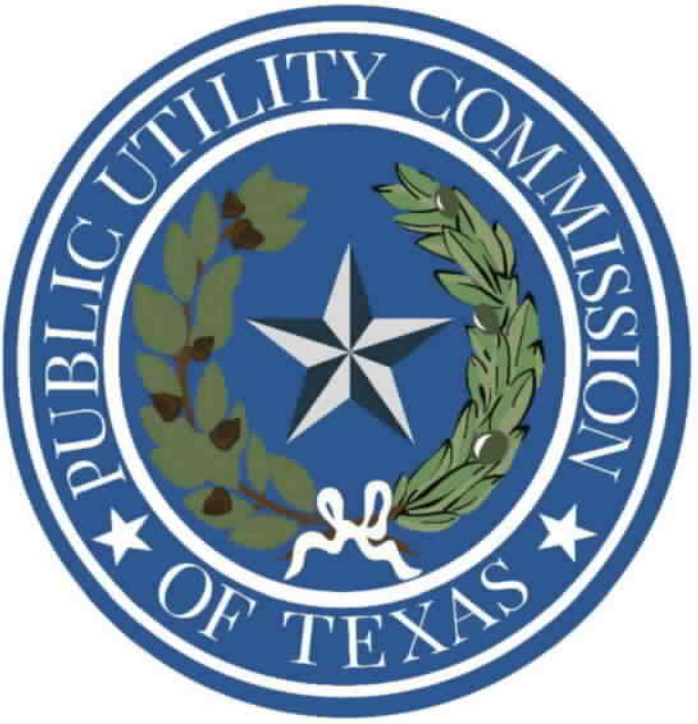

Filing Receipt

Filing Date - 2025-03-20 04:35:59 PM

Control Number - 57743

Item Number - 12

ACEEE
American Council for an Energy-Efficient Economy
529 14th Street, N. W., Suite 600 ⊙ Washington, D.C. 20045 ⓟ 202.507.4000 ⓕ 202.429.2248 ⓦ www.aceee.org

March 20, 2025

Ramya Ramaswamy
Public Utility Commission of Texas
1701 N. Congress Ave, Suite 7-110
Austin, TX 78701

Re: ACEEE Comments on Project No. 57743 – Review of Energy Efficiency substantive rules

Dear Ramya,

The American Council for an Energy-Efficient Economy (ACEEE) tremendously appreciates the opportunity to provide these comments regarding the Public Utility Commission of Texas' (PUCT) energy efficiency rules. Since the last time these rules were updated, the role and impact of energy efficiency (EE), and demand side management (DSM) more broadly, has continued to evolve in ways that can bring even more value to Texas today. Energy efficiency provides essential energy resources benefits by a) lowering customer energy bills and utility system costs overall, b) offsetting the need for more expensive transmission, distribution, and power generation investments, and c) improving reliability and resilence at the local and system level (including during severe weather events). As the number of ways EE is used has grown, so too have the policies and practices that guide its use. The recommendations outlined for your consideration in these comments reflect well-researched and time-proven methods for delivering high impact energy saving programs, as demonstrated by their well-documented and successful use in leading states across the country.

ACEEE is the Nation's premier energy efficiency research, education, and advocacy non-profit organization. With our independent analysis, we aim to support the work of state regulators and utilities to deliver effective and ambitious EE programs that drive economic development, enable us to use energy resources wisely, and ensure energy affordability for all utility customers. In addition to regularly publishing research for national audiences, such as the recently released 2025 State Energy Efficiency Scorecard, ACEEE also produces analyses that address state specific issues. Over the past two years, ACEEE published two such reports for Texas focused on ways to save customers money and prepare for future extreme weather events: "Energy Efficiency and Demand-Response: Tools to Address Texas' Reliability Challenges," in 2023 and in 2024 "Transforming Texas: How Heat Pumps Can Replace Electric Resistance Heat, Reducing Costs and Winter Power Peaks." ACEEE also now maintains the Database of State Efficiency Screening Practices, which provides comparative insight into cost benefit analysis factors identified in the PUCT's current request for comments.

Low-Income Definition

Commission Staff request feedback on the definition for low-income customers. ACEEE supports the proposed language to shift from a definition of low-income that uses the federal poverty level indicator to one that is instead based on 80% of the calculated area median income (AMI). This approach will

better reflect cost of living factors that significantly affect the financial means of households in different parts of the state. Doing so will also enable more households to participate in the income qualified energy efficiency programs that are designed to support energy bill affordability. It also better aligns with criteria used to establish eligibility for related programs and services, including the State Energy Conservation Office's pending Home Energy Rebate programs.

In addition to the 80% AMI threshold, ACEEE recommends that the PUCT also consider adding categorical eligibility for customers who meet the established income qualifying criteria for other programs and services designed to serve low-income households. While the specific list of programs and services used for categorical eligibility can be determined at a later time, and amended from time to time, these could include accepting income verification by well-established entities providing services like the Low Income Home Energy Assistance Program, Social Security Supplemental Security Income (SSI), and the United States Department of Agriculture's Supplemental Nutrition Assistance Program (SNAP). In 2023, DOE published a list of programs whose income eligibility criteria were compatible with application of the 80% AMI threshold,[1] which may be a useful resource for establishing categorical eligibility in Texas. Use of these existing income qualification systems has many benefits, including eliminating time consuming and unnecessary application redundancy, increasing access for eligible customers, and reducing administrative burden for utilities and program implementers. We recommend the PUCT add provision for categorical eligibility to its low-income definition and subsequently develop and maintain the list of specifically included programs whose income verification criteria are authorized for use with Texas utility low-income energy efficiency programs.

Hard-to-Reach Definition:

ACEEE supports PUCT Staff's emphasis on serving customers in rural areas, and suggests additional consideration be given to other categories of hard-to-reach customers. Customers living in manufactured homes, multifamily housing, and renters should also be recognized as hard-to-reach and additional effort made to ensure they are able to effectively participate in Texas utility EE programs, as well as customers with language barriers. All customers pay for the utility administered energy efficiency programs, so program design and outreach should aim to ensure that all customers are able to access and benefit from the utility's EE programs.

Calculating Cost-Effectiveness - Costs:

The Utility Cost Test (UCT) is intended to enable comparison between investments in EE and supply-side resources. For the test to properly evaluate which is more cost effective, multiple elements of energy efficiency cost and benefits must be included, and accurate inputs are needed for each element. The cost side of the equation should include only those factors that are paid for directly by the utility in the course of delivering the EE programs, such as incentive payments to customers and trade allies and prudently incurred costs associated with running the programs (for example the cost of administering rebates, marketing expenses, and quality control). While practices vary, 29 states do not include

[1] https://www.energy.gov/sites/default/files/2023-10/ira-50121-50122-home-energy-rebates-categorical-eligibility-list_10-13-2023.pdf

shareholder incentives in EE cost benefit analysis.[2] Shareholder incentives for EE programs should only be included as a cost in EE cost benefit analysis if the supply-side costs similarly account for shareholder earnings when determining the avoided cost against which EE is being evaluated. If the avoided cost methodology used to determine whether EE passes cost effectiveness does not account for avoided supply-side shareholder earnings, then shareholder incentives for EE programs should not be included in calculating cost effectiveness or energy efficiency.

Calculating Cost-Effectiveness - Benefits:
All utility system benefits should be factored into UCT calculations, but at present Texas is not including several important benefits categories.

Transmission & Distribution (T&D)
Texas considers avoided marginal energy and generating capacity costs, but it does not include avoided transmission and distribution costs or line losses. According to the Database of State Efficiency Screening Practices, the vast majority of states (40) include avoided transmission and distribution costs as a utility system benefit for purposes of cost benefit analysis and nearly every one of these also includes the value of avoided line losses.[3] Generally speaking, the outliers who do not include T+D and line loss benefits have far less developed energy efficiency policies and lower savings performance overall.[4] We recommend that Texas add avoided T&D costs and line losses as utility system benefits when evaluating EE cost effectiveness.

Avoided Cost
The value of avoided costs varies by time and location, sometimes to a very large degree. Accordingly, the value of avoided energy costs from efficiency should reflect the time and location of the savings achieved. Texas energy markets already include location and time-based cost accounting on the supply side, and these values should be reflected in the avoided cost used to screen energy efficiency. But current practice in Texas uses average values that often underestimate the true value cost from efficiency savings. Changing from average values to an approach that incorporates a greater degree of time and location granularity will better reflect the value of energy savings and improve the accuracy of cost effectiveness testing. Furthermore, all supply side capacity costs (including ratepayer-funded subsidies for power generation) should be included when determining avoided capacity benefits. The technical details can be worked out separately, but the revised PUCT EE rules should specify that the evaluation of energy efficiency cost and benefits should be symmetrical with the supply-side costs and benefits it is being compared to. If the avoided cost values do not properly and fully reflect avoided supply side costs, it will lead to underinvestment in otherwise cost-effective energy efficiency resources

---

[2] ACEEE Database of State Efficiency Screening Practices: https://public.tableau.com/app/profile/ac3e/viz/DatabaseofStateEfficiencyScreeningPractices_17377419994200/DatabaseofScreeningPractices

[3] ibid

[4] Notably, five of those states do not account for energy, capacity, or any energy efficiency value.

leading to higher costs for the utility system and a whole, which all customers pay for. Revising the methods used for determining avoided cost is likely the most important and impactful change the PUCT can make to its energy efficiency rules, and the one that will ultimately lead to the greatest cost reductions for customers going forward.

Resilience

The financial costs and consequences of Winter Story Uri have been well documented and are relevant for considerations of energy efficiency cost benefit analysis. At the household level, homes that have been made energy efficient will be better able to maintain comfort during extreme weather events, leading to reduced mortality, fewer frozen pipes, and avoiding the financially catastrophic effects of related energy bill spikes. Texas has committed to hardening its utility grid to avoid weather-related blackouts. Investing in cost-effective energy efficiency will accelerate progress towards this goal while lowering the cost of achieving it. While the details can be worked through at a subsequent stage of the PUCT EE rulemaking process, reduced costs of grid hardening should be included, as should reduction in the likelihood and severity of costs from future extreme weather events (such as the securitized costs being paid by Texas customers now for Winter Storm Uri).

By revising its EE rules, the PUCT has the potential to unlock new levels of efficiency savings that will lower the cost of customer energy bills, reduce utility system costs, offset some of the need for more expensive power generation, and ensure the state is better prepared for future extreme weather events. ACEEE stands ready to assist the Commission and its Staff to achieve these benefits and looks forward to participating in future comment opportunities over the course of the PUCT EE rulemaking process. Another resource that the Commission can look to for a wealth of additional useful information is the National Standard Practice Manual by the National Efficiency Screening Project.[5] Thank you for the opportunity to provide these comments and please let us know if we can be of further assistance in any way.

Sincerely,

Forest Bradley-Wright
State & Utility Policy Director
American Council for an Energy-Efficient Economy
fwright@aceee.org

[5] https://www.nationalenergyscreeningproject.org