



JF2/ek4 3/23/2018

**FILED**  
03/23/18  
12:47 PM

**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (U338E) for Approval of Energy Efficiency Rolling Portfolio Business Plan.

Application 17-01-013

And Related Matters.

Application 17-01-014

Application 17-01-015

Application 17-01-016

Application 17-01-017

**ADMINISTRATIVE LAW JUDGES' RULING  
SEEKING COMMENT ON CERTAIN MEASUREMENT AND VERIFICATION  
ISSUES, INCLUDING FOR THIRD PARTY PROGRAMS**

**Summary**

This ruling emanates from Decision (D.) 18-01-004 which addressed the third party solicitation process for energy efficiency and delegated to the assigned Commissioner and/or Administrative Law Judge (ALJ) to issue a ruling "specifying a set of rules, guidelines, and specific requirements to address the critical issues and uncertainties related to M&V [measurement and verification]."

This ruling invites interested parties to file comments on the requirements developed by Commission staff outlined in Table 1 below and posted on the Commission's web site, by no later than May 14, 2018, with reply comments due no later than May 30, 2018. Commission staff may hold workshops after receiving comments; any workshops will be properly noticed in the future.

Finally, this ruling proposes to sunset the filing process for high opportunity programs or projects (HOPPs) adopted by the December 30, 2015 Assigned Commissioner and Administrative Law Judge's Ruling Regarding High Opportunity Energy Efficiency Programs or Projects,<sup>1</sup> hereinafter referred to as the HOPPs Ruling.

### **1. Measurement and Verification Materials**

D.18-01-004 addressed issues regarding the third party solicitation process for energy efficiency programs, including delegating to a subsequent ruling the introduction of M&V rules and guidelines for program implementation.<sup>2</sup> These rules and technical guidelines include direction for implementation of programs and projects leveraging normalized metered energy consumption (NMEC) and other forms of embedded M&V in program design, data collection, and savings quantification.

NMEC rules were first introduced in the HOPPs Ruling, which addressed the first stages of implementation of Assembly Bill (AB) 802. In addition, further rules have been issued or are under consideration to guide not only NMEC, but also other delivery approaches, including custom programs.<sup>3</sup>

In acknowledgement of the rapidly changing environment in energy efficiency programs, especially in the field of NMEC approaches, the Commission staff, and assigned Commissioner and ALJ (as necessary), will update these rules/requirements and technical guidelines, taking into

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<sup>1</sup> Available at: <http://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=157362236>

<sup>2</sup> See D.18-01-004 at 45.

<sup>3</sup> See D.16-08-019 and Commission Resolution E-4818.

consideration stakeholder feedback, issues identified during program implementation, the state of current technology and research, and study results including *ex post* evaluation results.

Commission staff will develop and maintain all the rules/requirements and technical guidelines on the Commission’s website, including updating as necessary, at: <http://www.cpuc.ca.gov/General.aspx?id=6442456320>. The Commission staff’s initial proposals are available now on the website.

Included in the materials are not only guidance related to NMEC, but also information related to design and implementation of randomized control trials and other experimental design strategies that may be utilized by third parties and/or program administrators.

The rules issued to guide the HOPPs design and implementation were not sufficient to guide design and implementation of widespread programs leveraging NMEC approaches. As the Commission has not yet evaluated any HOPPs programs, staff is not proposing extensive modifications to existing rules at this time. However, initial experience with development of the HOPPs programs and subsequent experience with the third party solicitation process has highlighted gaps in the HOPPs rules and the potential for limited updates.

The table below gives an outline of the rules proposed by Commission staff:

<b>Topic</b>	<b>Proposed Requirement</b>
Custom Classification	Programs and projects using NMEC to calculate savings at the building, site, or project level are classified as custom and will meet custom rules, processes, and procedures.
Behavior, Retrocommissioning and Operations Maintenance Plan	Change length for this requirement to two years to accommodate commercial behavior expected useful life of two years as adopted in D.16-08-019.  HOPPs existing requirement was for a three-year

Topic	Proposed Requirement
	maintenance plan in order to qualify for inclusion of savings from maintenance and repair. This may prove challenging to align duration of savings and length of requirement.
Limit on Normal Replacement Measures	Normal replacement measures are permissible as long as total normal replacement measures do not exceed 50% of the entire project savings estimates.
Repair and Maintenance Programs	Training components for required repair and maintenance programs should be carried out by qualified professionals.
Pay-for-Performance	A portion of implementer compensation shall be based on project performance, as determined using NMEC.
Savings Estimates/Claims Requirements	Requirements related to methods and values, including adjustments to savings estimates and claims, including expected values for gross realization rate, expected useful life, and net-to-gross adjustments.
Submetering Accuracy	Added accuracy requirements.

The proposed rules summarized above, as well as any subsequent changes, are proposed to apply prospectively to new programs initiated after the updated rules are finalized.

## 2. Questions for Parties

All interested parties are invited to respond to any aspect of this proposal summarized in Table 1 above and described in more detail in the materials posted on the Commission's web site. Parties may also suggest alternative approaches to the proposed requirements.

In addition, parties are requested to respond to the following specific questions in their comments in response to this ruling. Parties are requested to support their suggestions with an explanation of their rationale.

1. Additional rules/requirements: What additional rules and requirements are necessary or important to guide design and implementation of embedded M&V in general?
2. Update process for rules and requirements, and technical guidelines: What would be the appropriate process for regular updating of the rules/requirements and technical guidelines, including steps, implementation schedule, roles and responsibilities, and effective date for changes? Provide justification for your proposal.
3. Additional technical guidance: What additional technical guidance is necessary or important to guide design and implementation of embedded M&V in general?

### **3. Sunset for HOPPs filing requirements**

AB 802 directed a two-stage approach for implementation of its directives, requiring “expedited authorization”<sup>4</sup> for HOPPs by January 1, 2016, while giving the Commission time to revise its processes and procedures to fully implement Public Utilities Code Section 381.1(b). The HOPPs rules were adopted in the HOPPs Ruling for the interim until “a broader framework implementing AB 802 of all programs, projects, and portfolios” is adopted.<sup>5</sup>

Since the issuance of the HOPPs Ruling, the Commission has taken several actions to implement the directives of AB 802, including the following:

- The 2018 and Beyond Potential and Goals Study accounted for NMEC methods and existing conditions baseline when assessing future savings potential.
- D.16-08-019 and Commission Resolution E-4818 established rules for existing conditions baseline implementation.

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<sup>4</sup> See Public Utilities Code Section 381.2(c).

<sup>5</sup> HOPPs Ruling at 28.

In addition, the program administrators have had since January 2016 to propose HOPPs. Based on these developments, there appears to be no need to keep the expedited filing and review procedures adopted in the HOPPs Ruling for programs and projects proposed under AB 802 requirements. In addition, maintaining parallel procedures for filing and review of certain types of programs and projects may create confusion.

Therefore, this ruling provides notice that the HOPPs rules are proposed to sunset as soon as the energy efficiency business plans under review in this proceeding are approved. Once the business plans are in place, new programs and projects would follow the filing and review procedures that apply to the type of program proposed (e.g., custom, deemed, etc.).

Further, program administrators would be asked to submit any existing HOPPs in their pipeline to the Commission, under the HOPPs Ruling, no later than 60 days after the effective date of the Business Plans, after which the HOPPs rules would sunset and no longer be in effect.

Parties are also invited to comment on this proposal for sunset of the HOPPs Ruling in response to this ruling.

**IT IS RULED that:**

1. Interested parties may file and serve comments on the scope outlined in Table 1 of this ruling or the materials posted on the Commission's web site at <http://www.cpuc.ca.gov/General.aspx?id=6442456320>, including responses to the questions included in Section 2 of this ruling, as well as the proposal to sunset the high opportunity programs and projects rules, by no later than May 14, 2018.

2. Interested parties may file and serve reply comments by no later than May 30, 2018.

Dated March 23, 2018, at San Francisco, California.

          /s/ JULIE A. FITCH            
Julie A. Fitch  
Administrative Law Judge