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| **State of California** | | | |
| **MEMORANDUM** | |  | |
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| **Date:** | September 30, 2021 | | |
| **To:** | Jay Bhakta, Southern California Edison (SCE); Andres Fergadiotti (SCE); Ed Reynoso, San Diego Gas & Electric (SDG&E); Brian Johnston, Southern California Gas Company (SCG); Dragon, Danielle, Pacific Gas & Electric (PG&E); Liu, Henry (PG&E); Anders Danryd, (SCG);Alok Singh (SCE); John Zwick (SDG&E); Nancy Goddard, PacifiCorp | | |
| **CC:** | Paula Gruendling, CPUC; Jennifer Kalafut, CPUC; Pete Scala, CPUC | | |
| **From:** | Peter Biermayer P.E., Utilities Engineer, EE Planning & Forecasting Section, Energy Division, CPUC | |  |
| **Subject:** | CPUC Guidance on the use of Negative Incremental Measure Cost (IMC) in the Cost Effectiveness Tool (CET) for Non-fuel Substitution Measures. | | |

**Summary**

Prior to this guidance memo negative values inputted into the CPUC Cost Effectiveness Tool (CET) where rejected. The CET has been modified to allow for negative incremental measure costs (IMCs).

CPUC staff will require that these values and future IMC values entered into the CET are the actual values, even if negative and that they should not be set to zero.

**Issue**

SCE has suggested setting the negative IMC values for two measure packages to zero before entering them into the CET.   There are currently two non-fuel substitution measures that have negative IMC values due to the measure case not having a higher cost than the base case for those measures. Until September 28, 2021, the CET rejected negative values. The CET has now been modified to allow entering negative IMC values into the CET.

Fuel substitution measures that have a negative IMC have an additional requirement to submit an addendum to the measure package if the IMC is negative. For fuel substitution measures, use the standard addendum template designed for this purpose.