August 15, 2018

CA Public Utilities Commission

Energy Division

Attention: Tariff Unit

505 Van Ness Avenue, 4th Floor

San Francisco, CA 94102-3298

**MCE Advice Letter 33-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”) 33-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)

**Cost Effectiveness**

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** | 1.01 |
| **PAC** | 1.16 |

MCE identified a set of factors that resulted in an *ex ante* TRC below 1.25 in 2019. At the portfolio level, MCE’s customer programs are weighted heavily towards residential and small commercial offerings. The program portfolio lacks some high TRC program types (e.g. codes & standards, midstream, and upstream) that can help to lift a portfolio’s overall TRC. MCE must also take a conservative approach to forecasting new programs and their expected costs due to uncertainties inherent in program development and running program solicitations. In the near term, MCE expects higher than usual administrative costs in rolling out new programs in 2019, the first year for most programs.

Furthermore, existing programs are in a state of transition, with changing measure portfolios and incentive rates. MCE is adjusting programs to reflect new savings values and market conditions. MCE has an interest in leveraging new savings methodologies and interventions, there is limited data availability and guidance to develop cost-effective programs leveraging Normalized Metered Energy Consumption (NMEC) and behavioral components. Current forecasting is rooted in replace on burning (ROB) measures, whereas programs will be delivering early retirement projects.

Finally, market conditions have decreased the cost-effectiveness of some core elements in MCE’s programs. The lighting dispositions from early 2018 have impacted the cost effectiveness of some key measures that deliver savings at reasonable costs to the customer, and there are high costs associated with bringing some existing buildings above code performance.

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
	+ Increasing transparency and competition among contractors
	+ Testing benefits of a Group Purchasing Organization
* Leveraging meter data and customized projects

MCE’s individual programs will vary in their cost effectiveness. Some programs will not meet a 1.0 TRC while others will exceed it. MCE’s Multifamily and Single Family programs are unlikely to exceed a 1.0 TRC, however these programs are critical to adequately serve MCE’s service area (80% residential customers). For example, MCE’s Multifamily Comprehensive Program serves all property types without minimum savings requirements. Without this program, a number of the most vulnerable properties would not have access to energy efficiency offerings. MCE does not anticipate this program will become cost effective in the foreseeable future. MCE intends to balance the residential and other programs to ensure comprehensive offerings for customers while maintaining a cost-effective portfolio. MCE is also taking steps to improve the TRC for these individual programs:

* MCE will solicit bids for the Single Family program and will consider cost-effectiveness impacts of the proposed program design and implementation strategies.
* MCE will use NMEC methodology to verify savings claims for its residential programs. MCE anticipates that using metered data will result in an increase in claimed savings, and generally more accurate accounting of savings claims. This may have a positive effect on TRC.
* MCE will evaluate programs on an ongoing basis to determine whether to continue or modify operations.
* MCE’s residential single measure and standalone direct install programs will be run by the same implementer to realize efficiencies and reduce overall program costs.

MCE has also taken steps to improve the cost effectiveness in other areas of its portfolio. MCE has evaluated its Commercial measure mix and removed non-cost-effective measures, which has increased the overall cost-effectiveness of the sector. MCE reduced its own overhead and administrative costs across the portfolio in order to increase cost effectiveness. MCE worked with consultants to revise measure costs to reflect actual costs in the market.

**Budgets**

The Commission approved funding levels for MCE for Program Years 2018-2025 for each of MCE’s proposed programmatic sectors.[[9]](#footnote-9) The budget includes allocations for Evaluation Measurement and Verification (“EM&V”).[[10]](#footnote-10) The Commission approved a total multiyear budget for MCE of $85,736,000 (2018-2025). For Program Years 2018 and 2019, the Commission approved an annual budget of $8,532,000. Although, the Commission approved annual and multiyear budgets, the Commission directed PAs to use the ABAL as an opportunity to adjust their annual budgets “to reflect the 2018-2030 goals adopted in Decision 17-08-025 and the interim greenhouse gas adder adopted in Decision 17-08-022 and other relevant factors to provide a more accurate forecast of expected annual funding levels.”[[11]](#footnote-11) The revisions, however, “must not exceed the overall funding amount” authorized in D.18-05-041, which caps PAs’ total spending for the period 2018-2025.[[12]](#footnote-12) MCE provides the revised 2019 portfolio budget, 2019 sector budgets, 2019 program-level budget, and forecasted sector and portfolio budgets for the rest of the business plan period below.

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| **MCE Forecast 2019 Budget and Savings (Net)** |
| **Sector** | **Program Year Budget** | kWh | kW | therms (MM) |
| Residential | $3,865,965 | 2,531,901 | 234 | 0.27 |
| Commercial | $1,185,725 | 1,967,331 | 358 | 0.03 |
| Industrial | $690,423 | 556,588 | 41 | 0.07 |
| Agriculture | $766,449 | 796,656 | 126 | 0.03 |
| Emerging Tech | $0 | na | na | na |
| Public | $0 | na | na | na |
| Codes and Standards | $0 | na | na | na |
| WE&T | $160,000 | na | na | na |
| Finance | $0 | na | na | na |
| OBF Loan Pool | $0 | na | na | na |
| **Subtotal** | $6,668,561 | 5,852,476 | 759 | 0.40 |
| **PA EM&V**  | $277,857 |  |  |  |
| **Total PA PY Spending Budget1** | $6,946,418 |  |  |  |
| **Uncommitted and Unspent Carryover balance2** | $0 |  |  |  |
| **Total PA PY Budget Recovery Request3** | $6,946,418 |  |  |  |
| **Authorized PY Budget Cap (D.18-05-041)** | $8,532,000 |  |  |  |

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| **2019 Program-Level Budgets** |
| **Program** | **Total Program Budget** |
| Commercial | $1,185,725 |
| Agricultural | $766,449 |
| Industrial | $690,423 |
| SF Comprehensive | $1,144,207 |
| SF Single Measure | $464,098 |
| SF DI Standalone | $419,501 |
| SF Seasonal | $109,000 |
| MF Comprehensive | $1,074,957 |
| MF Single Measure | $357,230 |
| MF DI Standalone | $296,971 |
| WE&T | $160,000 |
| EM&V | $277,857 |
| **Portfolio Total** | **$6,946,418** |

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| **Annual Rolling Portfolio Budget Forecast - True-up ($1,000s)** |
| **Sector** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** | **Total** |
| Residential | 936  | 3,866  |  7,078  | 7,078 | 6,170 | 6,170 | 6,170  | 5,660 | 43,128 |
| Commercial | 839 | 1,186 | 3,293 | 3,293 | 2,935  | 2,935 | 2,935 | 3,252  | 20,667  |
| Industrial | 0 | 690 | 1,284 | 1,284 | 1,270 | 1,270 | 1,270 | 1,261 | 8,327  |
| Agriculture | 0  | 766 | 1,253 | 1,253 | 1,181 | 1,181 | 1,181 | 1,260 | 8,077 |
| Emerging Tech |  |  |  |  |  |  |  |  |  |
| Public |  |  |  |  |  |  |  |  |  |
| Codes and Standards |  |  |  |  |  |  |  |  |  |
| WE&T | 0  | 160 | 347  | 347  | 347 | 347 | 347 | 347 | 2,240  |
| Finance |  |  |  |  |  |  |  |  |  |
| OBF Loan Pool |  |  |  |  |  |  |  |  |  |
| **Subtotal** | 1,774  | 6,669  | 13,254 | 13,254 | 11,902 | 11,902 | 11,902 | 11,779 | 82,439 |
| **EM&V** | 75 | 277 | 528 | 528  | 474  | 474 | 474 | 469 | 3,297 |
| **Total Portfolio Program Year PA Budget** | 1,877  | 6,946  | 13,782  | 13,782  | 12,376 | 12,376 | 12,376 | 12,248 | 85,736  |
| **Total Authorized Portfolio PY Budget Cap** | 8,532  | 8,532  | 12,404  | 12,404  | 10,998  | 10,998  | 10,998  | 10,870  | 85,736  |

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| **Authorized Budgets and Annual Expenditures for 2016-2017** |
| **Program ID** | **Program Name** | **2016 Authorized Budget** | **2016 Annual Expenditures** | **2017 Authorized Budget** | **2017 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**  |

**Energy Savings**

In approving PAs’ business plans, the Commission required ABALs to address energy savings. MCE provides forecasted savings for each program below.

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| **2019 Forecasts by Program** |
| **Program** | **Gross kW** | **Gross kWh** | **Gross Therm** | **Net kW** | **Net kWh** | **Net Therm** |
| Commercial | 530 | 2,888,246 | 51740.94 | 358 | 1,967,331 | 34219.12 |
| Agricultural | 0 | 1,225,625 | 47595 | 126 | 796,656 | 30936.75 |
| Industrial | 0 | 856,289 | 109465.5 | 41 | 556,588 | 71152.55 |
| SF Comprehensive | 104 | 722,899 | 93383.37 | 78 | 542,174 | 70037.53 |
| SF Single Measure | 96 | 722,629 | 34421.54 | 72 | 541,972 | 25816.16 |
| SF DI Standalone | 38 | 368,750 | 26253.5 | 29 | 276,563 | 19690.12 |
| SF Seasonal | 0 | 128,526 | 54801 | 0 | 134,952 | 57451 |
| MF Comprehensive | 72 | 792,154 | 92761.62 | 44 | 480,139 | 55564.34 |
| MF Single Measure | 10 | 467,646 | 35004.67 | 8 | 350,734 | 26253.5 |
| MF DI Standalone | 4 | 273,823 | 17502.33 | 3 | 205,367 | 13126.75 |
| **Portfolio Total** | **855** | **8,446,587** | **562929.4** | **759** | **5,852,476** | **404247.8** |

**Portfolio and Program Changes**

MCE identified several high-level changes to the portfolio that will help optimize cost effectiveness and achieve savings goals. These changes are responsive to current policy and market dynamics and consistent with MCE’s business plan.

* MCE aims to leverage normalized metered energy consumption (NMEC) in a number of programs, using pay-for-performance contracts as much as possible.
* In an effort to reduce administrative costs, core elements of program design, implementation, and management will be shifted to implementers.
* MCE anticipates fewer face-to-face interactions with customers, however these approaches will reduce MCE’s administrative burden from implementing its own programs.
* MCE will hold competitive solicitations allowing for industry experts and the market to drive program design, implementation of programs, and aggregate customers to deliver meter verified savings.
* MCE will use pay-for-performance contracting in order to improve cost-effectiveness, increase competition, and create a level of certainty around achieving savings targets and transferring the responsibility of project development and specification onto the implementer.
* MCE has expanded its portfolio two-fold by doubling its service area and offering programs in new sectors such as large commercial, industrial, agriculture, and single family residential while also increasing offerings under existing commercial and multifamily programs.

MCE anticipates cost-effectiveness to improve over time. MCE is launching programs in new sectors in 2019. This expanded portfolio will experience a natural ramp-up period in which the administrative costs of program design, rollout and customer outreach will have a greater impact on cost effectiveness. Where possible, MCE will reduce implementation costs and customer project costs, which will eventually contribute to a more cost-effective portfolio. MCE describes some of the program-level changes that will improve MCE’s portfolio below.

**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.

MCE has worked with PG&E to develop coordination guidelines to avoid duplication where appropriate, minimize market confusion, and ensure customer choice, and will continue to do so as the portfolio evolves. MCE’s approach to WE&T is to fill gaps and allow the market to dictate program design. MCE will solicit bids to identify existing needs and gaps to determine program design ensuring alignment with policy impacts. MCE will continue working with IOUs to ensure alignment and avoid duplication with the statewide WE&T program.

**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.

**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

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:

Michael Callahan

Policy Counsel

Marin Clean Energy

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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.

/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)
9. D.18-05-041 at p. 112. [↑](#footnote-ref-9)
10. D.18-05-041 at p. 112. [↑](#footnote-ref-10)
11. D.18-05-041, OP 43 at pp. 191-92. [↑](#footnote-ref-11)
12. D.18-05-041, OP 43 at pp. 191-92. [↑](#footnote-ref-12)