

STATE OF CALIFORNIA
Edmund G. Brown Jr., Governor

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



To:

Michael Callahan
Policy Counsel,
Marin Clean Energy
1125 Tamalpais Ave
San Rafael, CA 94901

Meaghan Doran
Manager of Customer Programs,
Marin Clean Energy
1125 Tamalpais Ave
San Rafael, CA 94901

Subject: Disposition approving Marin Clean Energy's annual budget advice letter 33-E and partial supplementals 33-E-A and 33-E-B.

Dear Mr. Callahan and Ms. Doran,

Decision (D.) 18-05-041, Ordering Paragraph (OP) 1, approved Marin Clean Energy's (MCE) business plan to offer ratepayer funded energy efficiency (EE) programs for 2018-2025. Pursuant to D.15-10-028, OP 4, EE program administrators (PAs), which includes MCE, must file a Tier 2 advice letter (AL) containing a budget for the next calendar year's EE portfolio by the first business day in September. MCE's annual budget advice letter (ABAL) was timely filed on September 4, 2018, seeking budget approval for program year 2019.

Energy Division has reviewed Public Advocates Office protest relevant to MCE's ABAL and has determined to approve MCE's AL 33-E filed on September 4, 2018, and partial supplementals AL 33-E-A, filed on October 29, 2018 and AL 33-E-B filed on November 2, 2010. MCE's AL 33-E and supplemental AL 33-E-A and AL 33-E-B are effective October 4, 2018.

Attachment 1 includes a detailed discussion on the protest, replies and staff's determination.

Please contact Nils Strindberg of Energy Division staff at (415) 703-1812 or at ns2@cpuc.ca.gov if you have any questions.

November 27, 2018

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Sincerely,



Edward Randolph
Director, Energy Division
California Public Utilities Commission

cc: Service Lists R.13-11-005 and A.17-01-013
Pete Skala, Energy Division
Robert Strauss, Energy Division
Alison LaBonte, Energy Division
Nils Strindberg, Energy Division
Michael Campbell, Public Advocates Office
Daniel Buch, Public Advocates Office
Henry Burton, Public Advocates Office
Michael Callahan, MCE
Meaghan Doran, MCE

Attachment 1

Background

On September 4, 2018, MCE timely filed their ABAL, MCE AL 33-E for 2019 as required by D.15-10-028.¹ On October 1, 2018, Energy Division staff emailed MCE, requesting a supplemental filing."²

On October 4, 2018, the Public Advocates Office timely protested the ABALs of: Pacific Gas & Electric Company AL 4011-G/5375-E; San Diego Gas & Electric Company AL 3267-E/2700-G; Southern California Edison Company AL 3859-E; Southern California Gas Company AL 5349; and Marin Clean Energy AL 33-E. In their protest, the two issue the Public Advocates Office requested are:

- 1) that the Program Administrators (PAs) file supplemental ALs updating their 2019 ABALs based on the 2019-2020 Draft DEER Resolution E-4952.
- 2) the Public Advocate Office's protest asserts that, "MCE does not adequately explain how they will each achieve an evaluated TRC ratio of 1.0, as required by D. 18-05-041."³

MCE timely replied to the protest on October 10, 2018, while PG&E, SCE, SDG&E and SoCalGas timely replied to the protest from the Public Advocates Office on October 11, 2018.

At Energy Division staff's request, on October 29, 2018, MCE filed supplemental AL 33-E-A and on November 2, 2018, AL 33-E-B to correct errors in AL 33-E-A. MCE used the supplemental AL 33-E-A to respond to the Public Advocates Office protest of issue #2 above.

¹ D.15-10-028, OP 4.

² Email from Nils Strindberg to BayREN on October 1, 2018.

³ The Public Advocates Office protest, pg 7.

Party Protest and Reply Comments

The Public Advocates Office request to refile supplemental ABALs based on DEER Resolution

In their protest, the Public Advocates Office requested that the Program Administrators (PAs) file supplemental ALs updating their 2019 ABALs based on the 2019-2020 Draft DEER Resolution E-4952. The Public Advocates Office state that the “Draft Resolution E-4952 would make numerous changes to DEER such as amendments to net-to-gross ratios and the expected useful life of certain measures. Many of these changes will reduce the claimable savings from energy efficiency measures. If Draft Resolution E-4952 is adopted by the Commission, the Program Administrators’ (PAs’) energy efficiency portfolios will instantly become less cost-effective than currently forecast.”⁴

The Public Advocates Office conclude that “given the fact that Draft Resolution E-4952 is likely to have a significant impact on the cost-effectiveness of EE portfolios, the Commission should require all EE PAs to submit supplemental advice letters after the resolution is adopted. In these supplemental advice letters, each PA should provide a revised cost-effectiveness forecast based on the updated DEER values.”⁵

SCE and SoCalGas timely replied to the protest from the Public Advocates Office on October 11, 2018. SCE and SoCalGas argue the Commission should not adopt California Public Advocates’ recommendation for following reasons:

- First, both SCE and SoCalGas claim in Resolution E-4867, the DEER resolution, adopted on August 10, 2017, the Commission directed the PAs to use the resolution values adopted in that resolution for 2019 planning, implementation and reporting.⁶

⁴ Public Advocates Office protest, pgs. 4-5.

⁵ Ibid.

⁶ Resolution E-4867, pg. 7, OP 2.

- Second, SCE states that Draft Resolution E-4952 directs the PAs to only use the new values for 2019 savings claims.⁷
- Finally, SCE believes requiring yet another supplemental advice letter filing after the Draft Resolution was adopted would not be efficient, is not necessary, and can be addressed in the workshop for PAs who do not meet a 1.25 forecasted total resource cost (TRC).⁸

The Public Advocates Office protest that MCE does not adequately explain how they will achieve an evaluated TRC ratio of 1.0

The second issue in the Public Advocates Office protest is that, “MCE does not adequately explain how they will achieve an evaluated TRC ratio of 1.0, as required by D. 18-05-041.”⁹ Specifically, they state that MCE does not address the requirement of “why they are confident they will meet the evaluated 1.0 TRC for that year (2019).”¹⁰ The Public Advocates Office adds that MCE’s failure to provide a clear plan for meeting its cost-effectiveness forecast is particularly problematic because, with a forecasted TRC ratio of just 1.04, MCE has little margin for error.¹¹ Moreover, they assert MCE’s portfolio cost-effectiveness forecast relies on new programs, where MCE proposes to expand into the agricultural and industrial sectors, where MCE has no previous experience implementing EE programs.¹² Therefore the Public Advocates Office argues, MCE lacks historical data to demonstrate whether it is likely to be able to achieve the forecasted energy savings in these programs.¹³ Finally, the Public Advocates Office states that MCE’s portfolio TRC forecast of 1.04 has nearly doubled from 2018, when MCE forecasted a TRC ratio of 0.58.¹⁴ They believe the magnitude of this increase in TRC raises questions about whether MCE has used reasonable assumptions about participation, costs, and energy savings to be realized in its new programs.¹⁵

⁷ Draft Resolution E-4952, pg. 17, OP 3.

⁸ SCE reply to protest of Public Advocates Office in Proceeding R.13-11-005, pg 2.

⁹ The Public Advocates Office protest, pg 7.

¹⁰ Ibid.

¹¹ Ibid.

¹² Ibid.

¹³ Ibid.

¹⁴ MCE AL 33-E, pg 6.

¹⁵ Public Advocates Office protest, pg 8.

On October 10, 2018, MCE replied to “The Public Advocates Office’s Protest to Marin Clean Energy Advice 33-E (September 4, 2018 – Energy Efficiency Annual Budget Advice Letter)”, in which MCE claimed they would address the protest via a supplemental to AL 33-E.¹⁶ On October 29, 2018, MCE filed supplemental AL 33-E-A and on November 2, 2018, they filed supplemental AL 33-E-B.

In AL-33-A, MCE claims the Public Advocates Office incorrectly asserts in its protest that MCE did not adequately address D.18-05-041’s requirement that each PA explain “why the PA is confident that it will meet the evaluated 1.0 TRC for that year.” MCE argues that they did provide information explaining why they believe their portfolio will achieve a 1.0 TRC. Specifically, MCE points out that AL 33-E provided a list of “factors and MCE initiatives [that] will increase savings and lower costs in 2019.”¹⁷ The list of initiatives MCE provided are:

- Expanded service area provides a larger population for the project.
- Expanded customer groups within sectors (e.g. small commercial expanding to all commercial customers).
- Multilayered and collaborative approach to marketing and outreach with implementers to reach a wider audience.
- Deployment of a customer-facing project assessment and procurement platform.
- Layering offerings (energy efficiency and beyond) and funding streams to facilitate participation and reduce overall project costs.
- Implementing a competitive bidding process for program implementation.
- Engaging community partners to facilitate greater access to MCE programs for all communities.
- Use of performance-based implementation contracts.
- Deploying measure cost savings strategies within existing programs.
 - Increasing transparency and competition among installation contractors.

¹⁶ MCE reply to The Public Advocates Office’s Protest to Marin Clean Energy Advice 33-E (September 4, 2018 – Energy Efficiency Annual Budget Advice Letter), pg 1.

¹⁷ MCE AL 33-E, pg 3.

- Testing benefits of a Group Purchasing Organization.
- Leveraging meter data and customized projects.¹⁸

MCE states these new approaches were developed with the specific intent of improving program performance and portfolio cost-effectiveness.¹⁹ MCE acknowledges the Public Advocates Office's argument that MCE's TRC ratio of 1.04 leaves a small margin of error.²⁰ However, as noted in AL 33-E, MCE believes their TRC estimate was conservative²¹ in order to reduce the potential for a gap between ex ante and ex post cost-effectiveness. MCE states that the following procedures were used to develop a conservative approach to MCE's portfolio:

- MCE established a five percent margin of error on savings estimates at the portfolio- level.
- Commercial program savings and measures were updated to reflect recent changes per the 2018 Phase 1 Workpaper dispositions for exterior, interior high-bay and interior low- bay fixtures.
- Net to Gross ("NTG") ratios were applied conservatively.
- Industrial and Agricultural program savings and TRC were aligned with existing IOU programs' performance.²²

Thus, MCE is confident their 2019 portfolio will meet an evaluated TRC of 1.0.

Discussion

The Public Advocates Office request to refile supplemental ABALs based on DEER Resolution

While Public Advocates Office protest requested Energy Division require all PAs to refile their ABALs using the relevant updates in the then Draft DEER Resolution E-4952, there is no prior Commission direction which would necessitate the PAs to do so. SCE argues that the Public Advocates Office stated

¹⁸ MCE AL 33-E-A, pg 4.

¹⁹ MCE AL 33-E-A, pg 4.

²⁰ The Public Advocates Office protest, pg 7.

²¹ MCE AL 33-E, pg 2.

²² MCE AL 33-E-A, pg 5.

rationale for requiring the PA's to refile their ABALs using the then Draft DEER Resolution is because the PAs' energy efficiency portfolios will become less cost effective.²³ Energy Division acknowledges that the approved Resolution E-4952 may change the PAs' portfolio cost effectiveness, but the PAs must use the correct DEER inputs in their ABALs. We agree with SCE that Resolution E-4952 as stated in Ordering Paragraph (OP) 3 is only applicable to reporting savings claims in 2019 and for portfolio planning in 2020.²⁴ We also agree with SCE and SoCalGas that Resolution E-4867 OP 2 is clear that the updated DEER values from August 2017 resolution must be used for 2019 portfolio planning.²⁵ Requiring the PAs to resubmit their ABALs to Energy Division using relevant DEER updates from Resolution E-4952, would contradict both Resolution E-4952 and Resolution E-4867 and is inappropriate.

Suspending the ABALs until Energy Division can review that the PAs' updates to their forecasts comply with Resolution E-4952 and then requiring the PAs file supplemental ABALs would lead to substantial delays in the dispositions of the ABALs, in program initiation and is not in the spirit of the Rolling Portfolio.

Thus, Energy Division rejects the Public Advocates Office protest and will not require the MCE to resubmit their ABALs using the relevant DEER values approved in E-4952. MCE confirmed in their supplemental AL 33-E-A appropriately used "Commission approved workpaper values as of September 4, 2019 and thus are in compliance with Resolution E-4867. MCE shall use DEER Resolution E-4952 for reporting savings claims in 2019.

²³ Public Advocates Office protest, pg. 5

²⁴ E-4952, OP 3 states that "Pacific Gas and Electric Company (PG&E), Southern California Electric Company (SCE), Southern California Gas Company (SoCalGas), and San Diego Gas & Electric (SDG&E), the San Francisco Bay Area Regional Energy Network (BayREN), Southern California Regional Energy Network (SoCalREN), Tri-County Regional Energy Network (3CREN), Local Government Sustainable Energy Coalition (LGSEC), Lancaster Choice Energy (LCE), and Marin Clean Energy (MCE) must use the updated assumptions, methods and values for 2019 savings claims and 2020 planning, implementation and reporting."

²⁵ E-4867, OP 2 states that: "Pacific Gas and Electric Company (PG&E), Southern California Electric Company (SCE), Southern California Gas Company (SoCalGas), and San Diego Gas & Electric (SDG&E), the San Francisco Bay Area Regional Energy Network (BayREN), Southern California Regional Energy Network (SoCalREN), Tri-County Regional Energy Network (3CREN), Local Government Sustainable Energy Coalition (LGSEC), and Marin Clean Energy (MCE) must use the updated assumptions, methods and values for 2017, 2018 savings claims and 2019 planning, implementation and reporting."

The Public Advocates Office protest that MCE does not adequately explain how they will achieve an evaluated TRC ratio of 1.0

D. 18-05-041, Section 7.2, describes the required content to be included in a PA ABAL filing. Specifically, the PA(s) must “include a discussion of proposed program and portfolio changes, to facilitate Commission staff and stakeholder review of the ABAL submissions and understanding of future portfolio considerations and composition.”²⁶ The required content in the Public Advocates Office protest they believe MCE did not adequately address includes the following section of D.18-05-041:

- 3) Any ABAL that includes a forecast TRC between 1.0 and 1.25 during the 2019-2022 ramp years should include:
 - Why the PA is confident that it will meet the evaluated 1.0 TRC for that year ²⁷

However, D. 18-05-041 goes on to state that “there will be minimal to no review/oversight by staff of the provided information, but the information must be provided.”²⁸ Therefore, Energy Division interprets the decision language to indicate that a PA must provide an explanation why they believe their portfolio will achieve an evaluated TRC of 1.0

Staff concludes that in MCE’s AL 33-E filed on September 4, 2018, as well as the supplemental filing of AL 33-E-A on October 29, 2018, MCE provided sufficient evidence that they are confident they will meet a 1.0 evaluated TRC.

Consequently, the Commission rejects the protest of Public Advocates Office, as MCE met the annual budget advice letter review criteria listed above and provided an adequate explanation as to how they plan to achieve an evaluated portfolio TRC of 1.0 during the transition period.

²⁶ D. 18-05-041, pgs. 127-128

²⁷ D.18-05-041, pg 129.

²⁸ D. 18-05-041, p. 128.

Lastly, because of MCE meeting the Annual Budget Advice Letter review criteria of a forecasted 1.0 TRC, but falling short of forecasting 1.25 TRC threshold, D. 18-05-041 requires MCE to participate in the workshop process outlined on pp. 134-137 in D. 18-05-041, in which MCE will:

“Explain why its forecasted TRC does not meet or exceed 1.25 and propose how it will transition to a TRC forecast of 1.25 during the ramp years. The PA must describe how it intends to achieve a portfolio TRC that meets or exceeds 1.0 on an evaluated basis, and a forecast TRC of at least 1.25 by program year 2023.”²⁹

While D. 18-05-041 provides a specific timeline³⁰, as part of this workshop process the PAs must deliver a report that summarizes the workshop. Parties may file comments on the MCE’s proposed portfolio composition, the workshop report.³¹ At this workshop MCE must to explain why its forecasted TRC does not meet or exceed 1.25, and propose how it will transition to a TRC forecast of 1.25 during the ramp years. MCE must describe how it intends to achieve a portfolio TRC that meets or exceeds 1.0 on an evaluated basis, and a forecast TRC of at least 1.25 by program year 2023; this may include implementation of recommendations not adopted in this. As part of this process, MCE should identify any programs it intends to discontinue or modify due to consistently poor or declining cost-effectiveness results, and how MCE is communicating this intention to those programs’ beneficiaries.³²

The workshop process is the appropriate venue for the Public Advocates Office to gather more substantive information on MCE’s portfolio cost-effectiveness and provide constructive feedback to MCE via the review and comment process.

²⁹ D. 18-05-041, Section 7.4, “Review Process for “Ramp” or Transition Years, which requires a PA in the workshop process to describe how it intends to achieve a portfolio TRC that meets or exceeds an evaluated TRC of 1.0; (pgs. 134-137).

³⁰ D. 18-05-041, pgs: 134-137:

³¹ D. 18-05-041, pgs. 134-137

³² D.18-05-041, pgs 143-144