavley
Honorable Richard Roth
California State Senate
Sacramento, CA 95814

RE: Senate Bill 723 (Pavley/Roth) – Oppose unless amended

Dear Senator Pavley and Senator Roth:

The Office of Ratepayer Advocates (ORA) is the independent consumer advocate within the California Public Utilities Commission (CPUC). ORA's statutory mandate is to obtain the lowest possible rates for utility services consistent with reliable and safe service levels. ORA also advocates for customer and environmental protections in connection with utility service.

ORA respectfully opposes SB 723 unless amended. We recognize your goal of encouraging energy utilities to work with federal agencies to pursue more energy efficiency (EE) savings. Unfortunately, this bill in its current form would significantly change how energy savings are calculated for United States Armed Forces facilities in California and may result in exaggerated savings, which in turn could significantly impact the EE program overall.

The current regulatory practice of calculating EE savings requires the determination of a "baseline," which means taking the difference between the actual energy consumed after energy efficiency measures are installed and what energy consumption would have been during the same period had the efficiency measure not been installed. This method allows for an "apples to apples" comparison of energy usage with and without installed EE measures for the same period of time. SB 723 would add Public Utilities Code Section 454.57(b), to allow the Coast Guard and the Department of Defense facilities to be "eligible to calculate their energy efficiency savings by comparing the facilities' existing energy usage, as a whole, with the facilities' projected energy usage that would be achieved from the implementation of the energy efficiency measures." (Emphasis added.) Allowing the use of existing energy usage to calculate the baseline assumes that energy usage will remain constant, which is unlikely.

Although Subsection (b) only applies to the Department of Defense facilities and military bases, and Coast Guard facilities, it may have the unintended consequence of setting a precedent to significantly change the CPUC's current method for calculating the energy savings for all customers. The consequence of changing the baseline calculation has significant ramifications for determining eligibility for program incentives, the amount of incentives, whether an EE program administrator meets its CPUC-established savings goals, and the calculation of incentives awarded to utility shareholders. Also, modifications to baseline could result in funding

projects that are not cost effective. Therefore, ORA recommends SB 723 be amended by omitting subsection (b) under Section 2 (page 3, line 23-28).

If you have any questions or would like to discuss this matter further, please call ORA's Legislative Advisor, Rebecca Lee at (916) 327-1407 or me at (415) 703-2381.

Respectfully,

Joseph P. Como, Acting Director
Office of Ratepayer Advocates

By
Rebecca Lee
Legislative Advisor