September 4, 2018

CA Public Utilities Commission

Energy Division

Attention: Tariff Unit

505 Van Ness Avenue, 4th Floor

San Francisco, CA 94102-3298

**MCE Advice Letter 34-E**

**Re: Marin Clean Energy’s 2019 Energy Efficiency Annual Budget Advice Letter**

Pursuant to Decision (“D.”) 18-05-041, *Decision Addressing Energy Efficiency Business Plans,* Ordering Paragraphs (“OP”) 40 and 41, Marin Clean Energy (“MCE”) submits its Annual Budget Advice Letter (“ABAL”) for Program Year 2019 as MCE Advice Letter (“AL”) 34-E.[[1]](#footnote-1)

**Tier Designation:** This AL has a Tier 2 designation pursuant General Order (“G.O.”) 96-B, Energy Industry Rule 5.2 and D.18-05-041.

**Effective Date:** Pursuant to G.O. 96-B, MCE requests that this Tier 2 AL become effective on October 4, 2018, which is 30 calendar days from the date of this filing.

**Purpose**

The purpose of this advice filing is to request MCE’s energy efficiency budget for Program Year 2019. This AL complies with D.18-05-041, which requires MCE to file an ABAL by September 4, 2018. The ABAL provides information about MCE’s approved energy efficiency portfolio, including (1) cost effectiveness; (2) budgets; (3) energy savings; (4) metrics; and (5) portfolio changes.

**Background**

MCE has administered energy efficiency funds under California Public Utilities Code (“Code”) Section 381.1(a)-(d) since 2013.[[2]](#footnote-2) The California Public Utilities Commission (“Commission”) originally restricted MCE’s energy efficiency programs to serving gaps in Investor Owned Utility (“IOU”) programs and hard to reach markets.[[3]](#footnote-3) At the time, the Commission acknowledged that these restrictions may cause MCE’s portfolio to fail the Total Resource Cost (“TRC”) test and thus did not initially impose a minimum cost effectiveness requirement on MCE.[[4]](#footnote-4) In 2014, however, the Commission lifted the restrictions and imposed the same cost effectiveness requirements on CCAs as IOUs.[[5]](#footnote-5)

Program Administrators (“PA”) were invited to submit business plans in 2017. On January 17, 2017, MCE filed a Business Plan with the Commission that requested authorization to expand MCE’s energy efficiency portfolio to include additional sectors and programmatic offerings.[[6]](#footnote-6) MCE proposed to offer programs in the following sectors: (1) Single Family Residential; (2) Multifamily Residential; (3) Commercial; (4) Industrial; (5) Agricultural; and (6) Workforce Education and Training. On June 5, 2018, the Commission approved MCE’s Business Plan.[[7]](#footnote-7)

**Budgets, Cost Effectiveness, and Savings**

Decision 18-05-041 provided guidance to Commission staff on how to evaluate PAs’ ABALs, which included guidance on portfolio cost effectiveness.[[8]](#footnote-8) For Program Years 2019-2022, PAs’ portfolios must meet a forecasted TRC at or above 1.0. For Program Years 2023-2025, PAs’ portfolios must meet a forecasted TRC at or above 1.25.

In the event a PA does not meet a TRC of 1.25 on a forecast basis for Program Years 2019-2022, ABALs must contain additional discussion about how the PA intends to meet or exceed a 1.0 TRC on an evaluated basis.

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| **Portfolio TRC and PAC for 2019** | |
| **TRC** | 1.02 |
| **PAC** | 1.17 |

MCE identified a set of factors that resulted in an *ex ante* TRC below 1.25 in 2019:

* There is a need to be conservative in forecasting new programs and their expected costs due to uncertainties inherent in running program solicitations
* Existing programs are in a state of transition, with yet to be determined measure portfolios and incentive rates, and adjusting existing programs to new savings values
* At the portfolio level, there are few high TRC programs to lift overall TRC
* In the near term, we expect higher than usual administrative costs in rolling out new programs in 2019 (Year 1 for most programs)
* There is limited data availability and guidance to develop cost-effective programs leveraging Normalized Metered Energy Consumption (NMEC) and behavioral interventions
* High costs associated with bringing existing buildings above code
* Forecasting for Programs is rooted in replace on burning (ROB) measures, whereas programs will be delivering early retirement/accelerated retirement projects
* The lighting dispositions from early 2018 have impacted the cost effectiveness of programs which had previously used these measures

MCE is committed to meeting the evaluated 1.0 TRC through smart, agile program design and deployment. A combination of factors and MCE initiatives will increase savings and lower costs in 2019:

* Expanded service area provides a larger population of projects
* Multilayered and collaborative approach to marketing and outreach with implementers to reach a wider audience
* Layering offerings (energy efficiency and beyond) and funding streams to facilitate participation and reduce overall project costs
* Implementing a competitive bidding process
* Engaging community partners to create access to MCE programs for all communities
* Use of performance-based implementation contracts
* Deploying measure cost savings strategies within existing programs
* Leveraging meter data and customized projects

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| **2019 Budget and Forecasted Energy Savings (Net)** | | | | |
| **Sector** | **Program Year Budget** | PA forecast kWh | PA forecast kW | PA forecast therms (MM) |
| Residential | $3,865,965 | 2,531,901 | 234 | 3.2 |
| Commercial | $1,237,261 | 2,142,614 | 378 | 0.2 |
| Industrial | $690,423 | 556,588 | na | 0.8 |
| Agriculture | $764,891 | 799,656 | na | 0.3 |
| Emerging Tech | $0 | 0 | 0 | 0 |
| Public | $0 | na | na | na |
| Codes and Standards | $0 | na | na | na |
| WE&T | $160,000 | 0 | 0 | 0 |
| Finance | $0 | 0 | 0 | 0 |
| OBF Loan Pool | $0 | 0 | 0 | 0 |
| **Subtotal** | $6,718,540 | 6,030,759 | 612 | 4 |
| **Total Budget** | $6,998,479 |  | | |
| **Uncommitted and Unspent Carryover balance** | $0 |
| **Authorized PY Budget Cap (D.18-05-041)** | $8,532,000 |

**Budgets and Cost Effectiveness for 2016-2017**

|  |  |  |  |
| --- | --- | --- | --- |
| **Claimed TRC and PAC for 2016-2017** | | | |
| **Year** | **Program** | **TRC Ratio** | **PAC Ratio** |
| 2017 | Commercial | 1.17 | 1.33 |
| 2017 | Multifamily | 0.26 | 0.55 |
| 2017 | Single Family | 0.34 | 0.34 |
| 2016 | Commercial | 0.48 | 0.52 |
| 2016 | Multifamily | 0.24 | 0.58 |

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| --- | --- | --- | --- | --- | --- |
|  |  | **2016** | | **2017** | |
| **Program ID** | **Program Name** | **Authorized Budget** | **Annual Expenditures** | **Authorized Budget** | **Annual Expenditures** |
| MCE01 | Multifamily | $937,246.42 | $603,528.96 | $1,156,414.70 | $491,844.44 |
| MCE02 | Commercial | $423,333.88 | $390,663.42 | $918,551.56 | $774,410.70 |
| MCE03 | Single Family | $193,735.70 | $145,870.27 | $209,349.74 | $117,834.83 |
| MCE04 | Financing | $32,031.00 | $25,222.34 | $49,531.00 | $19,222.83 |
| **Portfolio Total** | **Portfolio** | **$1,586,347.00** | **$1,165,284.99** | **$2,333,847.00** | **$1,403,312.80** |

**Portfolio and Program Changes**

**Programs that have ended:**

**Financing:** MCE is not offering its Financing program in 2019. MCE does not claim savings for this program. It is being closed due to low participation and the availability of alternative financing options for customers. MCE will help its customers leverage existing financing programs (*e.g.* CAEATFA).

**Programs unchanged from 2018 to 2019:**

**Multifamily Program:** This program provides complimentary walk-through energy assessments and technical assistance to identify energy and water saving opportunities at multifamily properties. To help implement these energy upgrades, the program provides cash rebates, assists with contractor bid solicitations and educates and trains operations and maintenance staff.

**Seasonal Savings Program:** This program offers customers the opportunity to make their cooling and heating schedules more efficient through a series of small adjustments to scheduled temperatures by a software algorithm. Customers are offered the program on their thermostat and/or through a phone app and must opt-in to participate.

**Programs that have changes:**

**Commercial:** The program provides support to all commercial customers in MCE's service area. Its primary objectives are to facilitate the uptake of high quality energy efficiency projects, and improve the technical capability, pricing and program experience of both customers and the local contractor community. The program aims to achieve these objectives through a customer and contractor-friendly project assessment platform, competitive bidding, contractor training resources and ongoing coordination with PG&E programs which also serve commercial customers. The program is undergoing an expanded scope, alongside new customer and contractor engagement strategies.

**Programs to be launched in 2019”**

**Industrial:** This program will provide technical project development resources, procurement support and a mix of deemed and calculated incentives for industrial customers within MCE’s service area.

**Agricultural:** This program will provide technical project development resources, procurement support and a mix of deemed and calculated incentives for agricultural customers.

**Single Family, Single Measure:** This program will provide home owners the opportunity to receive one-off rebates for measures including lighting, HVAC, insulation, and efficient appliances. There will be higher rebates for measures that offer benefits across multiple resources (water-energy, for example).

**Single Family Comprehensive:** This program will offer a variety of strategies including but not limited to behavioral interventions, ZNC, new construction, and comprehensive retrofits.

**Single Family Standalone Direct Install:** This program will provide no-cost energy and water saving upgrades, health and safety measures, and access to other resources and non-energy services for single family homeowners and renters. This offering will include conservation education.

**Multifamily Single Measure:** This program will provide multifamily property owners the opportunity to receive one-off rebates for measures including lighting, HVAC, insulation, and efficient appliances. There will be higher rebates for measures that offer benefits across multiple resources (water-energy, for example).

**Multifamily Standalone Direct Install:** This program will provide no-cost energy and water saving upgrades, health and safety measures, and access to other resources and non-energy services for multifamily unit residents. This offering will include conservation education for tenants.

**Conclusion**

MCE respectfully requests the Commission approve its 2019 energy efficiency portfolio budget.

**Notice**

A copy of this AL is being served on the official Commission service lists for Application 17-01-013, *et al*. and Rulemaking 13-11-005.

For changes to these service lists, please contact the Commission’s Process Office at (415) 703-2021 or by electronic mail at [Process\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov).

**Protests**

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, CA 94102

Email: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

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

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

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Policy Counsel

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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.

**Correspondence**

For questions, please contact Michael Callahan at (415) 464-6045 or by electronic mail at [mcallahan@mceCleanEnergy.org](mailto:mcallahan@mceCleanEnergy.org).

/s/ Michael Callahan

Michael Callahan

Policy Counsel

Marin Clean Energy

cc: Service Lists: R.13-11-005; A17-01-013, *et al*.

1. D.18-05-041, OP 40, 41 at p. 191. [↑](#footnote-ref-1)
2. To date, MCE is the only community choice aggregator (“CCA”) to have requested energy efficiency funding under Code Section 381.1(a)-(d). [↑](#footnote-ref-2)
3. D.12-11-015 at pp.45-6. [↑](#footnote-ref-3)
4. D.12-11-015 at p. 46. [↑](#footnote-ref-4)
5. D.14-01-033 at p. 14; *see also* D.14-10-046 at p. 120. [↑](#footnote-ref-5)
6. *See* Application of Marin Clean Energy for Approval of its Energy Efficiency Business Plan (Application (“A.”) 17-01-017) filed January 17, 2017. [↑](#footnote-ref-6)
7. D.18-05-041, OP 33 at p. 189. [↑](#footnote-ref-7)
8. D.18-05-041 at pp. 132-37. [↑](#footnote-ref-8)