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Received - 2022-06-14 06:25:43 PM

Control Number - 53671

ItemNumber - 8



SIERRA CLUB

LONE STAR CHAPTER

PUC DOCKET NO. 53671

SOAH Docket No. 473-22-00992

APPLICATION OF ONCOR ELECTRIC
DELIVERY COMPANY LLC TO
ADJUST ITS ENERGY EFFICIENCY
COST RECOVERY FACTOR (2023)

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BEFORE THE
PUBLIC UTILITY COMMISSION
OF TEXAS

COMMENTS OF THE
LONE STAR CHAPTER OF SIERRA CLUB ON ONCOR 2023 EECRF

June 14th, 2022

The Lone Star Chapter of the Sierra Club is the state chapter of the Sierra Club, the nation’s oldest and largest conservation non-profit organization. In Texas, we have approximately 28,000 members, many of whom receive their transmission and distribution service from Oncor. In fact, we have local Sierra Club regional volunteer groups in both Fort Worth and Dallas, and both are very active in conservation issues in the DFW area. As such, we have a keen interest in ensuring that the annual energy efficiency plan, and resulting tariffs are equitable and fair, and also provide both residential and commercial electric consumers with programs that help conserve overall energy, reduce both summer and winter peak demand, incentivize new technologies like heat pumps, solar power, storage and programmable thermostats, and help make our electric grid more reliable.

These are the initial comments Sierra Club is submitting for consideration of the parties involved. We are still considering whether to formally intervene as a party in the proceeding. We will file any such request before the required deadline, likely in early July.

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 (PUCT). 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 PUCT – 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.¹

Indeed on May 30th, ONCOR submitted its proposed EECRF for 2023 in accordance with PURA1 § 39.905 and 16 Tex. Admin. Code ("TAC") §§ 25.181 and 25.182. Under its application, Oncor is seeking \$83,058,209 in total, which includes:

- (a) \$51,665,637 in projected costs for the 2023 energy-efficiency program;
- (b) \$28,029,733 for a performance bonus based on achieving demand savings in 2021 in excess of its 2021 goal;
- (c) \$740,492 in projected evaluation, measurement, and verification costs;
- (d) \$2,603,394 to be surcharged to customers for under-recovery of 2021 program costs, including interest; and
- (e) \$18,953 related to rate-case expenses for the Steering Committee of Cities Served by Oncor in Docket No. 52178,4 which was Oncor's 2021 EECRF proceeding.

The effective date of this 2023 EECRF would be March 1, 2023.

¹ Source: American Council for an Energy-Efficient Economy (ACEEE). See https://www.aceee.org/state-policy/scorecard?gclid=Cj0KCQiApL2QBhC8ARIsAGMm-KETWNWF_MJUW2Rhel0wmSstcsmHeAljIGEY3Q3GUSGgn7Wwhb9k_BYaAjnYEALw_wcB.

Table 1. Components of ONCOR’s EECRF 2023 Filing

Category	Amount	Percent of Total
Energy Efficiency Incentives and Program Costs	\$51,665,337	62.20%
Performance Bonus	\$28,029,733	33.74%
Evaluation, Measurement and Verification	\$740,492	0.89%
Under-recovery of 2021 Program Costs	\$2,603,394	3.31%
2021 Rate-Case Expenses	\$18,953	0.02%
Total	\$83,058,209	100%

While \$83 million may seem like a substantial amount to help consumers reduce their bills and use less energy, the Sierra Club would point out that that total includes more than \$28 million in proposed performance bonuses, which are to pay a bonus for merely meeting the lowest goals in the country. While legal, it means that over one-third of the proposed budget being paid for by residential and commercial consumers would simply go to pay for a bonus for Oncor meeting and exceeding very modest demand reduction goals. Clearly these performance bonuses are not sustainable and provide no direct benefit to ratepayers.

Part of the problem is how they are determined. As an example, in this case, ONCOR shows that it met its energy savings goal, and exceeded its demand reduction goal by well more than 20%, meaning it qualifies for a 10% bonus. However, that bonus is not on top of the budget but is actually a percentage of the “avoided costs” achieved through the demand and energy savings reduction, which Oncor using PUCT rules, has calculated at \$280 million. Thus, ONCOR is able to claim up to a maximum of 10% of this total, as long as they exceed the goal by 20% and are under the cost cap.

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, Oncor and other utilities are proposing a fee charged to residential and commercial customers to pay for the programs. The PUCT can and should require the utilities to meet higher program goals and prioritize programs that help make the grid more resilient.

What is ONCOR proposing?

As can be seen in Table 2, below, ONCOR is 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.

To put it more plainly, ONCOR is proposing this next year – 2023 – to reduce peak demand by 215 MWs, which is slightly higher than what they achieved in 2021 (209) and 2022 (201 MWs). Those numbers are more than two times the required goal of 97 MWs. In terms of energy savings, if approved by the PUCT, ONCOR proposes to reduce overall energy sales by 291,195 MWhs, almost twice the required energy savings reduction of 169,944 MWhs, but down slightly from what they achieved in 2021 (309,870 MWhs), and slightly above the 2022 expected total (253,599 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 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 2. ONCOR Demand and Energy Goals and Achievements, 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	97.0	209	201.2	215.9	169,944	309,870	253,599	291,195

How much money would ONCOR spend?

And what would the utility spend? Again, nearly the same – roughly \$51 million for programs, and \$83 million which includes the very rich performance bonus. They are proposing almost the exact same amount in terms of the residential EECRF – a slight decrease from \$1.06 to \$1.03 per month on an average bill, and a similar slight decrease in its small commercial rate from \$0.000636 to \$0.000602 per kWh for commercial entities with a demand less than 10 kW. These totals are well under the current cost caps of \$1.43 for 1,000 kWhs for a residential consumer and \$0.000896 per kWh for a commercial customer. Indeed, according to the testimony provided by ONCOR in this case, Oncor's 2023 forecasted consumption for residential customers is 47,995,053,000 kWh, while the total EECRFs costs outlined in residential customer EECRF costs are \$49,059,697. However, based on the consumption, ONCOR could be spending a not-to-exceed amount of \$68,776,911 or (47,995,053,000 X \$0.001433). Thus, as in previous years, ONCOR is proposing an EECRF that is well under the cost caps, and ONCOR could spend almost 35 percent more before hitting the cost caps.

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 currently spend approximately \$2.30 per month to support energy efficiency and local solar programs, which does not include a “Value-of-Solar” payment, 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. According to recent reports, average electricity prices are already up some 20 percent this year in the DFW area 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. Oncor could easily spend more on both its residential and commercial programs without reaching the cost caps.

Table 3. Utility Energy Efficiency Budgets, 2022 and 2023

Utility	Average 2022 Residential Monthly Rate to Pay for the Plan (based on 1,000 kWh/month)	2022 Approved Program Budget	Average 2022 Residential Monthly Rate to Pay for the Plan (based on 1,000 kWh/month)	2023 Proposed Program Budget
Program Costs	\$1.06	\$50,414,318	\$1.03	\$51,665,337

Source: Energy Efficiency Plans submitted in PUC Docket 52949 and 53671

A Closer View at ONCOR's Plans: Anything new?

By far the largest transmission utility in Texas, in 2022 and 2023, Oncor has introduced two new programs that are worthy of support over the last few years. In terms of their overall program budget, 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.

The Sierra Club is supportive of Oncor's efforts to add these new programs. First, beginning in 2022, 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, which they propose to continue 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 meet much higher goals. 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, but again the programs are relatively small.

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&usq=AOvVaw1KyPnaraiguFmwyRakKW
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Conclusions

The Lone Star Chapter of the Sierra Club appreciates the opportunity to file these brief comments on ONCOR's EECRF. Again, we call on the Commission to open up a new rulemaking on the load management and energy efficiency programs. ONCOR is more than doubling the peak demand goal and nearly doubling the energy savings goal with minimal effort, and proposing to earn a giant bonus of some \$28 million - about a third of its budget -for doing so. This is not sustainable, and is a waste of ratepayer resources. Instead, we should be increasing efforts to spend more ratepayer money on actual energy savings programs. Clearly a 20% load factor is very easy for utilities to meet and should be increased substantially.

In the meantime, ONCOR should be encouraged to spend up to the cap, particularly in residential, where it could be spending almost another \$20 million by just increasing the proposed tariff from \$1.03 to \$1.43. While a 40-cent increase on an average residential bill might seem like a lot, given the vast increases in electric bills, putting money into energy savings programs would more than pay off for these programs.

In December of 2021, the Commission released a Blueprint stating that the Commission would be making improvements to the TDU programs, but we have yet to see any action by the Commission or staff.

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