

CAEECC-Hosted EE Portfolio Filing Processes Working Group

Goals: To develop updated and improved EE Portfolio filing processes that include a clear understanding of what information is needed to enable sufficient oversight.

Brief Background/History:

The objective of the 2015 Rolling Portfolio Joint Parties' proposal was to simplify the filing of program applications and the review process by spreading regulatory filings over time.¹ The Commission integrated the joint proposal and Energy Division's whitepaper² on the matter in Decision 15-10-028³ to require each Program Administrator to file an application with a detailed Business Plan.

“Each PA will file an initial business plan in 2016, as an application. Business plans will explain at a relatively high level of generality how PAs will effectuate the strategic plan....After the initial filing, PAs *must* file revised business plans only when a “trigger” event happens; PAs *may* also file revised business plans whenever they choose to do so. Business plan filings will generally be untethered to the calendar except that PAs will need to apply for an extension of funding – that is, a restarting of the ten-year clock -- no less than one year before funding is set to end.” D.15-10-028, p.46

The decision also established annual budget advice letters, which required a portfolio cost-effectiveness statement and application summary tables each September.

“The annual budget filings and their associated review should be relatively ministerial. The question for Commission Staff in reviewing a budget advice letter should be “does this conform to the approved business plan?” The annual budget filings are *not* designed to create a forum for debating the merits of particular programs; that is for the business plan proceeding.” D.15-10-028, p.62

In August of 2016, the Commission provided guidance on filing Business Plans in Decision 16-08-019⁴ and approved all PA Business Plans in May of 2018 through Decision 18-05-041.⁵

Problem:

- Current BP/ABAL process is ineffective in balancing meaningful oversight with timely, predictable portfolio authorization
 - Constant regulatory churn
 - Failure to timely resolve factual and policy disputes
 - Frequency of authorization filings may limit portfolio planning time horizon
- Key impediment is non-ministerial ABALs

¹ <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M146/K375/146375755.PDF>

² <http://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M151/K794/151794292.PDF>

³ <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M155/K511/155511942.pdf>

⁴ <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M166/K232/166232537.PDF>

⁵ <http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M215/K706/215706139.PDF>

- BP application contains limited supporting information (e.g., testimony) on basis of forecasted budgets, savings, and cost-effectiveness
- Lack of BP detail means ABAL review includes non-ministerial factual and policy questions that are difficult for ED staff to timely resolve
- ABALs routinely take six months or more before being resolved, followed almost immediately by the submission of another round of ABALs

Scope:

- In scope:
 - Changes to EE application and ABAL frequency, timing, scope, content, criteria, and approval processes
 - Additions to and/or elimination of requirements in BPs and ABALs
 - Changes to the CAEECC’s role in BP and ABAL review
 - Closely-related policy changes (e.g. accounting or reporting changes) important to improving the process
- Out of scope:
 - Policy changes not directly connected to process improvements or oversight requirements.[Note: At outset of the working group process we will (quickly) list the various related policies and discuss whether any should be in scope],
 - Reporting requirements,
 - Bus stops [Note: Similar to policy issues, we will (quickly) list current stops and discuss whether any should be in scope],
 - Procurement process,
 - Other stakeholder processes (such as Procurement Review Groups), and
 - Current policy that allows budget authorizations to “roll forward” by specifying that the most recent funding authorization will stay in place until the Commission approves a subsequent budget application

Key Questions to Address:

- 1) What parts of the current processes and procedures should remain the same?
- 2) What part of the current processes and procedures should change and how? Specifically:
 - a. What should be the frequency and duration of EE budget application filings?
 - b. What should be the frequency and duration of informal budget filings (advice letters, petitions for modification, etc.)?
 - c. What should be included in any budget application or informal budget filing, including any supporting testimony?
 - d. What should be the review and/or approval requirements?
 - e. Etc?
- 3) When should any recommended changes be implemented (e.g., as soon as possible (2021) or once the transition/3rd party roll-out is further along (2022 or 2023)?)
- 4) What CPUC related guidance or policies (e.g., accounting or reporting changes) might need to be addressed prior to or in conjunction with implementing any new framework? And do any of these need to be addressed before a new framework should or can be finalized?

- 5) What should be the roll of the CAEECC, if any?
- 6) Etc.?

Deliverables:

- 1) A Report from the Working Group delineating recommendations related to the scope and questions above?
 - a. Any such recommendations would be made by consensus of the Working Group where possible. Where consensus is not reached, the Report would delineate two or more alternatives including their rationales and which WG Members support each alternative.
- 2) Other?

Timeframe/Meetings:

October-December/January [2-3 Working Group Meetings (October; November (around Full CAEECC mtg; and December-February if need be) plus sub-WGs between meetings as needed]

Working Group Members:

Open to representatives from any CAEECC Member (plus other parties from efficiency proceedings) interested in fully participating in the Working Group; open to public to observe

CAEECC Team:

Jonathan Raab and Meredith Cowart (Facilitation Team); Co-Chairs and Dan Buch, Public Advocates Office as start-up advisors

Attachments:

- A. Working Group Members
- B. Working Group Draft Ground Rules
- C. Public Advocates Office's Memo/Options

Attachment A:

**Straw Poll – Support For and Likely Participation in Potential
CAEECC Rolling Portfolio/ABAL Working Group**

Company	First	Last	Biz Plan/ABAL WG	
			CAEECC should pursue? (Yes/Other)	Would participate? (Y/Other)
CAEECC Member/Proxy – Present and Seated at the Table				
3C-REN	Alejandra	Tellez	Y	Y
BayREN	Jenny	Berg	Y	Y
CEDMC	Nate	Kinsey	Y	Y
CEC	Brian	Samuelson	Y	O
CEE	Bernie	Kotlier	Y	Y
CSE	Beckie	Menton	Y	Y
CodeCycle	Dan	Suyeyasu	Y	Y
JCEEP/ smw104	David	Dias	Y	Y
NRDC	Lara	Ettenson	Y	Y
PG&E	Ryan	Chan	Y	Y
Public Advocates Office	Dan	Buch	Y	Y
SCE	Matt	Evans	Y	Y
SBUA	Ivan	Jimenez	Y	O
SDG&E	Athena	Besa	Y	Y
SoCalGas	Elizabeth	Gomez	Y	Y
SoCalREN	Lujuana	Medina	Y	Y
The Energy Coalition	Laurel	Rothschild	Y	Y
WHPA, Inc	Wendy	Worrell	O	O
LGSEC	Lou	Jacobson	Y	Y
MCE	Alice	Havenar-Daughton	Y	Y
SJVCEO	Courtney	Kalashian	Y	Y
CALCTP	Doug	Avery	O	O
Note: “Other” includes those that said no, maybe, and/or abstained.			Y- 20 Other – 1	Y – 18 Other – 3
TOTALS				

Attachment B:

Goals & Ground Rules of the Market Transformation Work Group

Goals of CAEECC-Hosted Market Transformation Working Group:

1. To develop a proposed market transformation framework (including the necessary processes and procedures) for developing, deploying, and monitoring market transformation initiatives in California.
2. To seek consensus (defined as unanimity) where feasible among Working Group Members
3. To document the proposed market transformation framework in a Final Report to the CPUC. The Final Report would include descriptions of all consensus recommendations, as well as descriptions of any alternative options on issues and elements where consensus was not reached as well as who supports each option.
 - *Note as described below the supporters of any non-consensus options will have the lead responsibility in drafting the descriptions and rationale for those options.*

At Meetings

- 1) Come prepared to discuss agenda items (by reviewing all documents disseminated prior to the meeting, conferring with your organization and other colleagues, etc.).
- 2) Be forthright and communicative about the interests and preferences of your organization and actively seek agreement if recommendations/advice are being sought.
- 3) Be clear so that everyone understands your interests and proposals.
- 4) Be concise so that everyone who wants to provide input has an opportunity to do so.
- 5) Minimize electronic distractions during meetings.

Between Meetings

- 1) Keep your organizations informed of developments in the process.
- 2) Confer with other Members during meeting breaks and in between meetings, as needed.
- 3) Notify the Facilitation Team prior to the meeting (by telephone or e-mail) if you or your proxy cannot attend a meeting.

- 4) Be responsible for actively tracking Facilitation Team and Working Group communications as well as relevant proceedings and policies.
- 5) Provide input, feedback, and written material when requested by the Facilitation Team.
- 6) Any presenter (Member or their proxy or designee) should have their presentation ready for posting at least five (5) business days prior to the meeting; and presenters should work with the Facilitator Team prior to the posting deadline to help ensure that materials are clear, concise, and on topic.
- 7) Discuss pertinent matters with the Facilitation Team and CAEECC Co-Chairs when and if the need arises.

Substantive Issues (Discussing Issues, Developing Options, & Exploring Agreement)

- 1) The goal of the process is to fully explore substantive issues before the Work Group, define options, elicit constructive feedback, clarify and narrow points of divergence, seek consensus where feasible, and document points of convergence and any remaining divergence.
- 2) During the substantive discussions, if a Member cannot agree with a substantive option under consideration that member should explain why and propose a specific alternative that he or she can support.
- 3) Documentation of consensus and multiple options on any particular issue in the Work Group's final recommendations would include a clear description of each option and supporting rationale, and include the Members supporting each option. The Working Group Members will review and approve the wording in the Final Report, and those supporting each option on a non-consensus issue will be responsible for drafting the final description and rationale for the option.
- 4) The Working Group in consultation with the CPUC will determine the most appropriate way to file the Final Report at the CPUC.
- 5) Prior to filing the Working Group's final recommendations, there will be an opportunity for other CAEECC Members who did not directly participate in the Working Group, to add their Organization's name to the document including ascribing to options for non-consensus issues (but not proposing any additional options).

Process Issues

- 1) For process related issues (including setting meeting dates, finalizing agenda designs, etc.) the Facilitation Team in consultation with the Co-Chairs, and after seeking input and feedback from Working Group Members, will have the responsibility to make these decisions.
- 2) All the other pre-existing CAEECC Facilitator roles and responsibilities will apply.
See: https://docs.wixstatic.com/ugd/849f65_68e76679fd054bd6ad34e1c2ba0a4168.pdf

Attachment C:

Public Advocates Office Straw Proposal on EE Approval Process Improvements

To see entire initial memo, click here: [Public Advocate's Office--BP/ABAL Proposal 5.20.19](#)

Approval Process Improvement Options

Public Advocates Office proposes two different alternatives for the CAEECC's consideration:

Option 1: Robust Business Plan applications and ministerial ABALs

In order to make the Business Plan/ABAL construct more effective, the scope and level of detail in Business Plan application proceedings must increase substantially so that the Commission can resolve factual and policy disputes in these formal proceedings. ABAL filings must become simple compliance mechanisms that the Energy Division can dispose of ministerially, including making straightforward determinations on whether Business Plan application triggers have been met using Commission-approved methods and data that have been fully reviewed in formal proceedings.

In practice, this will mean that applicants will need to justify the reasonableness of budgets and savings and cost-effectiveness forecasts.¹ This would include detailed showings of current and proposed expenditures and zero-based budgeting² exercises as well as detailed testimony on forecasting inputs, methods, and results for the full business plan period of up to ten years. Following formal litigation, a Commission decision would establish reasonable budgets and clear, detailed parameters for Energy Division ABAL review and timely disposition.³

Without a robust Business Plan application proceeding and resolution of detailed factual and policy disputes, the ABAL process will continue to be a lengthy and difficult process each year without clear resolution or progress on fundamental issues.

Option 2: Use a four-year EE application cycle with opportunity for minor midpoint adjustments (no more ABALs)

A potential alternative is to align EE portfolio and budget approval processes with the processes used in several closely-related distributed energy resource proceedings. A common framework

¹ By contrast, some applicants (particularly the utilities) may be able to reduce the resources expended on other parts of the Business Plan applications as third-parties become increasingly responsible for program design and implementation.

² 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.

³ In such a situation, it is unclear whether annual ABAL review by the CAEECC would be a priority use of resources.

currently used in low-income EE (ESA) and demand response (DR) is a regularly scheduled budget and program approval application with a midpoint process for in-flight changes. The program and budget authorization period is generally 3-6 years. The midpoint process is usually a petition for modification (PFM) or a Tier 2 or 3 Advice Letter (or both) and allows for authorization for new activities, program closures, implementation of policy changes approved in other proceedings, and budget adjustments. However, substantial policy changes or wholesale program changes are generally not in scope, particularly if an advice letter process is used.

The applicant showing required for approval through this process is similar to what would be required to make the Business Plan/ABAL process functional (zero-based budgets, detailed testimony justifying forecasts, etc.). However, the shorter approval period (compared to ten-year Business Plans) improves forecast credibility and reliability and reduces the litigation risks faced by all parties. Conversely, the longer planning horizon of a 3-6 year budget authorization (via elimination of a yearly ABAL required for cost recovery authority) would facilitate more comprehensive, multi-year planning and reduce churn. In addition, a midpoint adjustment process would preserve a measure of flexibility and allow program administrators, stakeholders, and the Commission opportunities to make adjustments between application proceedings.

As with the existing Business Plan/ABAL process, approved four -year applications would include Commission authorization for budgets to continue until the subsequent four-year application is approved. This will continue to avoid the “start-stop” concerns from the previous “three year” funding cycle method used for energy efficiency portfolios.

Comparative Summary Table/Matrix

	Current BP/ABAL	Robust BP/Ministerial ABAL	Application w/ midpoint review
Zero-based budget?	No	Yes	Yes
Ministerial ABAL?	No	Yes	No
Frequency of formal approval	8 years	Up to 10 years	3-6 years
Frequency of AL submission	Annual	Annual, but ministerial	Every 2-3 years
CAEECC ABAL review?	Yes	Maybe?	No