CAP/TOD/jt2 2/24/2015



BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs, Evaluation, and Related Issues.

Rulemaking 13-11-005 (November 14, 2013)

ASSIGNED COMMISSIONER AND ADMINISTRATIVE LAW JUDGE'S RULING AND SCOPING MEMORANDUM REGARDING IMPLEMENTATION OF ENERGY EFFICIENCY "ROLLING PORTFOLIOS" (PHASE II OF RULEMAKING 13-11-005)

1 Summary

This ruling and scoping memo establishes Phase II of Rulemaking (R.) 13-11-005 and its scope, pursuant to Rule 7.3 of the Commission's Rules of Practice and Procedure.

R.13-11-005 contemplates moving away from triennial review of program administrators' portfolios of energy efficiency programs in favor of a rolling review of portfolios. In R.13-11-005, the Commission recognized that "review and analysis of 'Rolling Portfolios' will not be complete in time for the 2015 budget cycle," and so the Commission divided R.13-11-005 into three phases. In Phase I, we put 2015 funding in place. With the conclusion of Phase I in Decision (D.) 14-10-046, we turn now to Phase II. We conducted a prehearing conference (PHC) on January 28, 2015. Parties had previously filed PHC statements.¹ Those statements and the discussion at the PHC informed this ruling and scoping memo. This ruling and scoping memo determines the scope and procedural schedule for Phase II of R.13-11-005. The scope is as broad as we could manage while still deciding critical-path issues by early 2016.

2 Discussion

We see three broad categories of items to address in Phase II of this proceeding. They are: (1) developing "Rolling Portfolio" review processes; (2) providing guidance on changes for 2016 portfolios; and, (3) updating various portfolio metrics (e.g., Database for Energy Efficiency Resources (DEER) values) to keep portfolios on course through 2016 and beyond. We discuss each set of items in turn below. The scope balances development of the overarching framework for energy efficiency portfolios, guidance on changes to existing portfolios, and resource and data limitations.

- 2. Center for Sustainable Energy
- 3. Efficiency Council
- 4. FirstFuel Software
- 5. Marin Clean Energy (MCE)
- 6. National Association of Electric Service Companies
- 7. Natural Resources Defense Council (NRDC)
- 8. Office of Ratepayer Advocates
- 9. Pacific Gas and Electric Company (PG&E)
- 10. San Diego Gas and Electric Company jointly with Southern California Gas Company
- 11. The Southern California Regional Energy Network
- 12. Southern California Edison Company
- 13. The Utility Reform Network
- 14. The University of California

¹ The following entities served PHC statements:

^{1.} The Bay Area Regional Energy Network jointly with the Local Government Sustainable Energy Coalition

There are issues that we will not resolve during this phase of the proceeding, but on which Commission staff and parties should undertake preparatory work in anticipation of our addressing those issues in Phase III. We identify those issues and related work here as well.

In setting the schedule for Phase II of this proceeding, we have accounted for the California Energy Commission's (CEC) deadline for providing information used in its Integrated Energy Planning Report (IEPR). To ensure a timely input to the IEPR, we envisage potentially *two* decisions in connection with Phase II.

The first decision (targeted for August) will address, at a minimum, revised savings goals. We need to provide revised savings goals to the CEC because D.14-10-046 only set goals through 2015. In addition, this first decision may also address (1) the "Rolling Portfolio" review process; (2) guidance on 2016 program changes; and (3) updates to other existing program metrics to keep portfolios on a "steady course" forward, including DEER updates and Efficiency Savings and Performance Incentive (ESPI) coefficient updates. Ideally, this first decision will authorize program administrators to submit updated portfolios to respond to the new goals and to incorporate updated program metrics and new program guidance.

A second decision (targeted for Q1 2016) would address any remaining Phase II issues that we did not address in the first decision.

2.1 Rolling Portfolio Review Process

2.1.1 General Discussion

In R.13-11-005, we preliminarily scoped Phase II to "overhaul [] the Commission's portfolio review process." In revising that process, we seek to accomplish the following (sometimes competing) goals:

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- Simplify the filing and review process for uncontroversial continuing programs with a longstanding track record of success;
- Build in appropriate flexibility to encourage innovative programs or measures (e.g., pilot projects), and to respond to major policy initiatives (e.g., new legislation) and/or new market developments and to sunset programs with waning effectiveness;
- Spread regulatory filings (and the associated workload) across a longer time than is currently the case;
- Synchronize timing of portfolio planning and regulatory filings with the timing of other relevant activities such as incorporation of available evaluation, measurement, and verification (EM&V) results into program revisions and updates to the DEER, the Potential and Goals analysis, the ESPI, and with demand response and distributed generation programs;
- Use informal forums to reduce litigation in proceedings; and,
- Provide time for Commission-directed adjustment of portfolios.

An important part of developing a review process will be to identify how often we need to see various tasks completed. E.g., updates to savings (DEER) values, preparation of savings potential studies, updates to savings goals, and outputs of EM&V results. We need to identify interdependencies and designate who is responsible for what (an overarching issue) and back out resultant milestones. There will be numerous subsidiary questions as we look at each of these tasks.

We note that a collection of parties has been working on a joint proposal for a review process. We look forward to learning more about this proposal. We will conduct a workshop at which participants may present the results of the joint process, and in which other parties may also raise alternative proposals for a "Rolling Portfolio" review process.

2.1.2 Summary of Scope of Rolling Portfolio Filing and Review Process issues

In sum, the following issues are within the scope of this phase of

R.13-11-005:

- 1. "Rolling Portfolio" filing and review process (i.e., the mechanics for making changes to portfolios):
 - a. What to review and when: frequency of review and whether/how to select subsets of the portfolios for review, coordination with outside deadlines (i.e., CEC IEPR); budget-setting;
 - b. Process for review;
 - i. what Program Administrators (PAs) file, when, and pursuant to what filing process (e.g., advice letter, application, etc.);
 - ii. burden of proof;
 - iii. stakeholder role.
 - c. When and how to update *ex ante* numbers and fold those into portfolio planning;
 - d. When and how to update potential and goals numbers;
 - e. Establishing a continuous feedback loop between EM&V, ex ante, and program design/modifications as well as portfolio review (how can we use EM&V data and information more effectively and with greater visibility in the course of portfolio review?);
 - f. PA reporting requirements, administrator budget categories, and the accounting issues raised in D.14-10-046;
 - g. For programs between reviews, determine what year-to-year changes are permissible for PAs; how will PAs roll off old programs and roll in new ones;

- h. Planning for change, whether change to things we can control (e.g., changes to Investor-owned Utility (IOU) role) or things we cannot (e.g., changes to codes and standards)?;
- i. Safety issues.²

2.2 2016 Programmatic Changes

2.2.1 General Discussion

There are always useful changes we can make to energy efficiency programs. Practical considerations require us to triage the changes that we will consider for 2016. The list below balances what needs changing against keeping the decision-making process manageable.

We also intend to limit 2016 program changes to what can fit into any process we ultimately adopt for "Rolling Portfolio" review. The idea is that the 2016 portfolio filings will be the first use of that new process. Consistent with that idea, we limit the universe of changes we will discuss for 2016 portfolios to the items listed in Section 2.2.2.

2.2.2 Summary of Scope of 2016 Programmatic Changes Under Consideration

- 2. Changes to 2016 Portfolios
 - a. Changes in response to new goals;
 - b. Changes to maintain portfolio cost-effectiveness (for all PAs except Regional Energy Networks (RENs));

² We are aware of some safety issues in energy efficiency projects. In building retrofits, leadbased paint and asbestos that are disturbed during window and/or Heating, Ventilation and Air Conditioning (HVAC) projects can be a concern. HVAC implementers not locking out circuit boxes when they have turned a circuit off to work on it is another. Custom projects can raise a host of issues. How do we deal with these concerns?

- c. Changes to third party programs
 - i. includes proposed changes to administration practices; proposed expansion of percentage of portfolio devoted to third party programs; auction design and targeted market segments;
 - ii. does *not* include full revisiting of PA and implementer roles established in D.05-01-055;
 - iii. at the PHC, we discussed PG&E's intention to "rebid" most or all of its third-party contracts.³ PAs are not to undertake such a revamp of their third party programs now, just as we are reexamining third party program structures. Until we issue a decision on revisions to third-party programs, (1) To the extent that contracts are ending, PAs should favor short term contract extensions, and (2) to the extent that contracts are for programs no longer needed, those contracts should simply be allowed to end without renewal. On balance we see little to gain and much to lose from PAs rushing to make changes to third-party programs on the eve of our issuing guidance on that same subject.
- d. Changes to standardize statewide programs across PAs;
- e. Changes to water-energy nexus measures and programs (timing depends on availability of costcalculator tool under development in R.13-12-011);

³ RT 179:5-190:3

f. Fuel Switching rules for the EUC Home Upgrade Programs.⁴

2.3 "Steady course" Issues

2.3.1 General Discussion

While, we sort out the "Rolling Portfolio" review process and decide on portfolio changes for 2016, there are a number of items we need to resolve this year to keep jurisdictional energy efficiency programs on course beyond 2015. For instance, the energy efficiency goals we established in D.14-10-046 only cover through 2015, ESPI coefficients will also need updating, as will DEER values. Also, the Commission in D.14-10-046, deferred the review of RENs that D.12-01-055 contemplated, because EM&V results for RENs were not yet available. We still need to undertake that review. These issues are within Phase II's scope.

⁴ MCE asked us to take up in Phase II the subject of fuel-switching. In R.13-11-005 we had preliminarily scoped into Phase III a review of Energy Upgrade California's (EUC) Home Upgrade Program rules for fuel-switching measures:

The EUC program is not presently cost-effective. The fuel-switching measure that is a part of the program, may be cost-effective standing alone, but is ineligible for funding because our rule looks at the program to determine the measure's eligibility. This result, where a cost-effective measure is singled out as ineligible for funding, seems perverse if the measure is, in fact, cost effective. We will reexamine the rules relating to fuel switching and adjust them as appropriate. (R.13-11-005 at 13.)

In view of both the continuing challenges that residential programs face, and the governor's call for an examination of fuel-switching as an energy efficiency measure, we will advance our examination of that narrow fuel switching issue. A broader re-look at fuel switching policy will have to await a subsequent phase of the proceeding.

2.3.2 Summary of Scope of "Steady Course" Issues

- 3. Steady Course Issues
 - a. Updating potentials study and goals for 2016 and after; $^{\scriptscriptstyle 5}$
 - Review of RENs that D. 12-11-015 contemplated, and D.14-10-046 largely deferred until EM&V results become available (specific timing will depend on when EM&V reports are available);
 - c. Updates to ESPI coefficients, the ESPI deliverables schedule, and the ESPI "uncertainty list;"
 - d. DEER updates;
 - e. Incorporation of water-energy nexus "adder" to cost-effectiveness calculation (depends on availability of "adder" from R.13-12-011).

2.4 Preparatory Work on Phase III Issues

There are many issues that R.13-11-005 preliminarily scoped into Phase III that will remain there, but on which we can direct background work to be done in parallel during Phase II. There is value to some work on a subset of Phase III issues prior to Phase III's formal start.

2.4.1 Policies re Baseline

The most obvious Phase III issue for which we expect work to be ongoing during Phase II is the appropriate choice of baseline.⁶ D.14-10-046 directed

⁵ As part of the Phase II goals-setting exercise, we do not intend to broadly revisit our decision in D.14-10-046 to use the potentials model that Navigant used for its 2013 study. We limit the scope here to the consideration of specific proposed changes to model inputs. We do not foreclose here the prospect of a broader reexamination in Phase III of how we evaluate potential (and set goals).

⁶ See D.14-10-046 at 52-59 for an explanation of what a baseline is in the context of energy efficiency.

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Commission staff to undertake a number of activities as a preliminary to our taking up a broader reexamination of baseline issues in Phase III. There are currently several related pilots currently running (e.g., residential HVAC), and we have directed additional pilots in D.14-10-046.⁷ Commission Staff also is coordinating with their CEC counterparts, as that decision directed, and starting a research project to understand the baseline determination for different types of measures and how to accurately count these potential savings for the state's demand forecast.⁸ This will inform our consideration of alternative baseline approaches. To assist Commission Staff, the schedule below includes a workshop at which they will reach out to stakeholders for input into their efforts.

PG&E has asked whether we would consider in Phase II giving IOUs savings credits for the "to-code" pilots that D.14-10-046 directed IOUs to undertake. As just discussed, we understand parties' desire to see the baseline moved for to- and through-code measures. We decline, however, to consider savings credit for to-code pilots prior to the pilots being conducted. Considering savings credit for the pilots *now* would assume the answer to the question the pilots are testing: *i.e.*, whether there are, in fact, incremental savings to be had from to-code programs. The pilots will need to include consideration of how to account for incremental savings via measurement and verification methods (including ex ante estimation) and quantify the savings. Like other resource

⁷ D.14-10-046 at 74-75 ("We also direct each IOU to file with us a PIP for a pilot program to better understand the extent to which there is below-code equipment that is not getting replaced quickly enough through natural turnover or existing programs.")(footnote omitted).

⁸ CEC and Commission Staff are investigating how the Demand Forecast captures to-code activities. Are the savings attributed to codes and standards? Savings attributed to utility programs? Or left as untapped energy efficiency potential?

acquisition pilots, the Commission may consider allowing savings to be counted on an ex post basis.

2.4.2 Policies re Data Access for Multi-family Buildings

Another issue is non-IOU access to data from multi-family housing. In D.14-12-004,⁹ the Commission deferred to this proceeding certain issues relating to non-IOU access to smartmeter data. Among those issues was "access to multi-family residential energy usage data."¹⁰ At the PHC, NRDC requested that we take this up in Phase II. We took that request under submission. We also take notice of a recent White House announcement that HUD Secretary Castro and Governor Brown intend to ensure multi-family owner access to energy usage data, with appropriate privacy protections, as an essential component to inform energy upgrade decisions for these buildings.¹¹ While we understand the importance of this issue to owners and managers of multi-family housing, we do not believe there is the bandwidth to commit Commission Staff and Party time to this issue through the customary workshop and comment process alongside so many other critical issues in Phase II. However, interested parties are free to work together to develop a joint proposal to advance for consideration either in the second decision contemplated for Phase II, or barring that, in Phase III.

⁹ D.14-12-004 issued in proceeding R.08-12-009, "Order Instituting Rulemaking to Consider Smart Grid Technologies Pursuant to Federal Legislation and on the Commission's own Motion to Actively Guide Policy in California's Development of a Smart Grid System."

¹⁰ D.14-12-004 at 17.

¹¹ <u>http://www.whitehouse.gov/the-press-office/2015/01/29/fact-sheet-administration-and-california-partner-drive-renewable-energy-</u>

2.4.3 Intervenor Compensation for Work on the Above-Listed Phase III Issues During Phase II

Some intervenors in all likelihood will seek compensation through the Intervenor Compensation Program for work on Phase III issues during Phase II.¹² We want to encourage parties to work on the above-listed Phase III issues during Phase II, as time permits. As part of that encouragement, we want to offer some level of assurance that the Commission will not reject out-of-hand claims for intervenor compensation for work relating to this effort.

Section 1801 establishes a program of "compensation for reasonable advocate's fees, reasonable expert witness fees, and other reasonable costs to public utility customers of participation or intervention in any proceeding of the commission." Section 1801.3 provides additional gloss on the program. It provides for compensation in "*formal* proceedings of the commission involving electric [and] gas [] utilities."¹³ The purpose of the program is to "encourage the effective and efficient participation of all groups that have a stake in the public utility regulation process."¹⁴

Work on the Phase III issues enumerated above during Phase II is work is in a "formal proceeding" of the Commission. Eligibility for compensation for that work will "encourage the effective and efficient participation" of intervenors in this proceeding. That we have not yet issued a Phase III scoping memo will not preclude eligibility for compensation for productive and necessary Phase III

¹² Section 1801 *et seq.*

¹³ Section 1801.3 (emphasis added).

¹⁴ Section 1801.3 (b).

work that substantially assists the Commission in making its decisions in this proceeding.

Any claims for intervenor compensation will, of course, be subject to the usual requirements applicable to intervenor compensation claims. Claims must include enough information for the Commission to make the findings required by §§ 1801-1812.¹⁵ In particular, an intervenor seeking compensation for work on the joint proposal must clearly describe its unique contribution(s) to developing a proposal that helps to achieve the overarching process goals articulated in R.13-11-005. A claimant must also demonstrate reasonable collaboration with others to avoid duplication of effort. Claimed amounts must be reasonable. We expect parties to focus their time and attention primarily on Phase II issues for the next several months, and for any claims relating to work on Phase III issues during that time to be modest.

3 Categorization, Designation of Presiding Officer, and Notices of Intervenor Compensation

I confirm the preliminary categorization of this proceeding as ratesetting. Consistent with R.13-11-005, evidentiary hearings will not be necessary in Phase II. We will revisit the categorization and hearing need determinations, if appropriate, in subsequent phases of this proceeding.

Carla J. Peterman is the assigned Commissioner and Todd O. Edmister is the assigned Administrative Law Judge (ALJ) in this proceeding. Pursuant to Rule 13.2(b), the ALJ is the Presiding Officer in this ratesetting proceeding.

¹⁵ *See generally* Section 1802 (defining terms related eligibility for compensation) and Section 1803 (limiting recovery to "reasonable" fees and costs, and requiring a claimant to show substantial contribution to a Commission decision, and to show hardship absent compensation).

Notices of Intent to seek intervenor compensation are due 30 days after the January 28, 2015 prehearing conference, per Rule 17.1.

4 Schedule

The schedule that results from the foregoing scope is, unfortunately, complex. It breaks down essentially as follows.

(1) A multi-day workshop on **"Rolling Portfolio" review mechanics** (Workshop 1), with an associated comment period. Commission Staff may prepare a whitepaper in response to the workshop and comments, in which case there will be a round of comments on the Commission Staff whitepaper.

Date	Event
3/9-10/15	Workshop 1 ("Rolling Portfolio" review mechanics: e.g., joint
	party proposal re Rolling Portfolio review; reporting and
	accounting; DEER updates; ex ante updates; ex post results
	integration; review timing; filing formats; template for
	custom projects)
3/20/15	Post-workshop 1 comments
4/13/15	Potential staff whitepaper on joint party proposal/comments
	re Rolling Portfolio review
5/4/15	Comments on staff Rolling Portfolio mechanics whitepaper

(2) A multiday workshop on portfolio **changes to make in 2016**, limited to changes that do not require us to have decided "Steady Course" issues (Workshop 3), with an associated comment period.

Date	Event
3/23-24/15	Workshop 3 (2016 changes, part 1)
4/6/15	Post-workshop 3 comments

(3) **Demand Analysis Working Group (DAWG) meetings**, and a Commission Staff proposal and workshop regarding energy efficiency potential and goals, issuance of a potentials report and goals, and an associated comment period.¹⁶

Date	Event
2/17/15	DAWG meeting - Potential and Goals calibration webinar
3/17/15	Workshop 2 (Potential and Goals model release and draft
	results workshop)
4/10/15	Potential and Goals draft results informal comments
	deadline (informal comments to be submitted to Commission
	Staff, not filed)
4/14/15	DAWG meeting - Potential and Goals Additional Achievable
	Energy Efficiency disaggregation and load shape workshop
5/15/2015	Potential and Goals draft report released for formal comment
	via ruling
6/8/15	Deadline for filing with the docket office formal comments
	on Potential and Goals draft report

(4) A Commission Staff proposal and workshop for **updates to DEER** values, and an associated comment period.

Date	Event
3/5/15	DEER2016 scoping webinar
5/15/15	DEER2016 Update draft results released for formal
	comments via ruling
5/21/15	Workshop 4 (DEER2016 Update draft results)
6/8/15	Deadline for comments on DEER2016 Update draft release

¹⁶ We provide below a separate schedule for the DAWG meetings that will lead to the Commission Staff proposal. We note that DAWG meetings are a joint activity of the Commission and the CEC. Dates, times, and locations are subject to change, in which case we will provide notice via email to the service list.

(5) A decision on "steady course" issues in August that includes, at minimum, updated program goals for 2016 and beyond. This decision may also provide guidance on 2016 portfolio changes discussed at Workshop 2. A workshop on 2016 portfolio changes flowing from the August decision (Workshop 5), and an associated comment period.

Date	Event
9/10/15	Workshop 5 (2016 changes, part 2; further guidance on 2016
	portfolios in response to new goals and DEER updates)
10/1/15	Post-workshop 5 comments

(6) A January decision that disposes of remaining Phase II issues, including at minimum providing additional guidance on 2016 portfolio changes.

Also:

(7) There is **a review of REN status** contemplated. Final scheduling depends on when EM&V results for RENs are available.

Date	Event
Q3/15	REN EM&V reports finalized
Q3/15	Comments on REN EM&V reports

(8) Commission Staff will conduct a workshop (not numbered) on research into **baseline**.

Date	Event
4/28/15	Staff workshop on baseline coordination with demand
	forecast
5/18/15	Comments on workshop

This schedule may appear truncated, as it does not include filing and review of 2016 portfolios.¹⁷ *This omission is deliberate.* We expect the filings to implement changes in portfolios in 2016 and use the "Rolling Portfolio" review process we adopt in one of the Phase II decisions. Since we do not know now what that review process will entail, we cannot schedule for it. Furthermore, we recognize that that review may end up in separate proceedings, and not in this proceeding at all.

Also, although we have not included EM&V within Phase II's scope, we provide notice here of Commission Staff's regular quarterly EM&V meetings.

Date	Event
3/5/15	DEER2016 scoping webinar
3/9-10/15	Workshop 1 ("Rolling Portfolio" review mechanics: e.g., joint
	party proposal re Rolling Portfolio review; reporting and
	accounting; DEER updates; ex ante updates; ex post results
	integration; review timing; filing formats; template for custom
	projects)
3/10/15	Q1 EM&V Stakeholder Meeting
3/16/15	Post-workshop 1 comments
3/17/15	Workshop 2 (Potential and Goals model release and draft results)
3/23-24/15	Workshop 3 (2016 changes, part 1)
4/6/15	Post-workshop 2 comments
4/10/15	Potential and Goals draft results informal comments deadline
4/13/15	Potential Staff whitepaper on joint party proposal/comments re
	Rolling Portfolio review
4/14/15	Potential and Goals Additional Achievable Energy Efficiency
	disaggregation and load shape workshop

For parties' convenience, here is a master schedule.

¹⁷ Relatedly, we note that 2016 changes can take place any time in 2016. D.14-10-046 ended funding cliffs for ten years, so there is therefore no need to have changes in place by January 1. That said, the sooner we can put changes in place in 2016, the better.

4/28/15	Staff workshop on baseline coordination with demand forecast
5/4/15	Comments on staff Rolling Portfolio mechanics whitepaper
5/15/15	Potential and Goals draft report release and DEER2016 Update
	draft results release via ruling
5/15/15	Potential and Goals draft report release
5/21/15	Workshop 4 (DEER2016 Update draft results)
5/18/15	Comments on staff workshop on baseline coordination with
	demand forecast
6/8/15	Deadline for comments on Potentials study and goals and
	DEER2016 Update draft release
6/8/15	Potential and Goals draft report formal comments deadline
6/9/15	Q2 EM&V Stakeholder Meeting
Q3/15	REN EM&V reports finalized
Q3/15	Comments on REN EM&V reports
7/13/15	PD mails for August decision
	 includes potentials study and goals at minimum; ideally
	also includes:
	 other "Steady Course" issues (DEER updates, ESPI
	coefficient updates, water-energy "adder");
	 Rolling Portfolio review mechanics; and,
	• guidance on 2016 portfolio changes that do not depend on
	"Steady Course" items.
8/13/15	August decision
9/8/15	Q3 EM&V Stakeholder Meeting
9/10/15	Workshop 5 (2016 changes, part 2; further guidance on 2016
	portfolios in response to new goals and DEER updates)
10/1/15	Post-workshop 5 comments
December,	PD mails for January decision
2015	
12/8/15	Q4 EM&V Stakeholder Meeting
January,	January decision
2016	

I anticipate concluding this phase of R.13-11-005 within 12 months of issuance of this scoping memo.

IT IS RULED that we adopt the procedural schedule as set forth in the body of this ruling.

Dated February 24, 2015, at San Francisco, California.

/s/ CARLA J. PETERMAN

Carla J. Peterman Assigned Commissioner /s/ TODD O. EDMISTER Todd O. Edmister

Administrative Law Judge