November 30, 2017

CA Public Utilities Commission
Energy Division
Attention: Energy Efficiency Branch
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102-3298

Advice Letter 25-E-A

Re: Supplement to Marin Clean Energy's 2018 Annual Energy Efficiency Program and Portfolio Budget Request

Marin Clean Energy ("MCE") filed MCE Advice Letter ("AL") 25-E on September 1, 2017 pursuant to Decision ("D.") 15-10-028, which requested MCE's 2018 annual energy efficiency program budget. On September 22, 2017, California Public Utilities Commission ("Commission") staff notified MCE that it had suspended AL 25-E. On October 30, 2017, Commission staff directed MCE to supplement MCE AL 25-E.[1] MCE now submits this supplemental filing and hereby presents an updated cost effectiveness showing and budget for MCE's 2018 energy efficiency portfolio.

Effective Date: December 30, 2017

Tier Designation: Tier 2

This advice letter is submitted with a Tier 2 designation pursuant to General Order 96-B, Energy Industry Rule 5.2 and Decision D.15-10-028, which requires energy efficiency Program Administrators ("PA") to file an annual budget advice letter as a Tier 2 filing.

Purpose

Commission staff suspended AL 25-E and directed MCE to file a supplemental advice letter to update its 2018 portfolio cost effectiveness report using the interim Greenhouse Gas ("GHG") adder adopted in D.17-08-022 and Version 18.1 of the Cost Effectiveness Tool ("CET"). Commission staff also invited MCE to propose alternative energy efficiency portfolio scenarios for its 2018 energy efficiency portfolio. This advice letter filing supplements MCE AL 25-E, filed September 1, 2017, to comply with the Commission staff directive.

[1] Correspondence from Robert L. Strauss, Energy Efficiency Branch Manager, to MCE, October 30, 2017 ("October 2017 Commission Staff Directive").

Background

A. MCE's Energy Efficiency Portfolio History

i. MCE's Current Energy Efficiency Portfolio

In 2013, MCE administered the first energy efficiency programs under the authority granted in Cal. Pub. Util. Code § 381.1(a)-(d). These energy efficiency programs were initially restricted by the Commission to serve gaps in investor-owned utility ("IOU") programs and hard-to-reach markets.[2] At that time, the Commission recognized that these restrictions might cause MCE's proposals to fail the Total Resource Cost ("TRC") test.[3] Therefore, the Commission did not impose a minimum cost effectiveness requirement on MCE's energy efficiency programs.[4]

In 2014, however, the Commission lifted MCE's programmatic restrictions[5] and imposed the same cost effectiveness standards on Community Choice Aggregators ("CCA") as IOUs.[6] As part of its analysis, the Commission acknowledged cost effectiveness hurdles new CCAs may encounter in launching new energy efficiency programs.[7] To account for these hurdles, the Commission adopted an on-ramp period of 3 years, during which time new CCA PAs would not be required to achieve a 1.25 TRC ratio for their energy efficiency portfolios.[8] The Commission also encouraged CCAs to "continue to target hard to reach markets and offer innovative programs, ***but also*** employ a mix of programs which will result in a cost-effective energy efficiency portfolio."[9]

Despite lifting the restrictions and imposing a 1.25 cost effectiveness requirement on CCAs, the Commission chose to extend the 2014 energy efficiency programs to 2015 and beyond while the Commission transitioned to the rolling portfolio framework.[10] Consequently, MCE was not invited to update its portfolio to accommodate the newly imposed cost effectiveness requirements. This was despite the Commission's expectation that CCAs would administer a cost effective mix of programs and continue to serve hard-to-reach markets.[11]

Although the Commission's decision to lift the restrictions will ultimately improve MCE's ability to meet the minimum 1.25 TRC ratio once its rolling portfolio business plan is approved, MCE's

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[2] D.12-11-015 at pp. 45-46.
[3] *Id*. at p. 46.
[4] *Id*.
[5] D.14-01-033 at p. 14; *see also* D.14-10-046 at p. 120 (Commission clarifying the restrictions do not apply to gas programs).
[6] *See* D.14-01-033 at pp. 14-15; Ordering Paragraph ("OP") 3 at p. 50 (applying IOU cost effectiveness standards to CCAs).
[7] *Id*. at p. 14.
[8] *Id*. at pp. 14-15, 32-34, OP 3 at p. 50.
[9] *Id*. at p. 15 (emphasis added).
[10] D.14-10-046 at pp. 30-32.
[11] *See* D.14-01-033 at p. 15.

current portfolio continues to focus on hard-to-reach markets and gaps in IOU programs. MCE appreciates the opportunity to serve these hard-to-reach, underserved customers; however, the Commission has acknowledged the inherent cost effectiveness challenges such portfolios face.

ii. MCE's 2015 Business Plan

MCE attempted to bring its portfolio into compliance with the new cost effectiveness standards in October 2015 when it filed an application and business plan to expand and balance its energy efficiency portfolio.[12] Although the Commission held a Prehearing Conference on MCE's application in early 2016, it took no further action on the application and eventually directed MCE to withdraw and re-file its application,[13] which it did in January 2017. Meanwhile, MCE continued with its current suite of energy efficiency programs.

iii. MCE's Pending 2017 Business Plan

In January 2017, MCE filed a second business plan, again, requesting authority to implement a broader, balanced, and cost effective portfolio to conform to the rolling portfolio framework and Commission guidance issued subsequent to MCE's initial business plan filing.[14] At that time, pursuant to Commission directive, MCE moved to withdraw its 2015 business plan application, which the Commission granted.[15]

MCE anticipates approval of the business plan in 2018,[16] at which point MCE will be able to administer a balanced and cost effective portfolio of energy efficiency programs. In the interim, MCE continues to make efforts to improve the cost effectiveness of its current portfolio. This goal, however, has been elusive because of the aforementioned restrictions. Consequently, MCE is eager to focus its attention on administering its business plan in 2018 and launching expanded energy efficiency programs.

B. MCE's 2018 Annual Budget Advice Letter (MCE AL 25-E)

The Commission is transitioning to a rolling portfolio framework for energy efficiency programs. To facilitate the transition to the rolling portfolio framework, the Commission has continued its ten-year funding authorization that began in 2014.[17]

[12] *See* Application ("A.") 15-10-014.
[13] *See* D.16-08-019, OP 2 at p. 109.
[14] *See* A.17-01-017.
[15] *See* D.16-08-019, OP 2 at p. 109.
[16] *See Administrative Law Judges' Ruling Modifying Schedule* ("ALJ Ruling") A. 17-01-013 *et al.*, filed June 9, 2017 at pp. 8-9.
[17] D.14-10-046, OP 21 at p. 167.

Commission staff acknowledged a number of uncertainties and changes regarding the rolling portfolio framework and cost effectiveness calculations for the 2018 annual budget filings.[18] A June 2017 Administrative Law Judge Ruling clarified that PAs are required to file a true-up budget advice letter in 2018.[19] The ruling further indicated that the Commission would provide guidance in its final decision approving business plans.[20] Commission staff provided additional guidance on the 2018 annual budget filings in July 2017 to explain how the 2018 annual budget advice letter would fit within the context of the anticipated business plan approvals. To be consistent with D.15-10-028, Commission staff directed PAs to file a Tier 2 advice letter using the portfolio budgets approved in D.15-10-028 and cost effectiveness inputs.[21]

In compliance with Commission directive and Commission staff guidance, MCE timely filed its annual budget advice letter on September 1, 2017, which reported a TRC of .57.[22]

On September 22, 2017, GreenFan Inc. and Verified Inc. protested MCE's 2018 annual budget advice letter. MCE filed a timely reply to this protest on September 28, 2017.

Also on September 22, 2017, Commission staff issued a Notice of Suspension of MCE's 2018 annual budget advice letter.

On October 30, 2017 Commission staff directed MCE to file a supplemental annual budget advice letter by November 22, 2017.[23] Commission staff instructed MCE to: (1) provide a updated cost effectiveness showing using CET Version 18.1 and the interim GHG adder; (2) address the 2018 goals established in D.17-09-025; (3) propose a requested portfolio budget; and (4) propose any alternate scenarios that may assist MCE in achieving a cost effective 2018 energy efficiency portfolio.[24] This directive also permitted MCE to propose a budget increase, provided MCE supported the request with evidence that the budget increase would lead to increased savings and improved portfolio cost effectiveness.[25]

On October 31, 2017, Commission staff extended the deadline for MCE's supplemental filing from November 22, 2017 to November 30, 2017.

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[18] *2018 Energy Efficiency Portfolio Filing and Reporting Budget* (July 24, 2017) ("July 2017 Staff Guidance"). "Energy Division recognizes that many changes are afoot this year that affect portfolio savings goals and cost effectiveness–and indeed the entire portfolio mix of sectors and programs–and that the requirement for a cost effective portfolio showing may not be achievable in 2018 using these parameters and given the current uncertainties."
[19] ALJ Ruling at pp. 6-8
[20] *Id*. at p. 6.
[21] July 2017 Commission Staff Guidance.
[22] MCE AL 25-E.
[23] October 2017 Commission Staff Directive at p. 2.
[24] *Id*. at pp. 1-2.
[25] *Id*. at p. 2.

Discussion

MCE renews its request for a 2018 programmatic budget in the amount of $1,586,347, which is supported by the updated appendix MCE recently filed on the California Energy Data and Reporting System's Filing Module ("CEDARS FM"). The filing confirmation is included as Attachment 1 to this advice letter. The appendix and final report reflect the interim GHG adder and the CET Version 18.1.

MCE also renews its request for an additional $18,177 for Evaluation Measurement and Verification ("EM&V") funds.[26]

A. 2018 Energy Efficiency Portfolio

This supplemental filing presents MCE's current energy efficiency portfolio with an updated cost effectiveness report to reflect the interim GHG adder and the CET Version 18.1. Due to the restrictions outlined in the Background section, above, it is not possible with MCE's current portfolio to achieve a 1.25 TRC because it is comprised of program types that have shown to be less cost effective. Working within the restrictions described above, however, MCE has used the time provided by Commission staff to update elements of its portfolio proposed under the business plan application process to increase portfolio cost effectiveness in anticipation of MCE's business plan approval. MCE's modified proposed portfolio is presented in Section E, below, as an alternate scenario.

B. 2018 Energy Efficiency Budget

As stated previously, MCE requests a 2018 energy efficiency programmatic budget of $1,586,347. Table 1 shows MCE's funding allocations by program and its overall 2018 Energy Efficiency Program Budget as presented in its September 1 filing (MCE AL 25-E).

Table 1: Authorized MCE 2018 Energy Efficiency Program Budget

MCE Programs	Budget Requested in Advice Letter 25-E
Single Family	$196,089
Multifamily	$676,437
Small Commercial	$686,790
Financing	$27,031
Program Subtotal	$1,586,347[27]
EM&V	$18,177[28]
Total	**$1,604,524**

[26] D.15-10-028 at p. 87.
[27] The Commission authorized this budget in D.16-05-004, OP 2 at p. 13.
[28] This amount includes only the PA distribution based on 27.5% of the total EM&V budget as indicated in the discussion in the EM&V Funds section below. MCE included 100% of the EM&V budget in the appendix uploaded to the CEDARS FM.

As indicated above, MCE requests $18,177 in EM&V funds based on MCE's approved budget for 2018. Table 2, below, presents MCE's EM&V budget as a percentage of the total EM&V PA funds distribution.

Table 2: Prospective EM&V Funds

2018 Programs Budget	**4% EM&V Funding Level**	**Total Prospective EM&V Funds** (27.5% EM&V PA Distribution)
$1,586,347	$66,098	$18,177

C. Portfolio Cost Effectiveness

MCE's updated portfolio cost effectiveness results for 2018 using CET Version 18.1 and the interim GHG adder are:

Total Resource Cost Test Ratio ("TRC"): .69
Program Administrator Cost Test Ratio ("PAC"): .76

MCE provides an updated CEDARS FM filing confirmation for its 2018 energy efficiency portfolio, which includes a cost effectiveness showing, as Attachment 1 to this supplemental advice letter.

D. MCE's 2018 Internal Savings Goals and Targets

In D.17-09-025, the Commission established 2018 energy efficiency savings goals. Consistent with D.14-01-033 and D.14-10-046, the Commission did not impose savings goals on MCE. Nonetheless, MCE sets internal annual savings goals and targets to (1) drive program success; (2) help the state achieve its energy savings mandates; and (3) reduce the state's GHG emissions. MCE's 2018 energy savings goals and targets are set forth in Table 3, below, which are based on MCE's current portfolio.

Table 3: MCE's Internal Savings Goals and Targets

MCE Programs	**MCE 2018 Net Electric Savings Targets/Goals (kWh)**	**MCE 2018 Net Gas Savings Targets/Goals (therms)**
Single Family	0	34,848
Multifamily	416,682	32,170
Small Commercial	1,438,474	3,289
Financing	non-resource program	non-resource program
Total	**1,855,156**	**70,307**

E. MCE's Proposed Alternative 2018 Energy Efficiency Portfolio Scenario

The October 2017 Commission Staff Directive provided an opportunity for MCE to propose alternate 2018 energy efficiency portfolio scenarios.[29] Pursuant to Commission staff's request, MCE provides an alternate scenario for Commission staff's review.

Alternative Scenario – MCE's 2017 Business Plan Portfolio

As an alternate scenario to MCE's current energy efficiency portfolio, MCE proposes its business plan portfolio as filed in its January 17, 2017 application in A.17-01-017 *et al*.[30] MCE has been designing, building, and revising this portfolio since 2014. MCE has considered how to transition its current portfolio to this alternate business plan portfolio within the on-going rolling portfolio process. Given Commission staff's expedited request for this supplemental advice letter, MCE presents this portfolio as a reasoned alternative to its current, non-cost effective energy efficiency portfolio.

The business plan presents a balanced, expanded, and cost effective portfolio of energy efficiency program offerings that includes a 10-year vision of customer transformation with increasing program cost effectiveness over time.[31] This portfolio also offers an integrated delivery of programs across an expanded set of customer sectors that go beyond MCE's current Multifamily Residential, Single Family Residential, and Commercial programmatic activities. MCE's business plan expands to encompass the Industrial and Agricultural sectors and to support Workforce Development. Each of these sectors will be supported by emerging technologies and financing programs to drive enrollment and increase energy savings.[32]

While remaining consistent with the structure of its business plan as presented in A.17-01-017, MCE continues to improve its business plan measures list and explore methods to allocate costs across programs.[33] This in an on-going effort to increase savings and overall portfolio cost effectiveness to comply with evolving Commission policies and directives. The expedited schedule for this advice letter did not provide sufficient time for MCE to update and finalize cost effectiveness inputs for its business plan. MCE expects, however, to have results for its cost effectiveness analyses in early 2018. Moreover, to be consistent with the guidance provided in the

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[29] October 2017 Commission Staff Directive at p. 2.
[30] *See* A.17-01-017.
[31] *Id.* at pp. 6-7.
[32] For additional details regarding MCE's proposal, please refer to MCE's application, business plan, and supporting testimony, which can be accessed under the "Energy Efficiency Program" tab using the following link: https://www.mcecleanenergy.org/regulatorydocuments/.
[33] MCE is currently analyzing its programs to better understand how it can improve cost effectiveness under the Commission's current policies. Additionally, MCE is consulting with its program implementers and manufacturers to update measure lists in anticipation of the 2018 true-up and refiling of MCE's business plan in 2018.

ALJ Ruling,[34] MCE will provide a trued-up cost effectiveness showing once the Commission approves business plans and provides additional guidance to PAs.

Conclusion

Pursuant to Commission staff directive, MCE has provided: (1) an updated cost effectiveness showing for its current portfolio to reflect the interim GHG adder and the CET Version 18.1; (2) a 2018 budget request for its 2018 energy efficiency portfolio; (3) MCE's 2018 internal savings goals and targets to help the Commission evaluate MCE's contribution to California's statewide savings goals; and (4) one alternate portfolio scenario in addition to MCE's current energy efficiency portfolio.

Notice

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice filing. Protests should be mailed to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: EDTariffUnit@cpuc.ca.gov

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Nathaniel Malcolm
Policy Counsel
MARIN CLEAN ENERGY
1125 Tamalpais Avenue
San Rafael, CA 94901
Phone: (415) 464-6048
Facsimile: (415) 459-8095
E-mail: nmalcolm@mceCleanEnergy.org

and

34 *See* ALJ Ruling at pp. 8-9.

Alice Stover
Manager of Customer Programs, Policy, and Planning
Marin Clean Energy
1125 Tamalpais Ave.
San Rafael, CA 94901
Phone: (415) 464-6030
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astover@mceCleanEnergy.org

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

MCE is serving copies of this advice filing to the relevant parties shown on the R.13-11-005 and A.17-01-013 *et al.* service lists. For changes to this service list, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Correspondence

For questions, please contact Nathaniel Malcolm at (415) 464-6048 or by electronic mail at nmalcolm@mceCleanEnergy.org.

/s/ Nathaniel Malcolm

Nathaniel Malcolm
Policy Counsel
MARIN CLEAN ENERGY

cc: Service Lists: R.13-11-005; A.17-01-013, *et al*.

Attachment 1:
Updated CEDARS FM Filing Confirmation

CEDARS FILING SUBMISSION RECEIPT

The MCE portfolio filing has been submitted and is now under review. A summary of the filing is provided below.

PA: Marin Clean Energy (MCE)

Filing Year: 2018

Submitted: 11:23:39 on 22 Nov 2017

By: Qua Vallery

Advice Letter Number: 25-E

* Portfolio Filing Summary *

- TRC: 0.6861
- PAC: 0.7595
- TRC (no admin): 1.7905
- PAC (no admin): 2.3938
- RIM: 0.7595
- Budget: $1,586,346.96

* Programs Included in the Filing *

- MCE01: Multi-Family
- MCE02: Small Commercial
- MCE03: Single Family
- MCE04: Financing Pilots

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

MUST BE COMPLETED BY LSE (Attach additional pages as needed)	
Company name/CPUC Utility No. Marin Clean Energy	
Utility type: ☑ ELC ☐ GAS ☐ PLC ☐ HEAT ☐ WATER	Contact Person for questions and approval letters: Nathaniel Malcolm Phone #: (415) 464-6048 E-mail: nmalcolm@mcecleanenergy.org
EXPLANATION OF UTILITY TYPE ELC = Electric GAS = Gas PLC = Pipeline HEAT = Heat WATER = Water	(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: MCE 25-E-A

Subject of AL: Supplement to Marin Clean Energy's 2018 Annual Energy Efficiency Program and Portfolio Budget

Tier Designation: ☐ 1 ☑ 2 ☐ 3

Keywords (choose from CPUC listing): Compliance

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☑ One-Time ☐ Other ______________________________

If AL filed in compliance with a Commission order, indicate relevant Decision: Decision ("D.") 15-10-028

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL _____________________________

Summarize differences between the AL and the prior withdrawn or rejected AL[1]: _____________________

Resolution Required? ☐ Yes ☑ No

Requested effective date: December 30, 2017 No. of tariff sheets: 0

Estimated system annual revenue effect: (%): n/a

Estimated system average rate effect (%): n/a

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: n/a

Service affected and changes proposed[1]:

Pending advice letters that revise the same tariff sheets: none

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division	**Utility Info (including e-mail)**
Attention: Tariff Unit	**Marin Clean Energy**
505 Van Ness Ave.	**Nathaniel Malcolm, Policy Counsel**
San Francisco, CA 94102	**1125 Tamalpais Ave. San Rafael, CA 94901**
EDTariffUnit@cpuc.ca.gov	**nmalcolm@mcecleanenergy.org**

[1] Discuss in AL if more space is needed.