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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

ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENTS REGARDING NATURAL RESOURCES DEFENSE COUNCIL MOTION

This ruling invites parties to comment, in response to the April 24, 2020 motion filed by Natural Resources Defense Council (NRDC), regarding the California Energy Efficiency Coordinating Committee (CAEECC) Energy Efficiency Portfolio Filing Processes Working Group report. Parties may file comments no later than September 1, 2020. Parties may file reply comments no later than September 15, 2020.

Parties filing comments on the Working Group report shall address the following specific questions:

<u>Cycle length and budget authorizations:</u> The current Rolling Portfolio cycle framework authorizes funding for 10 years with annual budget approvals. The proposal put forward in the NRDC motion proposes a four-year budget authorization. Please answer the following questions:

1. What are the major challenges or benefits associated with the current Rolling Portfolio cycle length and budget authorization structure?
2. If you perceive challenges with the current cycle length and budget authorization structure, do you agree that the

proposal in the NRDC motion remedies those challenges? Why or why not?

3. One of the objectives of the current 10-year budget authorization was to provide long-term funding certainty for the energy efficiency programs and to support long-term planning activities by the California Energy Commission and the California Independent System Operator. Do you believe that shortening the budget authorization cycle may negatively impact these objectives? Why or why not?

4. Instead of the proposal in the NRDC motion, would more incremental modifications to the current Rolling Portfolio better address identified challenges with the current structure? For instance, would replacing annual budget advice letters, with Tier 2 budget advice letters submitted every two years aligned with biennial goal updates, resolve current challenges identified with the Rolling Portfolio process? Why or why not?

<u>Savings goals for investor owned utilities (IOUs) and targets for non-IOU program administrators:</u> The NRDC motion suggests that program administrators whose energy efficiency portfolios are not "on-target"[1] to meet their energy savings goals or cost-effectiveness targets be required to submit a remediation Tier 2 advice letter describing corrective actions. Please respond to the following questions:

5. What is the appropriate oversight role of Commission staff during energy efficiency program implementation (*i.e.,* mid-cycle between CPUC budget authorization points)? Does the proposal in the NRDC motion ensure this level of oversight? Please support your answer.

[1] "On target" is defined as a PA is reasonably able to demonstrate its ability to meet savings goals (*i.e.,* +/- 20%) and cost-effectiveness (*i.e.,* +/- 10%) targets by the end of the four-year cycle. Note if a program administrator is off target in a given year, they can reasonably "make it up" in the following years.

6. Do you agree that a program administrator is not "on-target" if they are not reasonably able to meet their savings goals by 20 percent and cost-effectiveness target by 10 percent, or would you propose different thresholds to determine whether a program administrator is "on-target?" Please explain your recommendation.
7. What is the expected outcome of having program administrators submit a Tier 2 advice letter if they are not "on-target" to meet their savings goals, or cost-effectiveness thresholds? Is Energy Division staff expected to review the program administrator's proposed mitigation measures and approve changes? If so, what are the standards of review, or criteria? If not, is there an alternative cycle length and budget authorization structure that would address these challenges? Please support your recommendation.
8. How should staff or the Commission remedy a situation where the program administrator does not provide adequate corrective actions in the Tier 2 advice letter?

Regarding the process for triggering a remediation advice letter, please address the following questions:

9. Should progress towards cycle goals and cost-effectiveness be assessed quarterly, yearly, annually, or in some other increment? Please address why the recommended increment is the most appropriate point, given the need to balance natural portfolio fluctuations and the time requirements of remediation efforts.
10. Should this process be based on a periodical "bus stop" basis,[2] or on a more "as needed" basis? Please explain your answer.
11. What is the oversight role for Energy Division in enforcing a trigger event, and how should the remediation Tier 2

[2] Energy Efficiency "Bus Stops" include important technical updates such as the Potential and Goals Study, updates to the Database for Energy Efficiency (DEER), impact evaluation results, updates to the avoided cost calculator, new workpapers being submitted annually, etc.

advice letter be triggered: via Annual Report/ submission to the California Energy Data and Reporting System (CEDARs), via updates to technical inputs, either/both, or other? Please provide details to support your recommendation.

Flexibility/authority to adjust to changes in market and technology

12. The investor owned utilities (IOUs) are required to reach specific percentage targets for the proportion of their portfolios to be administered by third parties (ultimately, at least 60 percent). Because the IOUs cannot change program implementation plans for a third-party contract, the lever for a program administrator to ensure their portfolio is on target is to add/decrease effort in high-/poor-performing activities, respectively. Considering this, how can an appropriate level of oversight for program cancellation occur without impeding IOUs' ability to stay on target?

13. The Rolling Portfolio leveraged annual budget advice letters for oversight of program closures at a high level (*e.g.*, is the closure justified given the constraint on the program administrator to meet required portfolio cost-effectiveness and savings goals; and did the program administrator develop and communicate a transition plan appropriate to avoid cliffs or gaps in the market). The NRDC motion proposes a program administrator would be required to submit a Tier 2 advice letter for every program closure.

    a. What would staff's standard of review for program closure advice letters be?

    b. Does this approach leave flexibility that the program administrator would need to meet its overall portfolio cost-effectiveness target and savings goals?

Guidance Decision[3]

14. The July 3, 2020 amended scoping ruling proposes the Commission issue a guidance decision addressing the NRDC motion in February or March of 2021. If the Commission issues a guidance decision in early 2021, what specific areas, inputs, portfolio direction should the Commission prioritize including in the guidance decision?
15. The NRDC motion identifies information to be included in the program administrators' applications. Given the information provided in the applications, what should be the Commission's standard of review, or criteria, to determine reasonableness of the applications? Should the Commission provide a detailed review of each program proposed, or focus on portfolio-level metrics, or evaluate sector-level strategies? Or should this review focus on other information provided?
16. What additional information should be included in the applications to facilitate the Commission's reasonableness review? For instance, should the applications include portfolio and sector metrics, and implementation plans for every new or revised program proposed?

Cost-Effectiveness

17. For the purpose of approving budgets and assessing cost-effectiveness, what should be the distinction (if any) between program administrator and program implementor costs?
    a. What is the rationale behind the Commission reviewing program administrator and program implementor costs separately, when historically program administrators have been ultimately responsible for developing contracts with program implementors and reporting cumulative program costs?

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[3] *See*: https://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=342189331, for a copy of the COVID-19 ruling.

b. If reviewed separately, should both program administrator and program implementer costs be capped at 10 percent cumulatively?

18. How would assessing cost-effectiveness over multiple years impact the Commission's current cost-effectiveness calculations? In your response, please consider elements like assigning an avoided cost vintage to each year, the yearly attribution of costs to savings, and whether the achievement of cost-effectiveness targets would be assessed using a weighted average or cumulative calculation.

Technical Inputs

19. The proposal references misalignment resulting from changing policies and technical values following goals adoption and challenges for program administrators preparing budget filings when critical input values are actively changing. Please provide specific, quantitative evidence of instances where misalignment or difficulties occurred due to changing technical inputs.

20. Is it reasonable to forgo utilization of annually updated avoided cost values to address energy efficiency portfolio process concerns described in the proposal? Why or why not?

    a. Do the benefits of utilizing a single avoided cost vintage for two years outweigh the drawbacks of energy efficiency being out of step with other CPUC energy programs that utilize the Avoided Cost Calculator, such as building decarbonization (R.19-01-011), net energy metering (R.14-07-002), energy storage (R.15-04-011) and demand response (R.13-09-011)? What would be the impact of misalignment between energy efficiency and the integrated resource planning proceeding (R.16-02-007)?

    b. Decision (D.) 19-05-019 states that minor changes include data and input updates in addition to changes to the modeling method that parties can reasonably agree are minor in scope or impact. Though described as minor changes, data updates can meaningfully impact avoided costs. Given this information, what metrics do parties use to define avoided cost updates as either material or immaterial?

21. The proposal recommends that updates to technical inputs, engineering (Database for Energy Efficiency Resources (DEER)) values and evaluation, measurement and verification (EM&V) be changed to every two years as opposed to annually.

    a. How often should technical inputs and DEER values be assessed to avoid utilizing stale, inaccurate, or out-of-date values?

    b. If DEER values were to be updated every other year, when should updates become effective?

    c. Should DEER values be frozen for some or all of the portfolio cycle? Why or why not?

    d. Would moving EM&V results from annual to every other year have adverse effects to portfolio assessment and other processes such as DEER updates or energy savings performance incentive (ESPI) if maintained in its current form?

22. D.15-10-028 adopted a "bus stop" schedule for various activities of the Rolling Portfolio. Thinking of <u>when in the year</u> these bus stops occur, do you think the existing schedule should change to accommodate the process changes proposed in the NRDC motion?

    a. Please outline any necessary changes to accommodate any alternative proposals you made in your answers above.

IT IS SO RULED.

Dated July 31, 2020, at San Francisco, California.

/s/ VALERIE U KAO

Valerie U. Kao

Administrative Law Judge