**CAEECC MEETING TOPICS**

**Purpose of the meeting:**

The key pillars of the proposal, like the four-year application and two-year technical input update, are clear. However, Energy Division needs more information on how this proposal would be practically implemented. We would like to discuss the implementation of this proposal, focusing on the four key topics listed below. The purpose of this meeting is to:

* Informally discuss four key topics with stakeholders.
  + Questions and responses at the CAEECC meeting will be for discussion purposes only.
  + This meeting will NOT be for purposes of official record building on the CAEECC proposal in the EE proceeding.
  + Energy Division is not looking for new consensus proposals on the topics below.
* Gain a deeper understanding of how to operationalize the proposal to achieve the desired outcomes of the CPUC, program administrators and stakeholders.
* Help Energy Division staff make an informed recommendation to CPUC decision makers.

**Application Review: Zero-Based Budgeting & Testimony**

The CAEECC Proposal states that:

* *“Program Administrators will justify the reasonableness of budgets, savings and cost effectiveness forecasts through detailed showings for current and proposed expenditures and zero-based budgeting exercises…” (p. 8)*
* The proposal implies that this applies to two costs: program implementation costs (including third party implementer costs) and portfolio administration costs. (p.8)

ED Staff Example Questions:

* Define the step-by-step process for the zero-based budgeting approach?
  + Are all programs / activities included (resource, non-resource, ESA, market transformation, etc.)?
  + For the included programs, how are the following categories of costs accounted for: labor, non-labor, capital, contract, admin, implementation, marketing, and sector-by-sector costs?
  + Would the zero-based budgeting process apply to equipment / rebate / incentive costs?
* How will testimony and exhibits demonstrate the reasonableness of forecasts considering historical performance, realization rates, impact evaluation adjustments, etc.?

**Mid-Cycle Oversight**

The CAEECCC proposal recommends several actions that could take place mid-cycle (i.e. after application approval and before the next application is flied). Specifically, the proposal states:

* Requires that the program administrators file tier 2 advice letter describing corrective actions if the portfolio is not “on-target” to meet their four-year savings goals and/or cost-effectiveness thresholds. (p.
* The proposal considers a portfolio “off-target” when a program administrator is unable to demonstrate that they will meet their savings goals by 20% and cost effectiveness by 10%.
* Program closures would require an approved tier 2 advice letter. (p. 7)
* *The program administrators’ EE Annual Reports will include sufficient detail on portfolio, sector and program-level annual and cumulative accomplishments and will also present a prospective overview in narrative format the will include future plans to meet and/or exceed their cumulative savings and cost-effectiveness requirements.”* (p. 6)

ED Staff Example Questions:

Cost Effectiveness and Energy Savings Triggers:

* What data source are the triggers be based on, and how will reliability disputes be handled if unverified data is used?
* If programs are underperforming and stakeholders do not feel remediation efforts proposed by the program administrator are satisfactory, what additional corrective actions will be considered? For example, would it be appropriate to propose adjusting budgets or closing programs based on underperformance triggers? How is the proposed stakeholder review process for trigger-based advice letters different than the current ABAL process?
* Would Energy Division or the CPUC be responsible for ensuring that the actions proposed by the program administrator to correct deficiencies are undertaken? If so, how?

Program Closures:

* What is the standard level of review by Energy Division that is appropriate for advice letters from the program administrators to request the approval of a program closure(s)? What criteria should be used for this review?

Enhanced Annual Reports:

* + - How would the CAEECC proposal for “enhanced” annual reports differ substantially from the current annual reports in substance?
    - What kind of stakeholder review is performed on the annual reports? Is there a process envisioned for stakeholders to provide formal feedback on annual reports (besides the semi-annual updates at CAEECC)?

**Aligning Goals and Budgets: Technical Inputs**

The CAEECC proposal recommends, “that the CPUC adopt cumulative energy savings goals for a four-year period, with a two-year refresh to incorporate updated avoided costs and engineering values.” (p. 9) To do this, it recommends “freezing” a number of technical inputs, including DEER.

ED Staff Example Questions:

Avoided Costs:

* How will ED determine if avoided costs are “material?” Would a stakeholder process be appropriate? What would this look like?
* What was CAEECC’s rationale for recommending updating minor avoided costs be included if they are material, rather than forgoing them all together? At what point does the benefit of accuracy outweigh the drawbacks of misalignment?

Other Technical Inputs:

* Does the proposal recommend that all technical inputs be frozen, or should exceptions be made for any of the following examples: workpaper errors, new technologies, newly available / viable measures based on CPUC decisions?

**2021 and Beyond Example Questions:**

* Which areas of this proposal are tied to the outcomes of the Potential and Goals ruling, and where will coordination be particularly important?
* With the applications coming in in Sep 2021 and the new goals becoming effective in Jan 2022, how should the transition happen? What does the schedule look like?
* Which technical inputs would be in effect and for how long?
* When would the new cycle begin / start?
* Are 2022 ABALs still required in September 2021.