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SIERRA CLUB

LONE STAR CHAPTER

PUC PROJECT NO. 52949

CY 2022/23 ELECTRIC UTILITY
ENERGY EFFICIENCY PLAN AND
REPORT UNDER 16 TAC § 25.181

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BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS

COMMENTS OF LONE STAR CHAPTER OF SIERRA CLUB ON 22-23 ENERGY EFFICIENCY PLANS

As required under state law and PUCT rules, on April 1st, the state's eight private electric utility companies were required to file their "2022 Energy Efficiency Plan and Report" which include information about both updates on their 2022 plans and programs and the 2023 draft plans with the Public Utility Commission of Texas. These plans are intended to help electric customers save energy and reduce peak demand through a variety of programs, incentives and rebates. As required by legislation approved in 2011, the eight private transmission and distribution utilities are required to reduce overall residential demand every year by at least 0.4% in peak demand, while also reducing energy consumption by a small amount (it translates to roughly one-tenth of one percent in energy consumption based on a capacity factor of 20 percent). While Sierra Club is supportive of the existence of these programs, we have long argued that it is time for the state - either through legislation – or through action by the Public Utility Commission of Texas to invest in much more robust programs that prioritize both peak demand reductions during the winter and summer peaks and overall energy savings. Texas used to be a national leader on energy efficiency programs. In 1999, as part of electric deregulation, we were the first state to establish energy efficiency standards (called Energy Efficiency

Portfolio Standard), but over the past two decades we've sunk to 29th place nationwide (**Source: ACEEE**).

In the wake of the issues that arose during Winter Storm Uri, in fact, now is the time to ramp up programs that will help us create a more resilient grid and directly help those impacted during winter and summer peaks. While the PUCT has taken some small steps to recognize the importance of looking at the demand side such as increasing Emergency Response Programs, they have yet to address the energy efficiency programs run by the utilities themselves. Now, with the utilities releasing their plans now, they will next be proposing the actual amounts that ratepayers would have to pay to raise the money to enact their plans. Called EECRFs - or Energy Efficiency Cost Recovery Factors – each utility will be proposing a fee charged to residential and commercial customers to pay for the programs. Recently, the non-ERCOT utilities released their EECRFs, while the ERCOT utilities should be submitting their EECRFs on June 1st, which will begin a process toward final approval. The PUCT can and should require the utilities to meet higher program goals and prioritize programs that help make the grid more resilient.

What are utilities proposing?

As can be seen in Table 1, utilities are essentially stating that they expect to do about the same in 2023, as they are doing currently in 2022 and as they did in 2021. The charts clearly show that the utilities can easily meet the “required” goals, but it also shows they have largely run and achieved the same results year after year. Overall, according to what has been filed, energy efficiency demand reductions and savings would remain the same if these plans are approved later this year by the PUCT.

To put it more plainly, the eight utilities are proposing this next year - 2023 - to reduce peak demand by 531 MWs, which is slightly lower than what they achieved in 2021 (547 MWs) and slightly above what they expect to achieve this year (501 MWs). Those numbers are about two-and-a-half times the required goal of 227 MWs. In terms of energy savings, the utilities expect to reduce overall energy sales by 701,043 MWhs, about double the required energy savings reduction of 387,952 MWhs, but down slightly from what they achieved in 2021 (748,135 MWhs), and slightly above the 2022 expected total (638,887 MWhs).

While it is good that the utilities are meeting and in fact more than doubling their peak savings and energy goals, the fact is that our goals were set more than 10 years ago by the Legislature, and have not been tweaked since 2011, meaning utilities have had more than 10 years to get it right. Under the provisions of the statutes and rules, utilities can earn a performance bonus that essentially pays them ratepayer money for exceeding their demand goals. And those performance bonuses are only tied to meeting the peak demand goal, not the energy saving goal. Again, they are willing to design programs to exceed their goals, and earn a healthy bonus, but they are unwilling to propose major revisions, especially with a Commission which has yet to make these programs a priority or agree to major changes in “cost caps” on ratepayers.

Table 1. Utility Demand and Energy Goals, 2021 - 2023

Utility	2023 Peak Demand Goal (MWs)	2021 Peak Demand Reduced (MWs)	2022 Peak Demand Expected Reduced (MWs)	2023 Proposed Peak Reduced (MWs)	2023 Energy Savings Goal (MWhs)	2021 Energy Savings Reduced (MWhs)	2022 Energy Savings Expected Reduced (MWhs)	2023 Proposed Energy Savings (MWhs)
Oncor	97	209	201.2	215.9	169,944	309,870	253,599	291,195
Centerpoint	65.03	212.3	183.46	185.43	114,038	237,486	214,129	227,636
AEP	21.08	45.4	47.8	48.1	36,932	83,674	70,488	72,434
TNMP	5.4	11.6	10.3	11.6	9,531	19,182	9,321	15,100
Entergy	15.7	22	15.7	15.7	17,545	27,156	27,500	27,500
SPP-XCEL Energy	6	10	11.5	12	10,599	25,428	22,929	26,014
SWEPCO	5.6	8.4	11.7	11.7	9,811	17,418	14,039	14,039
El Paso Electric	11.2	28	19.8	31.2	19,552	27,921	26,882	27,125
Totals	227	546.7	501.36	531.53	387,952	748,135	638,887	701,043

How much money are they planning to spend?

And what would the utilities spend? Again, nearly the same – roughly \$135.8 million next year vs. \$133 million in 2022, with roughly 60% spent on residential customers and 40% spent on commercial customers. While they have not yet filed their EECRFs, the impact on electric consumers in terms of costs will be very similar in 2023 as it was in 2022 – unless there is an effort to increase the level of the programs. Looking at the 2022 EECRFs, the average residential household living in the service territories would pay between \$0.98 and \$1.74 per month depending on the utility to support the residential offerings. While the PUCT should absolutely assure that costs are kept reasonable on residential and commercial consumers, there is clearly room to grow the programs. As an example in terms of public utilities, Austin

Energy residential customers spend approximately \$5 per month to support energy efficiency and local solar programs, while CPS Energy is discussing whether to raise their current budget of approximately \$3.50 per month to as much as \$5.00. Clearly there is room for much more robust programs. It is important to note that in much smaller utilities like Austin Energy, spends roughly \$40 million per year on energy efficiency programs, while CPS Energy spends about \$70 million per year, even though their service territories and the number of consumers they serve are much smaller than utilities like Oncor, Centerpoint Energy or AEP. And to put this in perspective, average electricity prices are already up some 20 percent this year compared to last year, with the high cost of gas, and the extra “insurance” that ERCOT is purchasing to make the system more reliable. In other words, raising more money from EECRFs would probably not be noticed by consumers compared to other rising costs. With one exception, none of the utilities has reached “cost caps” imposed by the PUCT on the programs.

Table 2. Utility Energy Efficiency Budgets, 2022 and 2023

Utility	2022 Approved Budget	Average 2022 Residential Monthly Rate to Pay for the Plan (based on 1,000 KWh/month)	2023 Proposed Budget
Oncor	\$50,414,318	\$1.06	\$52,406,129
Centerpoint	\$38,138,681	\$0.98	\$37,124,520
AEP	\$17,959,017	\$1.21	\$18,447,166
TNMP	\$4,967,690	\$1.35	\$5,512,243
Entergy	\$7,902,818	\$1.03	\$8,024,268
SPP-XCEL Energy	\$4,263,000	\$1.00	\$4,508,000
SWEPCO	\$4,431,197	\$1.74	\$4,404,280
El Paso Electric	\$5,186,448	\$0.98	\$5,392,824
Total Budgets	\$133,263,169	\$1.17 (average)	\$135,819,430

Source: Energy Efficiency Plans submitted in PUC Docket 52949

A Closer View at some Utility Plans: Anything new?

Looking more closely at the utility plans themselves, we wanted to take a deeper look at four specific utilities, two within ERCOT and two outside ERCOT. Within ERCOT, by far the largest utilities are Oncor and Centerpoint, as they serve areas focused in Dallas and Fort-Worth in the first case, and in the Houston-Galveston-Brazoria area in the second. As can be expected they have by far the largest programs, as they have larger demands to serve.

Outside of ERCOT, two of the largest utilities are Entergy, which serves Southeast Texas in the Beaumont-Port Arthur area, and SPS-Xcel which serves northwest Texas and the Panhandle.

While there is some good in all of the proposed plans, these utilities are still spending a pittance compared to the demand for programs, and are losing opportunities to grow programs that could help many Texans lower bills and incentivize new technologies like water heat pumps, space heat pumps, solar and multi-family housing programs.

Oncor

By far the largest transmission utility in Texas, in 2022 and 2023 to their credit, Oncor has introduced two new programs that are worthy of support. In terms of their overall plans, in 2023 the utility is proposing to spend \$52.4 million in 2023, a slight increase from what they are currently spending. They are anticipating spending about \$19 million on residential programs, about \$12 million on “hard-to-reach” programs which are focused on Low-to-Moderate Income residents, and about \$19 million on commercial programs. They expect to reduce peak demand by about 215 MWs, up slightly from what they achieved last year (209 MWs) and also expect a slight increase in energy savings. While they have yet to propose how they will pay for the programs, it is likely their proposed residential tariff will be somewhere around \$1.10 on the average residential program based on the slight growth in their offerings.

Oncor should be praised for offering some new programs. First, beginning this year, Oncor added a number of new programs in the commercial space designed to get commercial entities to reduce both summer but especially winter load with a variety of tools, including incentives for the use of heat pumps. Under both its “Commercial Midstream” program - where Oncor provides incentives to air conditioning installers and heat pump installers to push out more efficient air conditioning and heat pump units, a Strategic Energy Management program aimed at large commercial users, as well as a new specific “Winter Commercial Load Management Program,” which provides incentives for commercial and even aggregated loads to shift off or lower electric use during high winter demands – including through the use of smart thermostats, heat pumps and other devices – Oncor has successfully found a way to keep the grid more resilient during the winter months - a key need given the tragedy of Winter Storm Uri. The program is funded at \$1.4 million currently and is expected to reduce winter peak loads about 35 MWs.

After adding those more commercially-focused programs this year, and proposing to continue it in 2023, Oncor is planning to add a new Low-Income Air Conditioning Tune-up Pilot Market Transformation program. The new program is designed to overcome market barriers that

prevent low income residential customers from receiving high performance air-conditioning system tune-ups. The program offers system tune-ups to low-income qualified customers at little to no additional cost to the customer to help alleviate the energy burden that most low income customers face during the summer months. This is a worthy program, but is being proposed at a very modest level of \$525,000 a tiny program compared to some of its larger offerings.

Other worthy programs include incentives for builders to go beyond code in new construction, a unique solar plus storage incentive, and standard-offer programs designed to provide rebates for more efficient heat pumps, AC units and other appliances. Oncor has also done significant research and work to improve its hard-to-reach programs to increase eligibility and allow more direct installations of heat pumps and other more expensive items not covered by traditional weatherization programs.

While ONCOR should receive praise for their plans, as a percentage of peak demand and savings they remain modest, and could easily be doubled or quadrupled. They should certainly be investing more in inverter-based water heat pumps and space heat pumps, which can provide vast demand and energy savings during the winter, and expanding their AC tuneup programs. The move to only support residential solar systems when combined with other energy efficiency measures and storage is a good one.

Full information about their program offerings can be found here

https://www.google.com/url?q=http://interchange.puc.texas.gov/Documents/52949_7_1197108.PDF&sa=D&source=editors&ust=1651254355392995&usg=AOvVaw1KyPnaraiguFmwyRakKW/MX

Centerpoint

Second only to ONCOR in its size, and in the size of its energy efficiency programs, CenterPoint Energy operates in the Houston area, and is also a gas distribution utility in addition to running the electric distribution and transmission lines. Their plan shows they will nearly triple their demand reduction goal of 65 MWs and nearly double their energy savings goal, again pointing to how modest Texas's goals are. In all they plan to spend some \$37 million in 2023.

To reach these levels, they plan to run 17 programs, roughly divided between commercial and residential standard offer and market transformation programs. The programs include:

1. Commercial Standard Offer Program
2. Commercial MTP (SCORE, Healthcare, Data Center)
3. Commercial Load Management Standard Offer Program
4. Retro-Commissioning MTP
5. Retail Electric Provider MTP (Commercial CoolSaver)
6. Commercial High Efficiency Foodservice MTP (Pilot)
7. Advanced Lighting MTP
8. CenterPoint Energy High Efficiency Home MTP

9. Residential & Small Commercial Standard Offer Program
10. Smart Thermostat Program
11. Midstream MTP (HVAC and Pool Pump Distributor)
12. Retail Electric Provider MTP (Residential CoolSaver and Efficiency Connection)
13. Residential Load Management Standard Offer Program
14. Multi-Family MTP Market Rate
15. Hard-to-Reach Standard Offer Program
16. Multi-Family MTP Hard-to-Reach
17. Targeted Low Income MTP (Agencies in Action)

Specific information about these programs can be found both on Centerpoint's website and their plan, which can be found here

http://interchange.puc.texas.gov/Documents/52949_6_1197074.PDF

To their credit, CenterPoint in recent years has more directly worked with the City of Houston, and non-profit organizations to reach more Houston-area residents with energy efficiency, demand reduction and other programs, and recently began some new programs aimed both at apartment dwellers (multi-family housing), and targeted low-income market transformation programs, working with Agencies in Action. Their targeted AC tuneup program for both residential and commercial participants has also been a success.

Nonetheless, despite the ravages of Winter Storm Uri, Centerpoint Energy has not rolled out any new programs in several years, does not have any specific solar or solar plus storage programs, and has yet to roll out specific electric water heat pump or space heat pump programs. While CenterPoint Energy is also a gas utility, they still should be promoting the use of electric heat pumps, rather than either furnaces or absorption heat pumps that rely on gas or propane. Unlike Oncor, they appear to be offering no specific winter peak demand programs, despite the obvious failure of our electric grid during Winter Storm Uri.

With literally millions of apartment dwellers and homeowners living in their service territory, and dozens of retail electric providers providing power, CenterPoint could significantly expand all of their programs, and add additional ones, while making our grid more resilient. They could easily double their program in 2023, and still keep the cost on residential consumers to less than \$2 per month.

Entergy Texas

The largest of the non-ERCOT utilities, Entergy Texas Inc (ETI) energy efficiency programs could theoretically serve approximately 100,000 residential customers and more than 50,000 commercial customers in their service territory. Unlike Oncor or Centerpoint Energy they have

much smaller programs and more modest goals given their smaller territory and the modest requirements imposed by the Texas legislature.

Currently, they only offer six programs as can be seen below

Table 3: 2022 Entergy Texas Energy Efficiency Programs

Program	Target Market	Application
Commercial Solutions MTP	Commercial	Retrofit, New Construction, Behavioral; Midstream
Load Management SOP	Commercial	Demand Response
Residential SOP	Residential	Retrofit
Residential Solutions MTP	Residential	New Construction; Retrofit
Hard-to-Reach SOP	Residential	Existing; Income Qualified

While there are lots of details in these programs, as an example, they offer no demand response programs for residential consumers, they do provide information to customers through their website, http://www.entergy-texas.com/energy_efficiency. Two recent improvements to their residential standard offer program includes a specific multi-family housing HVAC retrofit program which can include modern heat pumps, as well as an A/C tuneup program for homeowners. Recently, they also began a pilot program for water heat pumps that can be controlled to provide demand response. While small, the program which is part of their residential solutions program is an important addition that could be expanded significantly.

Indeed, In 2023, ETI plans to grow the Heat Pump Water Heater Pilot program within the residential program. The program works in two parts: incentivizing customers to install heat pump water heaters and to participate in residential demand response. To grow the program in 2023, the pilot will incentivize more heat pump water heaters being installed in residential homes. Second, the program will include outreach to these customers to encourage enrollment in an anticipated demand response program that will utilize the demand response technology. The purpose of the residential demand response program will be to reduce summer or winter demand.

Again to their credit, they also expanded their hard-to-reach program to focus on multi-family heating and cooling and residential AC tuneups recently.

It must be said, however, that Entergy offers no incentives for either onsite commercial or residential solar and/or storage, have a very small hard-to-reach program and only recently began outreach to multi-family housing dwellers. Indeed, out of their goal of 15 MW demand

reduction, they are only expecting to reduce residential and hard-to-reach demand by 4.6 MWs, while reducing their energy savings by less than 10,000 MWhrs in terms of residential consumers.

Indeed, they are expected to barely meet their required goal for demand reduction, and only slightly exceed their energy savings goal. Even as the company proposes to spend billions on a new gas-fired power plant, they are only willing to propose spending slightly more than \$8 million a year, about \$1 per month on the average consumer's bill.

Clearly they could easily double or triple their energy efficiency expected achievements, and reduce the energy burden of thousands of residential and commercial accounts.

SPS-XCEL Energy

Owned by energy giant XCEL Energy, SPS runs thousands of miles of transmission and distribution lines, and owns coal and gas plants in Northwest Texas. Outside of ERCOT in the Southwest Power Pool, SPS serves about 270,000 residential and 54,000 commercial customers.

Again, a much smaller utility than Oncor or Centerpoint, SPS only spent roughly \$4 million on its energy efficiency programs in 2021, and is proposing a similar budget in 2023, while planning to reduce peak demand by only 12 MWs and reduce energy savings by some 26,000 MWhs, similar levels to what they achieved in 2023.

Currently, the utility giant runs 10 energy efficiency programs, including

- Residential SOP; • Residential Home Lighting MTP; • Smart Thermostat Pilot MTP; • Refrigerator Recycling MTP; • Hard-to-Reach SOP; • Low-Income Weatherization; • Small Commercial MTP; • Large Commercial SOP; • Load Management SOP; and • Retro-Commissioning MTP.

They do plan to add a new residential HVAC program in 2023, which given the high summer heats is a good idea, and will provide rebates for more efficient HVAC in homes. They also plan to work with food banks to introduce energy savings technology – LED lighting - to lower-income households that rely on food banks.

SPS programs are very traditional and focus on lighting, smart thermostats, and insulation.

They offer no new home construction programs, offer no solar, EV or solar plus storage programs, and have not invested in heat pump or water heat pump despite the obvious advantage to reduce overall energy use and peak demand use. Their programs are traditional and modest and could be expanded well beyond the \$1 per month they are charging average customers.

SPS is currently deciding on whether to spend tens of millions of dollars to convert three old coal fired-units to gas while at the same time they only dedicate about \$4 million to energy efficiency programs, which include no incentives for renewable energy, heat pumps, storage or other forms of new technology. SPS-Excel Energy should expand their programs well beyond such modest offerings.

Conclusions

The Lone Star Chapter of the Sierra Club appreciates the opportunity to file these brief comments. While we are likely to offer comments in the individual EECRF dockets, we continue to ask the Commission to consider opening up a rulemaking on the Energy Efficiency program, and take stakeholder comments on making major changes to the programs to expand the use of load management and energy savings programs that will make these programs more beneficial to residential and commercial consumers, and help make the grid more resilient. We are also filing these comments in the market redesign docket since we believe these comments are responsive to the Blueprint approved by the Commission in December of 2021. That Blueprint said the Commission would be making improvements to the TDU programs, but we have yet to see any action by the Commission or staff.

Cyrus Reed
Conservation Director
Lone Star Chapter, Sierra Club
512-888-9411
cyrus.reed@sierraclub.org