

Decision 05-11-011 November 18, 2005

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

Pacific Gas and Electric Company (U 39-E), for approval of the 2006 - 2008 Energy Efficiency Programs and Budget.

Application 05-06-004  
(Filed June 1, 2005)

Southern California Gas Company (U 904-G), for approval of Natural Gas Energy Efficiency Programs and Budgets for Years 2006 through 2008.

Application 05-06-011  
(Filed June 1, 2005)

Southern California Edison Company (U 338-E), for approval of its 2006 - 2008 Energy Efficiency Program Plans and associated Public Goods Charge (PGC) and Procurement Funding Requests.

Application 05-06-015  
(Filed June 2, 2005)

San Diego Gas & Electric Company (U 902-E), for approval of Electric and Natural Gas Energy Efficiency Programs and Budgets for Years 2006 through 2008.

Application 05-06-016  
(Filed June 2, 2005)

**INTERIM OPINION: EVALUATION, MEASUREMENT  
AND VERIFICATION FUNDING FOR THE  
2006-2008 PROGRAM CYCLE AND RELATED ISSUES**

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**INTERIM OPINION: EVALUATION, MEASUREMENT  
AND VERIFICATION FUNDING FOR THE  
2006-2008 PROGRAM CYCLE AND RELATED ISSUES**

**1. Summary<sup>1</sup>**

By today's decision, we authorize an overall funding level of \$162,794,829 for energy efficiency evaluation, measurement and verification (EM&V) activities over the 2006-2008 program cycle. This represents approximately 7.6% of total portfolio funding we have authorized for this program cycle, including the program funding levels adopted in Decision (D.) 05-09-043 for Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SoCalGas), collectively referred to as "the investor-owned utilities, or IOUs."

**2. Background and Procedural History**

In D.05-01-055, we established the administrative structure for post-2005 energy efficiency activities, including EM&V. As explained in that decision, for program year (PY) 2006 and beyond, Energy Division will assume the management and contracting responsibilities for all EM&V studies that will be used to (1) measure and verify energy and peak load savings for individual programs, groups of programs and at the portfolio level, (2) generate the data for savings estimates and cost-effectiveness inputs, (3) measure and evaluate the achievements of the performance basis, and (4) evaluate whether programs or portfolio goals are met.

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<sup>1</sup> Attachment 1 describes the abbreviations and acronyms used in this decision.

Energy Division will also take the lead in performing research and developing recommendations to assist in developing energy efficiency policy goals and priorities, in evaluating the remaining potential to achieve additional energy or peak savings, and other research activities needed to support Commission policy oversight. Consistent with the working relationships the Commission has established with the California Energy Commission (CEC) in this proceeding, the Commission anticipated in D.05-01-055 that CEC staff would provide Energy Division with technical input and, if needed, staffing support for EM&V and Research and Analysis responsibilities.<sup>2</sup> Accordingly, the staff team for these functions is comprised of Energy Division and CEC staff, which we refer to throughout this decision as “Joint Staff”.

In D.05-01-055, the Commission also recognized that IOU portfolio managers and program implementers need access to market information to perform their responsibilities. Therefore, the Commission adopted a process that allowed them to manage a limited subset of evaluation studies, as long as there was no potential for conflict due to the nature of the study – and as long as Energy Division made the final selection of contractors. The Commission described these types of “program design evaluation and market assessment studies” as follows:

“...there are EM&V studies that are designed to inform the Portfolio Manager about the overall performance of groups of program types working together, and that suggest changes in program design or mix as a result. There are also certain types of studies that program implementers with information needed on a real-time basis to improve program delivery. For example,

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<sup>2</sup> D.05-01-055, pp. 10-11, p. 108, 120-121 and 125.

process evaluations are undertaken to improve the design and efficacy of a particular program or set of programs while the programs are operating. 'Best Practices' studies evaluate which energy efficiency programs or program features should be incorporated into future program designs. Other studies may be undertaken to review the effectiveness of training, audits or media campaigns. Still others may be designed to track efficiency 'sales' for individual or groups of programs or provide other accurate market information to help the Portfolio Manager and implementers fine-tune and improve energy efficiency procurement strategies."<sup>3</sup>

By D.05-04-051, the Commission addressed threshold EM&V issues for post-2005 programs, and directed Joint Staff, "after obtaining technical expertise from the IOUs and other EM&V experts as necessary, to develop a draft proposal for EM&V plans for the PY2006-PY2008 program cycle."<sup>4</sup> In recognition that it would be difficult, if not impossible, for EM&V plans to be developed in a budget vacuum, the Commission found that 8% of program funding would be a reasonable guideline to use in developing an EM&V budget for this three-year program cycle.<sup>5</sup> In the months that followed the issuance of D.05-04-051 on April 25, 2005, Joint Staff developed budget plans based on an analysis that examined the evaluation category and study component level of measurement needs. Joint Staff shared their analysis and discussed the line items and individual project budgets with the evaluation experts from the IOU administrators, and made changes based on this feedback.

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<sup>3</sup> *Ibid.*, pp. 111-112.

<sup>4</sup> D.05-04-051, pp. 65-66.

<sup>5</sup> *Ibid.*, pp. 69-70.

On September 22, 2005, in D.05-09-043, the Commission authorized \$1,968,762,439 in program funding (not including EM&V) for the IOUs 2006-2008 energy efficiency portfolio plans.

On August 30, 2005, the assigned Administrative Law Judge (ALJ) issued for comment the “Joint Staff Request to CPUC for EM&V Budget Authorization and EM&V Fund Shifting Authority” (Joint Staff Request). This document included the proposed EM&V plans of each of the IOUs for their allocated portions of EM&V funding. Opening comments were filed on September 16, 2005 by Natural Resource Defense Council (NRDC), Office of Ratepayer Advocates (ORA), PG&E, SCE, The Utility Reform Network (TURN) and Women’s Energy Matters (WEM). Reply comments were filed on September 23, 2005 by PG&E, SCE and jointly by SDG&E and SoCalGas.

### 3. The Joint Staff Request

Joint Staff recommends that the Commission authorize an evaluation budget for 2006-2008 of \$162,794,829, or approximately 7.6% of total portfolio funding for energy efficiency over the 2006-2008 program cycle, broken down as follows:

	<b>EM&amp;V BUDGET REQUEST</b>			
	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2006-2008</b>
<b>Joint Staff Managed Projects</b>				
(a) EM&V Management, Quality Assurance, and Implement Support	\$6,917,887	\$6,085,387	\$6,790,387	\$19,793,661
(b) Program and Portfolio Eval. Studies	\$18,570,000	\$26,755,000	\$42,125,000	\$87,450,000
(c) Overarching and Policy Support Studies	\$2,745,000	\$4,912,500	\$3,127,500	\$10,785,000
Subtotal:	\$28,232,887	\$37,752,887	\$52,042,887	<b>\$118,028,661</b>
<b>IOU-Managed Evaluation Projects</b>				
PG&E				\$20,593,000
SCE				\$14,846,000
SDG&E				\$5,665,892
SoCalGas				\$3,661,276
Subtotal:				<b>\$44,766,168</b>

Total EM&V Budget:

**\$162,794,829**

As indicated in the table, the majority of evaluation funding (approximately 54%) that will be managed by Joint Staff will be used for Program and Portfolio Evaluation Studies. These studies are designed to provide a comprehensive evaluation of the peak and annual energy savings of the proposed programs and the aggregate savings from each portfolio. Joint Staff states that this level of funding will enable it to evaluate the load impacts or the program effects of all programs at least once during the three-year cycle.

The second highest level of funding (approximately 12%) is devoted to the category referred to as EM&V Management, Quality Assurance and Implementation Support. This category covers the costs associated with gathering and maintaining data and documentation, and allows Joint Staff to contract for expertise and support, perform financial and management audits, and other activities related to effective EM&V and Research and Analysis support functions. The third category, Overarching and Policy Support Studies, is allocated approximately 7% of the Joint Staff budget request. This category includes funding for the maintenance and updating of the Database for Energy Efficient Resources (DEER) and future updates to energy efficiency potentials studies. The EM&V plans of the IOUs make up the remainder of the EM&V budget.

In particular, the utilities will manage statewide surveys that are conducted every few years pursuant to Title 20 of the California Code of Regulations to determine baseline saturation and energy use of residential appliances, energy-using equipment in commercial buildings and in industrial processes. These are referred to respectively as the "Residential Appliance

Saturation Survey” (RASS), the “Commercial Energy Usage Survey” (CEUS) and “Industrial Energy Use Survey” (IEUS). Attachment 2 presents a summary of this Title 20 requirement. In addition, the IOUs plan to perform process evaluations and market analyses, as described more fully in Attachment 3.

Overall, Joint Staff has allocated 73% of the EM&V budget to the activities that it will manage, and 27% of the budget to the activities that the IOUs will manage. Attachment 3 presents greater detail on the line-item costs included in each of the three Joint Staff budget categories, as well as the budgeting methodology that Joint Staff used to develop its request. Attachment 3 also presents each of the IOU’s plans for the “program design evaluation and market assessment studies” discussed in D.05-01-055, which would be funded by the budget amounts allocated to them under the Joint Request.

Joint Staff also describes in its proposal the various factors that may necessitate budget revisions in any of the budget categories. In order to be responsive to these uncertainties, Joint Staff requests maximum flexibility in adjusting funding levels to meet the Commission’s objectives in the most effective and cost-efficient manner. This would include the authority to redirect evaluation efforts away from those study areas that are unneeded, to add study areas, and to move funding both among line items within the evaluation categories, as well as from one category to another. Joint Staff also requests that it be permitted to treat the evaluation budget as a multi-year budget, and to continue expending funds collected for PY2006-PY2008 beyond the end of 2008 as the evaluation needs will require. Finally, Joint Staff proposes a procedure for notifying parties of changes to evaluation emphasis, to the types of studies that will be contracted for, and their associated budgets as Joint Staff refines and revises them. (See Attachment 3.)

#### **4. Comments on the Joint Staff Request**

The comments on the Joint Staff Request focus on: (1) recommended refinements to the budget allocations, (2) possible overlap between Joint Staff and IOU program manager EM&V responsibilities, (3) specific requests for EM&V activities/studies and (4) suggestions for public input into the EM&V process, reporting requirements and related issues.

With respect to the overall level of EM&V budgets and funding allocations, TURN recommends that the budget be scaled back to increase the initial amount of unsubscribed monies to reflect the fact that any number of EM&V related factors are currently in flux, including the EM&V protocols themselves. TURN also contends that the program impact/effects evaluation activities are under-funded.

Several parties recommend that more refined priorities be set for allocating funding for impact evaluations, with TURN suggesting that such priorities based on key end uses and measures. ORA and NRDC suggest that EM&V impact-related activities be prioritized based on the uncertainty of savings estimates and/or based on programs that provide the most savings. In addition, NRDC requests clarification over whether the budget for impact evaluations includes plans to evaluate the programs that will be selected through the competitive solicitations.

The IOUs request that the proposed budget for the IEUS evaluation activities be specifically augmented to allow for an increase in sample size and data collection that are more in line with CEC's forecasting needs. WEM objects to having the IOUs managing the RASS, CEUS and IEUS evaluations at all, arguing that this represents a "raid" of the Joint Staff's budget. WEM

recommends that the Commission double the budgets for financial/management audits, and reduce the allocation to savings potentials studies.

On the issue of potential overlap between IOU administrator and Joint Staff EM&V responsibilities, ORA expresses concerns that SCE and PG&E have included elements of impact evaluations in their allocation of EM&V funding, and that those activities are more appropriately part of the impact evaluations being managed and coordinated by Joint Staff. In addition, ORA is concerned that the various “market evaluation” studies proposed by the IOU administrators and Joint Staff presents potential overlap if not carefully coordinated. ORA suggests that these studies be consolidated under the joint management of the IOUs.

Some parties also provide comments on additional studies that they believe should be itemized in the Joint Staff Request. These include: (1) studies on the Independent System Operator’s requirements for energy efficiency, (2) overarching studies to provide further detail on energy savings associated with water efficiency, (3) studies to develop more detailed load shapes, (4) assessments of how builders comply with Title 24 to complement studies to determine compliance rates, among others.

All parties commented on the issue of the “next steps” as the detailed scope of the EM&V activities are developed by Joint Staff for EM&V Request for Proposals (RFPs), and as both Joint Staff and the IOUs refine their plans to determine what new studies need to be initiated during the three-year cycle. Several parties recommended that an ongoing public forum be established to discuss the status of EM&V studies and need for additional studies, as well as a forum for presenting in workshops and/or posting to an EM&V website the results of the load impacts, market effects and overarching studies. In addition,

several parties provide recommendations for further EM&V data refinements and reporting requirements. Finally, WEM expresses concern over Joint Staff maintaining confidential data in its database.

## **5. Discussion**

We have carefully reviewed the Joint Staff Request and the comments, and find the proposed budget and EM&V plans to be reasonable, subject to the clarifications and observations described below.

First, we clarify in response to NRDC's inquiry that the proposed budget for impact evaluations does include plans to evaluate the programs that will be selected through the competitive solicitations. We believe that Joint Staff's budget allocation to these EM&V activities is sufficient, contrary to TURN's assertions. As SCE points out in its reply comments, TURN's calculation of the percentage of funding allocated to impact evaluations does not recognize that the majority of the funding under Joint Staff's EM&V, Management, Quality Assurance and Implementation Support also goes to support these efforts. Moreover, as Joint Staff recognizes, the specific allocation of funding to impact evaluations will be adjusted as needed throughout the program cycle. Based on the information available at this time, we find that Joint Staff has presented a reasonable budgeting methodology for developing its overall EM&V funding request.

We also clarify our expectation that Joint Staff and the IOU program administrators will continue to closely coordinate their market evaluation studies to limit potential overlap and duplication. As explained in the reply comments, many of the IOU-proposed market analyses will be small and narrowly targeted to the needs of a specific program, while Joint Staff studies are intended to be very broad sector-level studies focused on changes in markets over the 2006-2008

period. ORA's suggestion to remove Joint Staff from a management role for the latter types of studies does not recognize these differences in scope, and in our view is not necessary to ensure coordination. Instead, Joint Staff and the IOUs should share EM&V plans and results with each other throughout the program cycle to ensure that their respective market evaluations complement each other effectively.

With respect to comments regarding the division of responsibilities between Joint Staff and IOU program administrators, we note that IOU management of the RASS, CEUS, and IEUS studies is fully consistent with both our direction in D.05-01-055 that they may manage market assessment studies as well as the provisions of Title 20. Among other things, Title 20 directs the IOUs to submit a plan for these end user data surveys to the CEC, and requires that the CEC approve the contents of these surveys and the approaches for data collection and analysis before the IOUs can proceed with their studies. However, Title 20 does not approve a project budget. That budget approval occurs in this proceeding. WEM's suggestion that the Joint Staff Request results in a "raid" on Joint Staff's EM&V funding by allocating a portion of the overall EM&V budget to these IOU-managed studies is without merit.

The IOUs request that we augment Joint Staff's proposed funding for the industrial saturation surveys in today's decision. As indicated in Attachment 3, the budgets for each of these studies were estimated based on the costs of the previous generation of energy efficiency potential studies, allowing for an increase of approximately 20% relative to those costs.<sup>6</sup> Both the IOUs and Joint

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<sup>6</sup> See Attachment 3, pp. 8-9.

Staff have requested full flexibility to shift funds within their EM&V budget allocations to augment funding for specific studies, and reduce funding for others, as circumstances warrant over the program cycle. This request is fully consistent with the funding flexibility rules we adopted in D.05-09-043. The IOUs should utilize this flexibility as they develop the more detailed EM&V plans in the coming weeks, and as they respond to changing circumstances during the program cycle--rather than request a higher overall EM&V allocation or authorization to accelerate spending allocated for the 2010 industrial saturation surveys at this juncture.

Should future circumstances warrant a reallocation of EM&V funding between Joint Staff and IOU managed studies (in either direction), either Joint Staff or the IOUs may avail themselves of the fund shifting rules pertaining to those shifts. Specifically, fund shifting between the IOU and Joint Staff portions of the budget are subject to Assigned Commissioner or ALJ approval, in consultation with Joint Staff. Those rules require the IOUs to also seek informal review with their advisory groups for all significant shifts in funding as part of their ongoing exchange of information during program implementation, and this is clearly intended to apply to the EM&V funding “shifts” by the IOUs as well.<sup>7</sup> Nothing in today’s decision is intended to modify the fund shifting rules for EM&V that we adopted in D.05-09-043.

In response to ORA’s concerns over certain measurement and verification (“M&V”) activities that are included in the IOU EM&V budget plans, we are satisfied with the IOUs clarifications that they may need to conduct early M&V

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<sup>7</sup> See D.05-09-043, Section 8.9 and Table 8.

assessments on a quick turnaround basis in order to support the program design process and ensure quality control. As they explain, if the programs are not producing the savings expected because of faulty installation procedures, inaccurate baseline condition estimates or other reasons, the IOU program administrators need to know immediately by initiating targeted M&V activities to correct the problems or begin planning for more productive uses of the funds. In addition, early M&V can come in the form of measuring key assumptions during a pilot launch where the sample population is relatively small and testing the viability of innovating programs. Joint Staff and the IOUs have already discussed ways to coordinate all M&V efforts to minimize duplication of effort and avoid multiple contacts with the same customers, and should continue to do so throughout the program cycle.<sup>8</sup>

WEM expresses concerns over Joint Staff's plans to provide protection for confidential data used to produce evaluation studies. However, these concerns appear to stem from a misconception on WEM's part that Joint Staff plans to keep its evaluation reports confidential. In particular, WEM alleges without any substantiation that "energy efficiency reports that were once provided to the public...have been disappearing behind a veil of secrecy."<sup>9</sup> Joint Staff has made clear in its description of the EM&V plans and in its EM&V protocol submissions that all reports produced using its database will be made available to the public. Joint Staff has appropriately identified the need to protect customer-specific and other forms of confidential data that may serve as inputs to its evaluations, and is

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<sup>8</sup> See Reply Comments of PG&E (pp. 2-3.), SDG&E/SoCalGas (p. 4.), and SCE (p. 3.)

<sup>9</sup> *WEM's Comments Re EM&V Plans and Budgets*, p. 3.

taking the appropriate steps to do so in consultation with Legal Division.<sup>10</sup> We find no basis for WEM's concerns over this aspect of Joint Staff's proposal.

As discussed in Section 4 above, all parties provided comments on the issue of what should come next in the EM&V cycle, recognizing that the adoption of overall EM&V funding levels and budget allocations represents an initial step in the process of developing detailed EM&V study plans and priorities. In its request, Joint Staff briefly states that it intends to convene meetings to further refine these plans as it develops the scopes of work for priority evaluation RFPs. This would be the point at which the specific considerations for study priorities (e.g., relative uncertainties in savings estimates, relative contribution of measures to savings and other factors) would be explored and debated more fully. This would also be the time to discuss the relative priority for specific studies that some of the parties have suggested be included in the detailed study plans in their comments on the Joint Staff Request. Joint Staff also indicates that it plans to provide parties with regular reports on the studies that have been contracted out, those that Joint Staff expects to contract for over the next quarter or two, and the expenditures and budgets associated with the listed studies.

In their comments on the Joint Staff Request, most parties request clarification or present suggestions regarding the forum for obtaining input from interested parties and the public on these detailed study plans and budgets, the reporting frequency for both Joint Staff and IOU managed EM&V activities, and related issues. We note that these specific process issues are being addressed as

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<sup>10</sup> See Attachment 3, p. 3.

part of the draft EM&V protocols that Joint Staff submitted for review under the procedures established in D.05-04-051.<sup>11</sup> Per those procedures, the ALJ will issue a ruling adopting a final version of the EM&V protocols after considering the comments in consultation with Joint Staff and the Assigned Commissioner. Moreover, in a separate phase of our generic rulemaking proceeding, R.01-08-028, reporting requirements workshops are underway to address all reporting formats and frequencies, including those related to EM&V. Today's decision is not the forum for resolving these matters. Clearly, these are implementation issues that are of great interest to the interested parties. However, we will address them pursuant to the review procedures we established in D.05-04-051, which are currently underway.

In its request for EM&V budget authorization, Joint Staff seeks maximum flexibility in adjusting funding levels, including the discretion to redirect evaluation efforts away from those study areas that are unneeded, to add study areas, and to move funding both among line items within the evaluation categories, as well as from one category to another. Joint Staff also requests that it be permitted to treat the evaluation budget as a multi-year budget and to continue to expend funds collected for PY2006-2008 beyond the end of 2008 as its evaluation needs will require.

In effect, Joint Staff is requesting the same level of EM&V fund shifting flexibility (including carry forward authorization) as the Commission granted

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<sup>11</sup> See: *Administrative Law Judge's Ruling Soliciting Comments on Draft Protocols for the Evaluation, Measurement and Verification of Energy Efficiency*, dated October 4, 2005 in R.01-08-028. That ruling was served to all parties in R.01-08-028 as well as in this proceeding. See in particular, the Joint Staff proposed protocols for the (1) Integrated EM&V and Program Planning Cycle and (2) Evaluation Results Reporting Process.

the IOUs in D.05-09-043. We agree with Joint Staff that it is appropriate for them to have the discretion to manage to the overall Commission objectives, rather than be held to individual EM&V budget items. However, that discretion will need to be informed by public input and technical expertise consistent with our direction in D.05-01-055, and we expect the EM&V cycle protocols to provide for such input.<sup>12</sup> Moreover, we suggest that Joint Staff continue to consult with the assigned Commissioner and ALJ regarding the EM&V plans on a regular basis throughout the three-year program cycle. Pursuant to Ordering Paragraph 14 of that decision, the ALJ may provide additional direction on the form and frequency of this consultation, as deemed appropriate.

In their applications in this proceeding, and in response to the Commission's direction in D.05-04-051, the IOUs included an 8% placeholder funding level for overall EM&V activities. In D.05-09-043, we authorized program funding of \$1,968,762,439, not including the EM&V placeholder amounts. By today's decision, we authorize EM&V budgets totaling \$162,794,829, which represents 7.6% of total portfolio funding. We will adopt the same ratemaking treatment for the EM&V portion of portfolio funding, as we did in D.05-04-051 for the non-EM&V portion. However, so that Joint Staff and the IOUs may move forward with the development and implementation of high priority EM&V activities without delay, today's funding authorization and associated rate recovery will not be contingent upon our approval of the IOU compliance filings.

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<sup>12</sup> See D.05-01-055, pp. 110-113 and Ordering Paragraph 10.

Finally, the scope and funding level for the Joint Staff EM&V plans reinforces the need for our Executive Director to take immediate steps to (1) develop an interagency memorandum of understanding for CEC staff participation in EM&V and Research and Analysis, and (2) reallocate or augment Commission staff resources as needed to fulfill Energy Division's responsibilities for energy efficiency, as we directed in D.05-01-055.<sup>13</sup> We reiterate this direction in today's decision, in order to ensure that we move forward with adequate resources to manage the authorized EM&V plans and budgets.

## **6. Comments on Draft Decision**

On October 19, 2005, the draft decision was filed and served on parties in accordance with Pub. Util. Code § 311(g)(1) and Rule 77.7 of the Commission's Rules of Practice and Procedure. Opening comments were timely filed by WEM, ORA, PG&E and jointly by SDG&E and SoCalGas. Reply comments were timely filed by PG&E and TURN.

We have reviewed the comments on the draft decision and make minor clarifications to the draft decision in response to them, but do not alter the resolution of issues addressed in that decision. In their comments, ORA and others reiterate their request that we establish in today's decision more specific expectations for Joint Staff and the utilities with respect to public input and reporting on EM&V-related studies. As discussed in the draft decision, which we affirm today, this decision is not the forum for resolving these matters.

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<sup>13</sup> See D.05-01-055, Ordering Paragraph 12.

## **7. Assignment of Proceeding**

Susan P. Kennedy is the Assigned Commissioner. Meg Gottstein is the assigned ALJ.

### **Findings of Fact**

1. Joint Staff has presented a reasonable budgeting methodology for developing the overall EM&V funding level and budget allocations for PY2006-PY2008, given the information available at this time.
2. Joint Staff's proposed budget for impact evaluations includes plans to evaluate the programs that will be selected through the competitive solicitations.
3. ORA's suggestion to remove Joint Staff from a management role for market evaluation studies does not recognize the differences in scope between staff-managed and IOU-managed projects, as discussed in this decision.
4. The IOUs may need to conduct early measurement and verification assessments on a quick turnaround basis in order to support the program design process and ensure quality control.
5. As discussed in this decision, Joint Staff and the IOUs should share EM&V plans and results with each other throughout the program cycle to ensure that their respective market evaluations complement each other effectively. Similarly, Joint Staff and the IOUs should continue to coordinate all measurement and verification activities to minimize duplication of effort and multiple contacts with the same customers.
6. IOU management of RASS, CEUS, and IEUS studies is fully consistent with both our direction in D.05-01-055 and the provisions of Title 20.
7. The IOUs should manage their allocation of EM&V funds to augment certain studies (e.g., IEUS) or reduce funding in other EM&V areas, as

circumstances warrant, using the fund shifting flexibility we authorized in D.05-09-043.

8. The adoption of overall EM&V funding levels and budget allocations represents an initial step in the process of developing detailed EM&V study plans and priorities.

9. Joint Staff's discretion to manage EM&V funding will need to be informed by public input and technical expertise consistent with the Commission's direction in D.05-01-055.

10. It is reasonable to adopt the same ratemaking treatment for the EM&V portion of authorized funding as for the non-EM&V portion authorized in D.05-09-043. However, so that Joint Staff and the IOUs may move forward with the development and implementation of high priority EM&V activities without delay, today's funding authorization and associated rate recovery should not be contingent upon our approval of the IOU compliance filings.

### **Conclusions of Law**

1. The EM&V funding level request and budget allocations presented in the Joint Staff Request, including the allocation to IOU-managed studies, are reasonable and should be adopted.

2. As discussed in this decision, the process for developing detailed EM&V study plans and priorities should be addressed via the EM&V protocol review process established in D.05-04-051.

3. As discussed in this decision, the assigned ALJ should provide additional direction on the form and frequency of Joint Staff consultation with the ALJ and Assigned Commissioner regarding EM&V plans, as deemed appropriate.

4. The scope and funding level for the Joint Staff EM&V plans reinforces the need for our Executive Director to take immediate steps to (1) develop an

interagency memorandum of understanding for CEC staff participation in EM&V and Research and analysis, and (2) reallocate or augment Commission staff resources to fulfill Energy Division's responsibilities for energy efficiency, as directed in D.05-01-055.

5. In order to proceed with the further development and implementation of high priority EM&V studies as expeditiously as possible, this decision should be effective today.

### **INTERIM ORDER**

#### **IT IS ORDERED** that:

1. Joint Staff's request for an overall funding level for Evaluation, Measurement and Verification (EM&V) of \$162,794,829 for the 2006-2008 program cycle is approved, and allocated as presented in Attachment 3, Table 1. The EM&V plans and budget allocations across study categories presented in Attachment 3 are also approved.

2. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company and Southern California Gas Company, collectively referred to as the "investor-owned utilities" or "IOUs," are authorized to recover the incremental electric revenue and natural gas funding requirements associated with today's authorized EM&V funding pursuant to the ratemaking treatment described in Ordering Paragraph 4, subsections (a) and (b) (i) and (ii) of Decision (D.) 05-09-043.

3. Within 15 days from the effective date of this decision, the IOUs shall jointly file a compliance advice letter modifying Tables 4 through Table 7 of D.05-09-043 to reflect the incremental electric revenue and gas funding requirements for 2006-2008 energy efficiency portfolios based on the EM&V funding levels we authorize today. The IOUs shall clearly document in the

compliance advice letter the method they used to allocate authorized EM&V funding levels across utility service territories, including funding for the various EM&V activities managed by Joint Staff. Once approved via the advice letter process, the IOUs are authorized to proceed to request recovery in rates the amounts reflected in those updated tables for EM&V activities. Today's funding authorization and associated rate recovery for EM&V activities shall not be contingent upon approval of the IOUs' compliance filings.

4. The IOUs shall manage their allocated EM&V funding subject to the fund shifting rules adopted in D.05-09-043. Joint Staff shall have the same discretion to manage its allocated share of EM&V funding, rather than be held to the individual EM&V budget items reflected in Attachment 3, Table 1, consistent with the specific guidance contained in this decision.

5. As discussed in this decision, the process for developing detailed EM&V study plans and priorities shall be addressed via the EM&V protocol review process established in D.05-04-051.

6. As directed in Ordering Paragraph 12 of D.05-01-055, the Executive Director shall take immediate steps to (1) develop an interagency memorandum of understanding for California Energy Commission staff participation in EM&V and Research and Analysis, and (2) reallocate or augment Commission staff resources as needed to fulfill Energy division's responsibilities for energy efficiency.

7. This proceeding shall remain open to address pending compliance issues related to the 2006-2008 energy efficiency program plans.

This order is effective today.

Dated November 18, 2005, at San Francisco, California

MICHAEL R. PEEVEY  
President  
GEOFFREY F. BROWN  
SUSAN P. KENNEDY  
JOHN A. BOHN  
Commissioners

Commissioner Grueneich recused herself from this agenda item and was not part of the quorum in its consideration.