Proposal for Improvements to the EE Portfolio Approval and Budget Authorization Process

Developed by the CAEECC-Hosted Energy Efficiency Filing Processes Working Group

Table of Contents

[Executive Summary Table 4](#_Toc34036595)

[1.0 Background 5](#_Toc34036596)

[2.0 Proposal Overview 5](#_Toc34036597)

[3.0 Objectives and Benefits 6](#_Toc34036598)

[4.0 Portfolio Review and Oversight 6](#_Toc34036599)

[4.1 EE Application 6](#_Toc34036600)

[4.2 Guidance Decision 7](#_Toc34036601)

[4.3 Annual Report 7](#_Toc34036602)

[4.4 Interim Trigger-Based Filings 7](#_Toc34036603)

[5.0 Application Structure and Contents 8](#_Toc34036604)

[5.1 Portfolio Plan 8](#_Toc34036605)

[5.2 Budget and Cost-effectiveness Showing 8](#_Toc34036606)

[6.0 Potential and Goals, Avoided Costs, and Technical Inputs Framework 10](#_Toc34036607)

[7.0 Reporting Requirements 13](#_Toc34036608)

[8.0 Stakeholder Process 13](#_Toc34036609)

[8.1 Purpose, Overview, Goals and Current Issues 13](#_Toc34036610)

[8.2 CAEECC Input Prior to Application Filings 14](#_Toc34036611)

[8.2.1 CAEECC Engagement on Major Cross-Cutting Issues 9-3 Months Before Filing 15](#_Toc34036612)

[8.2.2 CAEECC Engagement Regarding the Application Process 15](#_Toc34036613)

[8.3 CAEECC Input in Response to Filed Applications 16](#_Toc34036614)

[8.4 Collaborative Opportunities to Increase Transparency, Solve for Challenges During Implementation, and Address Interim Trigger-Based Filings 16](#_Toc34036615)

[8.4.1 CAEECC Engagement on an On-going Basis 16](#_Toc34036616)

[8.4.2 CAEECC Engagement for Interim Filings 17](#_Toc34036617)

[8.5 Details of Annual and Semi-Annual CAEECC Progress and Challenges Presentations 17](#_Toc34036618)

[8.5.1 Yearly CAEECC Presentation on Annual Report 17](#_Toc34036619)

[8.5.2 Semi-Annual CAEECC Presentation 18](#_Toc34036620)

[8.5.3 Non-CAEEC Member Stakeholder Input Opportunities 18](#_Toc34036621)

[9.0 Application Filing Timeline 19](#_Toc34036622)

[10.0 Transition Recommendations 20](#_Toc34036623)

[11.0 Additional Future Considerations 20](#_Toc34036624)

[Appendix A: Energy Efficiency (EE) Filing Process Prospectus 22](#_Toc34036625)

[Appendix B: EE Filing Process Working Group Members 23](#_Toc34036626)

# **Note: Text in Green is either new language [re: HW assignments from SCE (Exec Summary, Transition, Figures), Lara/Laurel (Additional Future Considerations), and Jenny (non-PA IOU language) or language still needs close WG review and finalization; and yellow are things that one or more Member wanted to further review/consider.**

# **Executive Summary Table (Note: This ES Table provided by SCE)**

The Working Group proposes modifications to the existing EE “rolling portfolio” and business plan construct. The following table outlines the key differences between the current 10-year Rolling Portfolio and the proposed 4-year enhanced portfolio. Further details are discussed in the sections below.

|  |  |  |
| --- | --- | --- |
| **Subject** | **10-yr Rolling Portfolio** | **4-Yr Enhanced Portfolio** |
| **Application** | | | |
| Timeline | 10-yr cycle (2018-2025) | 4-yr cycle (2026-2029) |
| Next filing Date | 2026 | 2026[[1]](#footnote-2) |
| Budget | Set for 10 years w/ Annual ABALs | Set for 4 years |
| Cost-effectiveness | Annual | Over 4 years |
| Savings Goals | Annual | Over 4 years |
| Level of Detail | High-level overview | Detailed activities and budget |
| Stakeholder Engagement | CAEECC review of full BPs before submission | CAEECC to work through key issues and receive orientation after submission |
| **Implementation** | | | |
| Reporting | Annual report | Enhanced annual report |
| Interim Filings | ABALs | Trigger-based filings |
| Stakeholder Engagement | CAEECC, trigger-based | CAEECC |
| **Policy Changes** | | | |
| Potential and Goals | Biennial Potential and Goals Updates | Biennial Potential and Goals Updates |
| Avoided Costs | Biennial major updates w/ minor updates in between | Adopt ACC major updates when Potential and Goals are updated (biennially) |
| Engineering | Generally adopted annually (bus stop approach), except as noted below | Adopt engineering updates when Potential and Goals are updated (biennially) |
| * DEER | Adopted annually | Adopt DEER updates when Potential and Goals are updated (biennially) |
| * Industry Standard Practice | Adopted whenever study is conducted | Adopt ISP updates when Potential and Goals are updated (biennially) |
| * Codes & Standards | Adopted every 3 years | Adopted every 3 years, already incorporated in P&G |
| * EM&V | Adopted whenever study is conducted | Adopt EM&V updates when Potential and Goals are updated (biennially) |

# **1.0 Background**

In May 2019, the Public Advocate’s Office (CalPA) distributed a Straw Proposal on energy efficiency (EE) approval process improvements to the California Energy Efficiency Coordinating Committee (CAEECC) (see Appendix A). The CalPA’s Problem Statement identified a number of areas in which the current process of a 10-year Business Plan with Annual Budget Advice Letters (ABALs) was failing to deliver on the benefits that had been envisioned when the process was designed.

Following discussion at several CAEECC meetings, the CAEECC initiated a CAEECC-Hosted Working Group on Energy Efficiency Portfolio Filing Processes (Working Group). The Working Group met three times in October, November and February—with several sub-Working Groups meeting on specific topics in between. See full Working Group Members that included PAs, CalPA, and various CAEECC Members in Appendix B.

There was general agreement among Working Group members that the current process needs improvement to deliver on the goals of:

1. CPUC commitment to long-term funding availability for all cost-effective EE
2. reasonableness of savings and budget forecasts
3. meaningful oversight of PA budgets and activities
4. reduced administrative burden, and
5. flexibility for PA and program implementers to respond to market and policy fluctuations

While strong in concept, in practice the “rolling portfolio” business plan application process covering 10-years of authorized funding contained limited information on and review of forecasted budgets, savings, cost-effectiveness, and other CPUC approved metrics including those specifically identified for RENs. This lack of detail in the approved business plans required that the scope of Annual Budget Advice Letter (ABAL) review, designed to be ministerial in nature, include non-ministerial factual and policy questions that proved difficult for Commission staff to resolve in a timely manner that is consistent with Commission decisions.

As such, to improve upon the “rolling portfolio” and business plan construct, the scope and level of detail in future EE application proceedings must increase substantially so that the Commission, and stakeholders, can resolve factual and policy disputes in these formal proceedings.

# **2.0 Proposal Overview**

The Working Group proposes modifications to the existing EE “rolling portfolio” and business plan construct. Namely, the Working Group recommends:

* A four-year portfolio cycle with four-year cumulative total of “first year net” portfolio energy savings goals and a 4-year cost-effectiveness threshold requirement
* An EE application process that includes a robust full-cycle budget and cost-effectiveness showing for program implementation and portfolio administration costs with supporting testimony, and for the RENs, a showing of projected goals regarding the REN-specific CPUC approved metrics
* An updated EE reporting structure that uses program administrators’ (PAs’) EE Annual Reports as the main vehicle by which to assess on-going portfolio and program performance against Commission-approved metrics and indicators
* Other interim filings only on a limited basis if certain pre-specified triggers occur

# **3.0 Objectives and Benefits**

With a four-year EE portfolio cycle and modified EE application process, the WG intends to:

* Provide confidence to the Commission, stakeholders, and customers (ratepayers) that PAs’ EE portfolio proposals, and budget and cost-effectiveness forecasts, are reasonable and just, and that any factual and/or policy disputes were appropriately and formally addressed
* Provide confidence to PAs, market actors, customers, other state agencies (i.e., CAISO) and stakeholders that the CPUC commits to long-term and ongoing funding for all cost-effective energy efficiency as determined by the CPUC’s (biennial, triennial etc.) potential and goals decision, and required by PUC 454.55, and for the REN PAs, confidence that the approved metrics and goals are satisfied
* Allow PAs and program implementers a sufficient time horizon to plan and implement portfolios and programs that meet the state’s long-term EE, equity, and GHG reduction goals
* Afford PAs, program implementers and relevant stakeholders the flexibility required to adapt to any market fluctuations, incorporate new policy considerations, and allow programs to naturally evolve through their anticipated lifecycles
* Reduce administrative burden and associated costs that come with extraneous regulatory touchpoints
* Align portfolio goal inputs and portfolio implementation and assessment to provide market stability for Third Parties, IOUs and regulators.

# **4.0 Portfolio Review and Oversight**

## 4.1 EE Application

The PAs will follow a four-year portfolio cycle, reviewed and approved by the Commission via an EE application filed by the end of the third year of each four-year portfolio cycle. The cycle that the Working Group proposes would begin as soon as possible (e.g., with the first four-year portfolio cycle covering years 2024-2027 or 2026-29, with PAs’ applications filed in late 2022 or 2024, respectively).

The four-year portfolio cycle supports dynamic portfolio management and affords PAs the flexibility to meet goals and spend authorized budgets over multiple years, recognizing natural market fluctuations and program on/off ramps. The purpose of the PA’s EE applications is to articulate its overarching strategy to support the state’s EE goals and objectives, describe programmatic plans for each sector, and seek formal EE funding approval.

The EE application will include budget, savings, and cost-effectiveness forecasts, through detailed testimony, to ensure a robust and sufficient record to inform Commission decisions. The Commission will determine the need for hearings based on the contents of application and testimony. Budget, savings, cost-effectiveness, and REN metrics would be calculated for a 4-year period.

For savings, EE savings goals would also be set for 4 years, utilizing “first-year-net” kWh/kW/Therm figures. For example, if each year’s “first-year-net goal” is: 100 MWh for 2022, 110 MWh for 2023, 120 MWh for 2024, and 130 MWh for 2025, the 4 year goal would be 460 MWh of first-year-net savings. Savings goals would be updated biennially as shown in section 6.0 below.

## 4.2 Guidance Decision

To provide PAs a stable policy framework on which to develop EE portfolios, we recommend that the Commission issue a Guidance decision at least 9 months before the EE application filing date (see Section 9.0 for timeline). As it has been used in EE rulemaking proceedings in the past, the Guidance decision acts as the governing document for the inputs that the PAs would utilize for forecasting the upcoming four-year program cycle and application. The Guidance decision would set technical input values for the submission of an Application. The Commission should initiate development of an appropriate evidentiary record, likely via ruling(s) and comments in an open rulemaking proceeding, and issue a Guidance decision based on that record on a timeline that permits PAs to thoughtfully and fully incorporate the Commission’s guidance in their applications. For example, the Guidance decision could articulate relevant policies and technical inputs to be used for the application, including: avoided costs, potential and goals, and other ex-ante technical parameters such as engineering values (e.g., DEER, eTRM, work papers) and industry standard practice (ISP) baselines.

## 4.3 Annual Report

PAs’ EE Annual Reports, submitted every May[[2]](#footnote-3), will include sufficient detail on portfolio, sector and program-level annual and cumulative accomplishments, including data on savings, budget, cost-effectiveness, and other approved metrics to ensure accountability and public input on the progress of portfolio performance. The Annual Report will also present a prospective overview in narrative format that will include future plans to meet and/or exceed the cumulative 4-year energy savings goals and the 4-year cost-effectiveness requirement, and other CPUC approved metrics including those specifically identified for RENs. The prospective overview will include any program adaptations, additional solicitations, or other strategies that may be necessary to help ensure attainment of the 4-year energy savings goals and the portfolio cost-effectiveness requirement.

As described in Reporting Requirements (below), the existing CEDARS and Annual Report submissions would be the primary tools with which the PAs would report their progress and accomplishments to the CPUC and stakeholders. In addition to the existing Annual Reporting requirements, each PA will post its Annual Report on the CAEECC website and provide semi-annual data-driven updates on EE portfolio progress at the CAEECC, including (1) a high-level overview of its Annual Report near the time that it is filed, and (2) an update on progress approximately 6 months after the filing (see Stakeholder Process in Section 8 below).

## 4.4 Interim Trigger-Based Filings

Interim filings may be needed between Applications in order to document or gain CPUC approval for a PA’s portfolio change. For example, the current filing requirement should remain in place for a PA to file a Tier 2 Advice Letter when closing a program. As such, Interim Filings are considered “trigger-based” and can happen at any point in the cycle.

In the event that a PA requires any of the following changes to its portfolio, the PA would submit the filings as shown below:

|  |  |
| --- | --- |
| Portfolio Change/Trigger | Filing |
| ·Program closure | Tier 2 Advice Letter |
| •Additional budget (beyond authorized 4-yr portfolio budget) | New Application |
| ·Portfolio not on target[[3]](#footnote-4) to meet 4-yr savings goals or cost-effectiveness threshold | Tier 2 or Tier 3 Advice Letter (that describes corrective action) |

In the above scenarios, PAs would maintain their existing programs until such a time as the commission decides on approval or rejection of the application or advice letter. The time period of the PA’s refiled application or advice letter should be for remainder of the 4 year cycle so that a trigger does not cause a PA’s budget cycle to become misaligned with the timeline for Potential and Goals study updates.

# **5.0 Application Structure and Contents**

The EE Application will include the PAs’ portfolio plan, and budget and cost-effectiveness showing. Each section of the EE application will be supported by witness testimony providing justification as to its reasonableness.

## 5.1 Portfolio Plan

The portfolio plan section of the EE Application is designed to describe each PA’s vision, strategy and approach to meet the state’s EE, equity and GHG goals. The portfolio plan focuses on long-term and short-term strategic objectives by sector (e.g., Residential, Commercial, Public, Industrial, Agricultural, Cross-cutting), with associated tactics (i.e., programs or intervention strategies) designed to achieve the strategic objectives. This section describes the metrics and indicators, including energy savings goals and GHG targets, and milestones for each strategic objective and programmatic activity. Implementation Plans (IPs) will not be included as part of the formal application process. Rather, PAs will continue the IP process described in D.15-10-028.

## 5.2 Budget and Cost-effectiveness Showing

PAs will justify the reasonableness of budgets and savings and cost-effectiveness forecasts through detailed showings of current and proposed expenditures and zero-based budgeting[[4]](#footnote-5) exercises as well as detailed testimony on forecasting inputs, methods, and results. For RENs, they will be required to identify how they intend to meet the REN-specific CPUC approved metrics.

Generally, there are two types of costs—**program implementation costs** and **portfolio administration costs**.

***Program Implementation Costs****: All costs associated with delivering a program.  With the use of 3rd party implementers, this is very straightforward; all costs associated with contracts for efficiency programs is program implementation.  Should the program administrator be in the role of implementation, the PA should clearly identify all costs associated with that program.  This should NOT be some level of “rule of thumb” allocations. PA employee time (including account reps) should be booked directly to a specific program being implemented in a manner that can be audited for accuracy.  The PA could propose methods for tracking things like traditional “overhead” (such as rent, or IT services) in a manner that appropriately links to employee charged time.*

**Portfolio Administration (ie: Overhead):** *Everything else not in Program Implementation.  Cost for things like managing a solicitation, negotiating a contract, and reviewing/paying invoices all are part of Administration (this should not be put into the “implementation” bucket).*

For all **Program Implementation Costs** and **Portfolio Administration Costs**, PAs will provide detailed showing and justification for each year of the four-year portfolio cycle.

Zero-based budgeting is a cornerstone of the required showing for all costs, wherein PAs justify in detailed testimony the reasonableness and prudence of forecasted expenditures. The showing includes a detailed presentation of forecast costs in all significant cost categories (e.g. labor/non-labor/capital/contract costs; admin/implementation/marketing costs; sector by sector costs, etc.). Additionally, the budget showing includes comparisons to recent expenditures in the relevant budget categories to assess trends and adjust for changing circumstances. Further, testimony and exhibits demonstrate the reasonableness of the forecasts in light of historical performance, including realization rates, impact evaluation adjustments, and other relevant information. As in all application proceedings, the burden rests with the PA to demonstrate the reasonableness of the application.

The Commission would approve funding for program implementation-related costs based on the detailed budget testimony and supporting workpapers and exhibits covering all years in the full application cycle. For portfolio administration-related costs, the Commission would approve funding for the detailed costs for each year over the four year cycle.

In this application process, PAs continue to maintain their fund shifting flexibility consistent with dynamic portfolio management and as authorized in D.15-10-028.

One concern among some stakeholders with the previous 3 year cycle was the potential for funding cliffs at the end of the application cycle. To help mitigate this situation, if there is a delay in regulatory approval of the subsequent application cycle, the PA would continue approved budgets at the average yearly budget of the currently approved 4 year cycle until such time as the commission decides on the application.

# **6.0 Potential and Goals, Avoided Costs, and Technical Inputs Framework**

To ensure the success of a four-year portfolio cycle, we recommend that the Commission adopt cumulative energy savings goals for a four-year period, with a 2-year refresh to incorporate updated avoided costs and engineering values. EE applications would be designed to meet and/or exceed four-year cumulative portfolio energy savings goals[[5]](#footnote-6) and portfolio cost-effectiveness thresholds.

For the IOUs, the Potential and Goals study would continue to cover a ten-year planning horizon to appropriately align with CEC’s Integrated Energy Policy Report (IEPR), and CPUC’s Long-term Procurement Planning Proceeding (LTPP) and Integrated Resource Planning (IRP) processes. The application of the Potential and Goals study to the non-IOU PAs will depend on revisions to the studies that provide potential and goals for these PAs, as they serve only small parts of IOU territories.

EE is dynamic and its policies and technical values are almost constantly being updated. We recognize that these ongoing changes, and the annual “bus stops” in which new values are adopted, can result in misalignment with the EE Goals which are only updated every other year. Additionally, after the current two year update, inputs and assumptions continue to change resulting in the Potential and Goals and the portfolio implementation and assessment using different vintages of avoided costs and engineering assumptions. The misalignment can also lead to challenges for the PAs when they are preparing budget filings and applications while critical input values are actively changing. Implementers will face similar challenges to the extent they are signing pay-for-performance contracts that are affected by unknown future updates to input values.

A process update is needed to address the issue of misalignment between EE Goals and the changes in EE potential that result from annual updates of values such as avoided costs and engineering (DEER) parameters, and ad-hoc changes to ISP baselines and EE policies.

We originally considered updating the avoided costs, engineering values, and potential and goals once every 4 years, but this proved to be too long due to significant market changes, meaningful advancements in technology adoption, and political and regulatory changes. Alternatively, a one-year update to the Potential and Goals was also considered, but deemed to be challenging due to (A) resource requirements to successfully complete the updates, and (B) the incompatibility between the time required to complete a robust stakeholder engagement process, and the short time available in an annual update cycle.

For these reasons, we recommend that the CPUC align the vintages of avoided cost and engineering assumptions used for portfolio implementation and assessment with the vintages used for the Potential and Goals Study by updating the goals, avoided costs and engineering assumptions biennially using the timeline shown below. These revised goals would update the total goal for the four-year application period. However, a revised application would only need to be filed if the change caused a trigger (as outlined in section 4.3). If the portfolio is able to absorb the change within the existing budget and timeline, the updates to the PA portfolio should be outlined in the next annual report. Additional considerations for adjustments to changing conditions are discussed further below.

Figure 1 illustrates this biennial cycle for a hypothetical 4-year business plan period from 2022 to 2025,[[6]](#footnote-7) showing the same vintages of inputs used for both goal setting and portfolio assessment. For comparison, figure 2 shows the vintages of of inputs used for goal setting and portfolio assessment over the same period under today’s system of misaligned inputs.



Figure : Biennial P&G Updates

This compares to the existing approach with no changes as shown below:



Figure : Future State with No Changes

**Biennial Updates:** Biennially update the savings Goals to adjust for updated technical inputs, engineering (DEER) values and major updates to avoided costs, then maintain these inputs for the 2 year P&G period unless the Commission determines that significant changes in conditions warrant updating values used in both portfolio assessment and goal setting.

* + Avoided Cost: Incorporate the most recent IDER Major Avoided Cost updates into the P&G Study similar to the 2016/2017 Avoided Cost update being aligned with the 2018 P&G Study. Maintain the avoided costs for portfolio implementation and assessment for the 2 years aligned with the P&G study.
  + Technical Inputs: Incorporate latest engineering values into the P&G study. Previously the study used engineering values that were three years older than the values used in portfolio assessment. Now DEER updates are n+2 allowing for P&G inputs to align with the start year of the study. Maintain the technical inputs for portfolio implementation and assessment for the 2 years aligned with the P&G Study.
  + Calibration: Utilize the most current program data from CEDARS. Current P&G Study calibration stops at 2016 data due to the switch from EE Stats to CEDARS and model limitations. (Calibration is a more labor intensive process that would require additional stakeholder feedback if it were to be completed on an annual basis.)
  + Changes: Incorporate erroneous values as required, maintain input vintages until the next P&G update.
  + Advantages: This proposal adjusts the current process to align input vintages of Potential and Goals with portfolio assessment, maintains stakeholder input opportunities, provides market stability for Third-Parties and PAs, and does not increase CPUC staff burden. It also aligns with the 2nd year annual report process described in Section 4.1.
  + Baselines—Programs should be evaluated against CA and federal codes and standards in effect at the time.,

**Adjustments to Changing Conditions:**

* Regulatory--Should the Commission find that circumstances have materially changed to warrant updates to avoided costs, engineering assumptions, or the potential and goals prior to the proposed cycle, they may issue a resolution or decision detailing the proposed change, the impact to goal and portfolio, and direction for how to handle the proposed change (i.e. update Potential and Goals or guidance to PAs and impacts to the marketplace). All changes should take into account the interdependencies of the potential and goals, avoided costs, and engineering assumptions.
* Program Administrators—PAs will continue to monitor on an on-going basis all technical changes and other market developments, adjust their portfolios as appropriate, and pursue the trigger-based filings outlined in Section 4.2 if and when needed.

# **7.0 Reporting Requirements**

To provide the Commission and its staff, as well as stakeholders and market actors visibility into PAs’ portfolio and program initiatives, PA’s will continue to submit quarterly data reports via the CEDARs platform. Quarterly reports consist of a data submission on a PA’s progress on savings, expenditures and other targets.

PA’s EE Annual Reports serve as the main vehicle to assess on-going portfolio and program performance against Commission-approved goals, targets, metrics, and indicators. The Annual Report provides a retrospective cost-effective showing, along with annual and cumulative progress on savings, expenditures, and other approved metrics. The Annual Report will include a prospective narrative that describes upcoming portfolio, program, and solicitation initiatives PAs intend to implement to meet and/or exceed goals. Over the course of the portfolio cycle, the Annual Report data allows PAs, the Commission and its staff and other relevant stakeholders to assess trends and adjust as necessary. The final Annual Report, submitted Year 5, will include a comprehensive dataset reflective of the four-year portfolio cycle. Twice per year, PAs will present Annual Report related data to CAEECC (as described in Section 8.8.1) for discussion and input on any necessary directional changes, as described in more detail below.

# **8.0 Stakeholder Process**

## 8.1 Purpose, Overview, Goals and Current Issues

The purpose of this Report section is to describe the stakeholder engagement and reporting process associated with the Working Group’s proposal. Using CAEECC to problem solve throughout program implementation – in addition to prior to filing Applications – would benefit the success of the programs and best serve customers. In addition, new technologies, particularly smart meter data, make it possible to rethink how EE programs are tracked, presented, and ultimately evaluated.

We are proposing four elements of stakeholder engagement associated with the new EE portfolio approval and budget authorization process and ongoing oversight of the PA portfolio implementation:

1. CAEECC joint problem-solving workshops on major cross-cutting issues or challenges related to upcoming applications (approximately 9-3 months ahead of filings) (Section 8.2.1 below)
2. A pre-filing preview at the full CAEECC on how major cross-cutting issues were addressed approximately 3 months before the filing; and presentation on filing 7-10 days after the filing, and (Section 8.2.2 and 8.2.3 below)
3. Regular data-driven updates on how the efficiency portfolios are performing at the full CAEECC along with collaborative CAEECC opportunities to address significant issues/challenges/opportunities as they arise throughout the implementation of the portfolios.

The goals that this proposed stakeholder process aims to acheive include:

1. Create a process to integrate collaborative planning and problem-solving prior to filing Applications.
2. Ensure transparent review and tracking of energy efficiency portfolios through CAEECC to increase understanding of progress and to help maximize cost-effective savings.
3. Increase the usefulness of reported data by striving for less, but targeted data more frequently as opposed to more data less frequently.
4. Establish effective and transparent collaborative opportunities to brainstorm solutions to challenges that arise during implementation.

The current issues that this proposed stakeholder process aims to solve include:

1. There is no opportunity to delve into the details of developing a compliant Application with the opportunity to solve for challenges prior to filing.
   * How can we utilize CAEECC to increase collaboration, transparency, and problem-solving as PAs develop their Applications?
2. There is little meaningful insight into programs until after final analysis.
   * How can we use ongoing data to understand progress and solve for challenges as they occur?
3. Reporting criteria are onerous to generate and review.
   * How much does this churn contribute to program cost without contributing to program improvement or cost-effectiveness?
   * Are all the data useful and/or used? If not, should CAEECC propose reporting requirement modifications to focus time and money on the most useful data?
4. Current information and timing of data is not helpful to improve programs.
   * How can we use information to conduct mid-cycle modifications to increase cost-effectiveness and improve customer experience?
5. There is no opportunity to discuss challenges or expand successes.

How can we utilize CAEECC to best solve issues as they come up or expand successes when they occur?

## 8.2 CAEECC Input Prior to Application Filings

### 8.2.1 CAEECC Engagement on Major Cross-Cutting Issues 9-3 Months Before Filing

Given the extensive nature of applications, the proposal here is to identify a few key items/challenges (as opposed to vetting the entire application) that are (a) of high importance and (b) have the most likelihood for collaborative resolution. Being more surgical in identifying and addressing key issues would also be more manageable for stakeholders.

To do so, the CAEECC should convene either as a full CAEECC or in targeted CAEECC-hosted Working Groups or Workshops[[7]](#footnote-8) after the issuance of the Commission Guidance document and beginning approximately 9 months prior to filing (and lasting until approximately 3 months before the filing) in order to outline the key items that are needed to be addressed.

For example, prior to bringing a draft to the CAEECC for review, conversations could focus on the following types of questions:

1. Given all the technical and policy aspects, what is the strategic vision of the PA moving forward?
2. How can we solve for upcoming major technical changes (e.g., lighting standards going into effect and cutting cost-effective savings from the portfolio)? What are viable options to make up savings in a cost-effective manner. What additional items are related that need to be resolved?
3. What are the new state or Commission directions that will modify how programs are designed and/or implemented?
4. If there are technical issues, how can we bring in the California Technical Forum?

This would allow for the following:

1. Energy Division and stakeholders would have an inside view of how the PAs formulate their applications and what challenges they face.
2. Key issues that are challenging the PAs would be discussed in the open with collaborative brainstorming to vet solutions and garner buy-in prior to filing.
3. Issues beyond PA control that are preventing implementation of policies could be identified and potential solutions could be developed and submitted to the Commission for consideration.

### 8.2.2 CAEECC Engagement Regarding the Application Process

The following two options (that are not mututally exclusive) outline opportunities for meaningful review of the applications prior to and soon after filing to improe understanding and input:

1. Preview of Application Modifications per Collaborative CAEECC Process: Assuming that the above collaborative process to address issues before filing is adopted, this presentation would focus on demonstrating what components of the collaboration were integrated and how. This would be focused on closing the loop on the conversations that took place months prior during the collaborative process addressing key items. It would not be the time for open-ended recommendations from stakeholders as previous experience has shown that such an opportunity results in mis-alignment of expectations and often results in frustration. This would take place approximately 3 months prior to the Application filing.
2. CAEECC Review of Application 7-10 Days After Filing: There would be a workshop for stakeholders and Energy Division approximately 7-10 days after the filing as an orientation to the applications. This would allow time for stakeholders to review the documents and be better equipped to ask informed clarifying questions, which would be helpful for refining party responses and protests.

## 8.3 CAEECC Input in Response to Filed Applications

In addition to the items proposed above for pre-application review, there are also existing formal Commission requirements for stakeholder participation. For example, once the applications are filed, the assigned Commissioner and Administrative Law Judge will determine the formal course of action through a scoping memo after initial protests or responses of the applications are filed. The process could follow a path that includes (1) workshops, rulings, and party comments; (2) an approach that typically relies on testimony and hearings; and (3) a process that may also include a more formalized negotiation and settlement process. Regardless of the pathway, parties to the proceeding will have ample opportunities to intervene formally in the proceeding.

## 8.4 Collaborative Opportunities to Increase Transparency, Solve for Challenges During Implementation, and Address Interim Trigger-Based Filings

In addition to joint problem solving 9-3 months ahead of an application and feedback on the draft application a few months before filing, there should also be an opportunity throughout the program implementation cycle both on a regular basis and associated with any interim trigger-based filings.

### 8.4.1 CAEECC Engagement on an On-going Basis

As CAEECC would be receiving semi-annual updates based on the existing reporting requirements, described in more detail in the next section, there is an opportunity to identify significant challenges or potential new significant opportunities during the presentations and establish a process to brainstorm solutions in a timely fashion.

1. For example - Flow of an identified challenge: If challenges arise in a Q2 presentation on the Annual Report, the CAEECC facilitator could take note of the challenges during the presentation and discuss with the membership at the end of the meeting which items should be prioritized for problem-solving.
   * 1. Small task forces/working groups could be established per category of challenge to brainstorm recommended solutions between quarterly meetings (timing to be decided in the meeting), noting that these recommended solutions would be advisory to the PA and implementer.
     2. At the next meeting (i.e., Q3 or later depending on what CAEECC determined is a reasonable timeline), the task force would present a proposal to solve for the challenge identified in Q2, and identify any modifications to targets, budgets, etc. if necessary.
     3. The CAEECC members who were not on the task forces would provide input. The recommendations would be provided directly to the PAs (and implementers?) for consideration.
2. This would allow for additional expertise to be included in the solution, including those that could be deemed financially interested. Without input from those impacted, the solution may not be the most productive or effective.
3. Identifying issues and proposed solutions in this manner also provides CAEECC (and the public) transparency into the process of correcting for any issues while creating a more collaborative approach to problem-solving.
4. If the problems are not resolved and PAs need to close programs to improve metric performance, the PAs could use the scheduled presentations to inform the CAEECC of their plans for such closures and the timing of when the Tier 2 Advice Letter will be submitted to the Commission.

### 8.4.2 CAEECC Engagement for Interim Filings

In addition to solving challenges as they arise, CAEECC provides an opportunity to work together to increase transparency and collaborate regarding interim filings to ensure challenges are addressed and input is sincerely integrated prior to such filings. The objective of this effort is to solve for any challenges ahead of time, reduce forthcoming litigation, and improve the portfolios.

If there is an event that results in a trigger-based filing (e.g., a new Application), the PAs could use the semi-annual reports to highlight the trends they observe, get input from CAEECC on possible course corrections, and then bring proposals (e.g., for an updated application) for discussion to CAEECC at least 3 months prior to filing consistent with the process outlined in Section 8.2 above.

## 8.5 Details of Annual and Semi-Annual CAEECC Progress and Challenges Presentations

The following items are examples of what would be expected of PAs for their annual and semi-annual presentations to CAEECC. Note, the presentations would be a select few metrics, as detailed below, that are currently part of the PA reporting requirements and those that are of the most interest to Energy Division and CAEECC members. This is consistent with the stated goal in Section 8.1 for sharing fewer data sets more frequently. The additional task needed for CAEECC would be to present the current data in digestible charts and tables, with a narrative assessment of progress and identification of challenges, if any, for discussion.

### 8.5.1 Yearly CAEECC Presentation on Annual Report

The proposal here is to utilize the Annual Report (Q2 – May) to kickstart the year of review. At the Q2 meeting, the PAs will present key trends to watch (potentially identifying issues that need attention, which would follow the outlined process above), overall metrics of progress, any program closures, and a selection of specific metrics from D.18-05-041, Attachment A, to be determined by Energy Division and CAEECC. The intent is to focus on the most useful data to inform the review of progress and focal points for improvements.



* 1. General Metrics:
     1. Total kWh/MW/therm savings
     2. Percentage toward goals
     3. $/kWH and $/therm
     4. For RENs, reporting on CPUC approved metrics
     5. Budget detail (e.g., how much was allocated vs. spent)
     6. Total Resource Cost (TRC) & Program Administrator Cost (PAC) tests
     7. Consider adding other metrics (e.g. HTR, workforce standards)
  2. Format of Presentations:

1. Charts
2. Tables
3. Comparison to yearly projections
4. Short description of significant challenges/issues/successes
5. Programs that are due for closure or extension

### 8.5.2 Semi-Annual CAEECC Presentation

The intent of the semi-annual presentations is to provide insight into the progress since the Q2 annual report. These presentations would focus on overall metrics by sector and portfolio (as outlined above) as well as any challenged programs.

### 8.5.3 Non-CAEEC Member Stakeholder Input Opportunities

1. Input on PA identified items: For those items that are raised by PAs, there should be sufficient time for Energy Division and CAEECC Members, as well as non-CAEECC stakeholders, to provide feedback or raise questions. The CAEECC’s role in this effort is to increase transparency related to the progress of the PA portfolios and to identify significant issues that could benefit from collaborative problem-solving. It is not a venue for raising issues with particular PAs, programs, or the Commission.
2. Additional items not raised by the PAs: Similar to the current process, stakeholders could raise topics to be discussed through the CAEECC topic form. This form will be shared with CAEECC one month prior to the scheduled meeting to allow discussion by members and Energy Division as to whether the topic is within the scope of the CAEECC process and if it will be placed on the next agenda.
3. Specific input on programmatic goals and metrics: Per the current process, each implementation plan must be vetted through the CAEECC. Given that such a process does not require facilitation, each PA manages their own webinar to vet implementation plans, which is posted and noticed by CAEECC. This is the venue for stakeholders to provide input on proposed goals, metrics, and implementation strategies for specific programs.

# **9.0 Application Filing Timeline**

The following timeline illustrates the various Commission and staff, PA, and stakeholder activities and timeframes to implement the proposed four-year portfolio cycle.



# **10.0 Transition Recommendations (Note: This section provided by SCE, except last paragraph on ABALs written by facilitator for WG consideration.)**

The working group recommends that this new application process start in 2026 to accommodate the end of the existing business plan cycle. Additionally, this will provide PAs the opportunity to ramp up to majority 3rd party design and delivery of EE activities.

As shown in the application timeline in section 9.0, a guidance decision would occur at the end of 2023. PAs would develop their applications throughout 2024 and submit late 2024. The remainder of 2024 and 2025 would provide sufficient time for the application to be considered with approval expected near the end of 2025.

Should a new PA submit an application during the 4-year cycle, that PA should file its application for the remainder of the 4-year cycle. For example, if a new PA filed an application in 2027, during the 2026-2029 cycle, the initial application would cover the time period through the end of 2029, to allow this new PA to be “on-cycle” with other PAs. The same logic would apply for an existing PA who is required to refile an application mid-cycle due to a trigger.

Per Commission direction, SCE and PG&E(?) each plan to submit revised Business Plan applications in Sept 2020, covering the years 2022-2025. For any new PA filing a new business plan application or PA required to file a revised business plan due to a trigger, the application should cover the remainder of the rolling portfolio cycle through 2025.

During the Transition period, the PAs will continue to file annual budget advice letters (ABALs) under the current requirements.  However, if the PAs required to file new business plans voluntarily choose to include substantially more details in their application (including testimony) consistent with the new application process proposed herein, then their ABALs may be more ministerial in nature (or potentially waived by the Commission).

# **11.0 Additional Future Considerations (Note: This section developed by NRDC and The Energy Coalition)**

Throughout the course of the discussion, a number of items that are out of scope of this effort have come up that working group members find important for resolution in the future. These items have substantial impact on the ability of administrators and implementers to successfully reach all customers eligible for energy efficiency services. We recommend that the Commission integrate these items into a future scope of R.13-11-005 or its successor:

1. Review the monthly, quarterly, and annual reporting requirements to determine if modifications are needed.
2. Consider setting goals to match with cost-effectiveness methodologies (e.g., using lifecycle energy savings instead of annual savings).
3. Re-evaluate the current approach to cost-effectiveness.
4. Align the portfolio cycle and funding timing with other distributed energy resources (DER) proceedings to support integration

# **Appendix A: Energy Efficiency (EE) Filing Process Prospectus**

# **Appendix B: EE Filing Process Working Group Members**

The following Working Group Members (and their organizations) support the EE Filing Process outlined in the document above:

* Athena Besa, SDG&E
* Ryan Chan, PG&E
* Erin Brooks, SoCal Gas
* Cody Taylor, SCE
* Mike Campbell, Public Advocates Office
* Lara Ettenson, NRDC
* Dave Dias, SMW Local 104
* Raghav Murali, Center for Sustainable Energy
* Dan Suyeyasu, CodeCycle
* Jenny Berg, BayREN
* Laurel Rothschild, The Energy Coalition
* Serj Berelson, California Efficiency Demand Management Council
* Alice Havenar-Daughton, Marin Clean Energy
* Lujuana Medina, SoCalREN
* Alejandra Tellez, Ventura County Regional Energy Alliance
* Courtney Kalashian, San Joaquin Valley Clean Energy Organization
* Ted Howard, Small Business Utilities Advocates

1. Facilitators Note: The WG is still discussing whether the start year for new proposed 4-year cycle should begin in 2024 or 2026.  SCE, who drafted the Executive Summary and Transition sections,  is recommending a 2026 start year and therefore this draft currently reflects that. [↑](#footnote-ref-2)
2. REN Annual Reports will continue to be due April 15th, so as to allow the relevant IOU time to roll up the savings information into their reports due on May 1st. [↑](#footnote-ref-3)
3. “On-target” is defined as a PA is reasonably able to demonstrate its ability to meet savings goals (i.e., +/- 20%) and cost-effectivness (i.e., +/-10%) targets by the end of the four-year cycle. Note that if the PA is off-target in a given year, they can reasonably "make it up" in the following year(s). [↑](#footnote-ref-4)
4. Zero-based budgeting is a method of budgeting in which all expenses must be justified for each new period. The process of zero-based budgeting starts from a "zero base," and every function within an organization is analyzed for its needs and costs. [↑](#footnote-ref-5)
5. EE savings goals would also be set for 4 years, utilizing “first-year-net” kWh/kW/Therm figures. For example, if each year’s “first-year-net goal” is 100 MWh for 2022, 110 MWh for 2023, 120 MWh for 2024, and 130 MWh for 2025, the 4 year goal would be 460 MWh of first-year-net savings. Savings goals would be updated biennially as shown in section 6.0 below. [↑](#footnote-ref-6)
6. Note: This is for illustrative purposes only to show the challenges associated with the misalignment of vintages for the potential and goals and portfolio implementation. Actual business plan would start in 2026. [↑](#footnote-ref-7)
7. The CAEECC Goals and Responsibilities (available [here](https://4930400d-24b5-474c-9a16-0109dd2d06d3.filesusr.com/ugd/b49f75_afa802b27c184e0e8183d692e9850ab2.docx?dn=CAEECC%20Goals%20%26%20Repsonsibilities%20updated%20)) provides the following definitions for CAEECC-Hosted Working Groups/Subcommittees and Ad Hoc Workshops: (A) **CAEECC Working Group and Subcommittee Meetings** — These are dedicated meetings of CAEECC Members or their proxy/designees whose organizations are interested in specific topics of importance identified by the CAEECC (or the CPUC) for which CAEECC advice or recommendations are sought. Subcommittees, if any, will generally be focused on sector- specific issues. Working Groups will generally be focused on non sector-specific issues. The public will be given an opportunity to provide input periodically as time allows and at the discretion of the facilitator. (B) **Ad Hoc CAEECC Workshops** — These are generally one-off workshops on issues identified by the CPUC or CAEECC where broader public input is desired. There will generally be greater time allocated for public input at these workshops than typically allocated at other CAEECC meetings. Seeking formal CAEECC advice or recommendations is not an expected focus of these workshops [↑](#footnote-ref-8)