

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, ABALs, and implementation plans
 - 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
 - Closely-related bus stops important to improving the process (i.e., aligning bus stops to new 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 (if anything)?
- 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 (e.g., in a CPUC rulemaking)? And do any of these need to be addressed before a new framework should or can be finalized?
- 5) To the extent applicable, are there any improvements that should and could be made informally during the transition to new processes (e.g., in any refileing of business plans under the current regime)?
- 6) What should be the role of the CAEECC, if any?
- 7) 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) Put in a motion on the record for CPUC consideration

Timeframe/Meetings:

October-December/January [2-3 Working Group Meetings (October 22; November 20; and likely 3rd meeting in January/February) 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. Add criteria on knowledge and experience with BP/ABAL processes

CAEECC Team:

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

Attachment A:

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