PUBLIC UTILITIES COMMISSION
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SAN FRANCISCO, CA 94102-3298

FILED
10/29/21
12:01 PM

October 29, 2021

Agenda ID #20024
Ratesetting

TO PARTIES OF RECORD IN RULEMAKING 13-11-005:

This is the proposed decision of Administrative Law Judge (ALJ) Julie Fitch. Until and unless the Commission hears the item and votes to approve it, the proposed decision has no legal effect. This item may be heard, at the earliest, at the Commission's December 2, 2021, Business Meeting. To confirm when the item will be heard, please see the Business Meeting agenda, which is posted on the Commission's website 10 days before each Business Meeting.

Parties to the proceeding may file comments on the proposed decision as provided in Rule 14.3 of the Commission's Rules of Practice and Procedure.

The Commission may hold a Ratesetting Deliberative Meeting to consider this item in closed session in advance of the Business Meeting at which the item will be heard. In such event, notice of the Ratesetting Deliberative Meeting will appear in the Daily Calendar, which is posted on the Commission's website. If a Ratesetting Deliberative Meeting is scheduled, *ex parte* communications are prohibited pursuant to Rule 8.3(c)(4).

/s/ ANNE E. SIMON
Anne E. Simon
Chief Administrative Law Judge

AES:nd3
Attachment

Decision **PROPOSED DECISION OF ALJ FITCH (Mailed 10/29/2021)**

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

ENERGY EFFICIENCY ACTIONS TO ENHANCE SUMMER 2022 AND 2023 ELECTRIC RELIABILITY

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ENERGY EFFICIENCY ACTIONS TO ENHANCE SUMMER 2022 AND 2023 ELECTRIC RELIABILITY

Summary

This decision approves several initiatives designed to produce emergency peak demand (during 4:00 p.m. - 9:00 p.m.) and/or net peak (during 7:00 p.m. - 9:00 p.m.) demand reductions through energy efficiency actions by the summers of 2022 and 2023. The decision was developed in response to Governor Newsom's July 30, 2021 Emergency Proclamation.

This decision approves $185 million in incremental energy efficiency budgets for program years 2022 and 2023, while also allowing shifting of energy efficiency funds previously allocated to address summer reliability objectives.

Specifically, the decision authorizes the following new or augmented initiatives:

- A new, two-year Market Access program funded at $150 million statewide, to deliver peak and/or net peak demand savings using the normalized metered energy consumption method of measuring energy and peak demand savings in residential and commercial buildings.
- An additional $30 million statewide for third-party solicitations designed to produce peak and/or net peak demand savings.
- Authorization for Marin Clean Energy to shift funds to enhance their Peak FLEXmarket program, on which the Market Access program described above is based.
- $5 million in additional funding for the Tri-County Regional Energy Network to expand their existing Energy Assurance Program to additional counties.
- Authorization to all energy efficiency program administrators to shift funds to reliability-focused programs with notice to the Commission and stakeholders through an advice letter.

Energy efficiency program administrators participating in the summer reliability programs authorized through this decision will be required to meet reporting standards to accurately forecast and track energy savings achieved through the authorized programs.

The decision also makes several process changes designed to expedite the delivery of programs that will produce peak demand savings. These include:

- Allowing single-stage solicitations to third parties for reliability-focused initiatives and programs; and
- Streamlining and expediting Commission staff review of custom projects and workpapers with summer reliability benefits.

The decision also deems several proposals interesting but more appropriate for consideration in other proceedings, including augmenting the avoided cost calculator with peak demand benefits, combining energy efficiency efforts with the Energy Savings Assistance Program, funding smart communicating thermostat initiatives, and making changes to net metering and interconnection processes and tariffs.

This proceeding remains open.

1. Background

On July 30, 2021, Governor Gavin Newsom issued a Proclamation of a State of Emergency (Proclamation) in response to the significant and accelerating impacts of climate change in California. The Proclamation stated, among other things, that:

> 2. The California Energy Commission is directed, and the California Public Utilities Commission and the [California Independent System Operator] CAISO are requested, to work with the State's load serving entities on acceleration plans for the construction, procurement, and rapid deployment of new clean energy and storage projects to mitigate the risk of

> capacity shortages and increase the availability of carbon-free energy at all times of day.
>
> 13. The California Public Utilities Commission is requested to exercise its powers to expedited Commission actions, to the maximum extent necessary to meet the purposes and directives of this proclamation, including by expanding and expediting approval of demand response programs and storage and clean energy projects, to ensure that California has a safe and reliable electricity supply through October 31, 2021, to reduce strain on the energy infrastructure, and to ensure increased clean energy capacity by October 31, 2022.
>
> 15. The California Energy Commission, in consultation with the California Air Resources Board, the CAISO, and the California Public Utilities Commission, shall identify and prioritize action on recommendations in the March 2021 Senate Bill 100 Joint Agency Report, and any additional actions, that would accelerate the State's transition to carbon-free energy.

In response to the Proclamation, an Administrative Law Judge (ALJ) e-mail Ruling was issued in this proceeding on August 6, 2021, seeking input from parties on actions that the Commission could take, specific to energy efficiency and reliability, to help support the Governor's Proclamation and the Commission's overall goals.

The ALJ e-mail Ruling noted that the Commission is undertaking actions in many proceedings to identify opportunities to expedite or accelerate clean energy project development as soon as possible, particularly for the summers of 2022 and 2023. The ruling also noted that Rulemaking (R.) 20-11-003 is the primary venue for general emergency summer reliability activities.

Parties in this proceeding were asked to submit proposals for specific Commission actions that could result in projects installed and delivering benefits

by June 1, 2022 and/or June 1, 2023. Proposals were sought that could involve requests for additional funding, funding of alternative or new activities, and/or requests for changes to Commission rules or requirements, to facilitate the following:

- Augmenting or accelerating energy efficiency projects prior to the summer of 2022 and/or the summer of 2023, resulting in lower overall electricity load, particularly in the peak and net peak hours;[1]
- Adding new energy efficiency programs or measures that target peak and net peak hours;
- Integrating demand response or conservation actions with energy efficiency program actions or investments;
- Integrating other distributed energy resource investments, such as solar or storage, with energy efficiency program actions or investments;
- Integrating energy efficiency investments with Energy Savings Assistance (ESA) Program efforts;
- Augmenting or adding financing options that will accelerate energy efficiency or demand-side investments;
- Removing rules or requirements that may create barriers to expedited or accelerated energy efficiency projects by the summers of 2022 and 2023;
- Working with the California Energy Commission (CEC) to target and accelerate projects for heating, ventilation, and air-conditioning in schools, pursuant to Assembly Bill (AB) 841 (Stats. 2020, Ch. 372), to reduce electricity load during peak and net peak hours; and/or
- Implementing innovative marketing strategies, and/or market support or equity program approaches, that lead

[1] In this decision, we are assuming the peak hours to be 4:00 p.m. - 9:00 p.m. daily, with the net peak hours during 7:00 p.m. - 9 p.m. daily.

directly to reducing electricity load during the peak and net peak hours.

Parties were asked to respond to the ruling by filing comments with specific proposals for actions the Commission could take by the end of 2021 to address the Governor's Proclamation. Parties were asked to design their comments to be as specific as possible, with reference to necessary funding, modifications to existing Commission decisions or rules, or other detailed actions that the Commission would need to take to bring the proposal to fruition. Parties were specifically asked to address the following details:

- Description of programmatic approach or value proposition;
- Specific measures or technologies;
- Building type;
- Customer market segment;
- Incremental funding needs, if any;
- Estimated energy savings and/or peak demand savings during the 4:00 p.m. - 9:00 p.m. time period;
- Whether the program/approach can be implemented by June 1, 2022 or June 1, 2023 (or both), with specific needs for each time period; and
- A demonstration that the program or project is incremental to and not captured by existing programs or processes.

Parties were asked to file their proposals in comments no later than August 31, 2021. Reply comments were invited by no later than September 10, 2021.

2. Proposals from Parties

In response to the August 6, 2021 ruling, 19 sets of comments with proposals were filed, by the following parties: Association of Bay Area Governments (ABAG), on behalf of Bay Area Regional Energy Network

(BayREN); California Efficiency + Demand Management Council (CEDMC); County of Los Angeles on behalf of the Southern California Regional Energy Network (SoCalREN); County of Ventura on behalf of the Tri-County Regional Energy Network (3C-REN); East Bay Community Energy (EBCE) and California Choice Energy Authority (CalChoice), jointly; ENGIE North America, Inc. (ENGIE); Enovity, Inc. (Enovity); Gridium, Inc. (Gridium); Google LLC (Google); Institute for Governance & Sustainable Development (IGSD); JouleSmart Solutions, Inc. (JouleSmart); Marin Clean Energy (MCE); Natural Resources Defense Council (NRDC); Pacific Gas and Electric Company (PG&E); Recurve Analytics, Inc. (Recurve); San Diego Gas & Electric Company (SDG&E); Southern California Edison Company (SCE); Southern California Gas Company (SoCalGas); and Synergy Companies (Synergy).

Reply comments were filed by the following parties: BayREN and 3C-REN, jointly; CEDMC; I'm In Control; MCE; NRDC and Sierra Club, jointly; Public Advocates Office at the California Public Utilities Commission (Cal Advocates); PG&E; Recurve; SCE; SoCalGas; and SoCalREN.

After review of the 19 sets of original comments, we have divided the proposals received into three general categories, as follows:

1. Proposals that are for energy efficiency or energy efficiency combined with demand response that are specific to reducing peak or net peak demand;
2. Proposals for permanent load reduction through energy efficiency, but not specific to peak or net peak demand savings; and
3. Proposals that fall outside of the purview or scope of the energy efficiency proceeding.

Several sets of comments contained multiple proposals and not all proposals fit neatly into one particular category. However, we have used this structure to

summarize each of the proposals in this section below, even though it results in some portions of some parties' proposals appearing in one category that may not be entirely appropriate. We have noted below where some proposals from one party may cut across categories.

2.1. Energy Efficiency or Energy Efficiency and Demand Response Activities to Reduce Peak or Net Peak Demand

This section summarizes actions or proposals that primarily involve either energy efficiency or energy efficiency and demand response activities combined that would serve to reduce the peak or the net peak demand, assisting specifically with summer reliability in the electric system during the evening period (4:00 p.m. – 9:00 p.m.). Each proposal or set of proposals received is summarized briefly below, organized by party or parties making the proposal.

Recurve recommends the following actions:

1. Applying an accelerant to the avoided cost calculator (ACC) to communicate the need for near-term reliability projects;
2. Relying on normalized metered energy consumption (NMEC) and pay-for-performance (PFP) programs, while allowing all qualified providers to bring projects to market using the "Demand FLEX market," rather than just selected implementers;
3. Suspending cost-effectiveness assessments for two years and capping payments at total system benefit (TSB); and
4. Redirecting non-resource program budgets from similarly focused programs, like emerging technologies.

NRDC recommends that the Commission make two changes to facilitate emergency load reduction. First, the Commission should modify the ACC to have a capacity reliability adder, energy reliability adder, and greenhouse gas

reliability adder. This would allow programs which manage load during the reliability hours to claim the adders, which NRDC states could be done automatically via the load shapes. Second, NRDC recommends that the Commission adopt a new definition for "emergency reliability hours" to encourage programmatic focus on these hours.

MCE proposes that the Commission take two actions. First, MCE recommends that the Commission authorize ratepayer funding to scale the Peak FLEXmarket program to deliver increased peak load reduction and grid benefits during the summers of 2022 and 2023. Second, MCE recommends that the energy efficiency cost-effectiveness requirements be modified by moving from the total resource cost (TRC) test to the program administrator cost (PAC) test, and also updating the cost-effectiveness tool to allow for custom load shapes, though these proposals are not necessarily aimed exclusively at peak or peak net savings.

SDG&E's proposal is to work with the CEC to target and accelerate projects for heating, ventilation, and air-conditioning (HVAC) in schools, pursuant to AB 841, to reduce electricity load during peak and net peak hours.

Google proposes to adopt the smart communicating thermostat (SCT) recommendations from the August 16, 2021 Energy Division Staff Concept Paper issued in the summer reliability proceeding (R.20-11-003), with some recommended changes: allowing SCT installations in all climate zones and prioritizing the hottest climate zones, adding additional requirements for automatic enrollment in demand response programs, and specifying in an upcoming work paper (also known as a "measure package") that program administrators should use to calculate energy savings.

SCE proposes the following actions, only some of which are exclusively focused on peak or net peak savings:

1. Move third-party solicitations to single-stage solicitations instead of the current two-stage solicitation process, which requires an initial request for abstract before progressing to a request for offers or proposals;
2. For statewide programs, allow non-lead program administrators to fill gaps that the statewide program does not cover;
3. Allow program administrators to request additional funding for cost-effective programs, as part of the budget advice letters, to be used flexibly;
4. Expedite approval of an Indoor Horticulture Lighting workpaper (SWLG019-01);
5. Allow SCE to launch a residential heat pump HVAC fuel substitution emergency program; and
6. Expand strategic energy management (SEM) to be available in the commercial, industrial, agricultural, and public sectors.

PG&E proposes a variety of changes to the Commission's rules and processes to facilitate more energy efficiency capacity online by summer 2022 or 2023, including:

1. Updating the integrated demand side management (IDSM) program rules by approving their proposed IDSM program guidance document;
2. Expanding eligibility for site-level NMEC projects to the industrial and agricultural sectors;
3. Expending processes for all reliability-focused custom and site-level NMEC projects;
4. Changing rules to treat reliability-focused projects with a baseline assuming accelerated replacement;
5. Go to a one-stage procurement process for third-party programs and allow more flexibility to allow

implementers to enter or exit the market, as needed; and

6. Add an additional reliability value to the ACC.

SoCalGas is requesting $7 million in additional funding annually through the main energy efficiency portfolio to install more smart thermostats, with enrollment into an electric demand response program. SoCalGas first requests approval of new ex ante savings estimates, and then additional funds for direct install measures, if the request for new ex ante savings estimates is denied.

Synergy recommends that contractors promote utility demand response programs when delivering the ESA Program to low-income customers.

IGSD recommends addressing the potential for capacity shortages by reducing the peak demand of cooling devices, with a focus on air conditioning. IGSD notes that this could help accelerate the transition to clean heating by prioritizing the replacement of air conditioning with heat pumps. IGSD argues that doing so could eliminate energy shortfalls during heatwaves and save Californians a considerable amount of money. IGSD states there is no need for incremental funding if the Commission authorizes reallocation of existing program funding from non-cooling devices to categories including cooling.

2.2. Permanent Load Reduction Through Energy Efficiency

This section summarizes party proposals that primarily seek to accelerate, streamline, or expand permanent load reduction through energy efficiency, which may or may not also include peak or net peak demand savings. Each proposal or set of proposals received is summarized briefly below, organized by party or parties making the proposal.

EBCE and CalChoice recommend utilizing the PAC test for cost-effectiveness, to ensure that more programs will be defined as cost effective,

similar to MCE's proposal described above. They reason that this will reduce peak demand by increasing energy efficiency investment generally. According to these community choice aggregator (CCA) representatives, customers install energy efficiency technologies for a number of reasons, so using the full incremental measure cost in the cost-effectiveness test does not consider these factors.

Enovity makes four proposals:

1. Expand on-bill financing (OBF) with no incentives as a statewide program instead of cash incentives, across all utility service areas;
2. Include a resiliency benefit in the ACC;
3. Remove customer costs from the TRC test for all customer opt-in programs; and
4. Revise, streamline, or eliminate the custom project review process.

ENGIE recommends two specific actions. First, expanding funding levels and project eligibility criteria for the OBF programs. Second, ENGIE recommends that the Commission work with the CEC to immediately start phase two of the California Schools Healthy Air, Plumbing, and Efficiency Program, derived from AB 841, with an increased budget and larger scope.

CEDMC proposes a variety of changes to Commission policies and processes, at least on an interim basis for purposes of the Governor's Proclamation. These changes include:

1. Moving to the PAC test for cost-effectiveness, or in lieu of that, move to allow a 0.85 portfolio-level TRC temporarily;
2. Removing incremental measure costs from the TRC calculation;
3. Expediting processes temporarily for reliability-focused custom, site-level NMEC projects;

4. Suspending data requirements for smart power strips, HVAC/plug load measures sold through retailers, distributors, or manufacturers;
5. Implementing interest-rate buydowns for low-income customer programs; and
6. Setting up a "market access" option for implementers as an alternative to the traditional procurement approach.

Gridium proposes a variety of changes to Commission policy guidance, including:

1. Moving to the PAC test immediately for cost-effectiveness. Alternatively, for OBF projects, Gridium suggests only counting the net present value of the interest rate subsidy as the full measures cost;
2. Taking site-level NMEC projects out of the custom review process entirely; and
3. Eliminating program influence review for financing projects.

JouleSmart proposes a "multi-measure" program for the small and medium business sector that would incorporate energy efficiency and distributed energy resource measures in a single program. They represent that this is currently working with BayREN in the small and medium business sector. Their proposal does not address funding needs or peak demand savings.

SoCalGas requests $35 million in additional funds as part of both the ESA and regular energy efficiency program funds to install more gas tankless water heaters and solar thermal water heaters, an expanded ESA multi-family program, and a new natural gas demand response program for large commercial and industrial customers. SoCalGas is also requesting an accelerated process for custom energy efficiency project review and for workpaper review of ex ante savings estimates.

SDG&E proposes to do the following:

1. Conduct a Request for Information from the third-party energy efficiency program implementers in order to identify additional measures;
2. Integrate energy efficiency investments with ESA program efforts;
3. Provide additional customer support to accelerate installation of energy efficiency measures by increasing the OBF loan cap for non-residential customers; and
4. Increase behavior-based education options focused on reducing electricity usage during peak and net peak hours.

Synergy recommends that the ESA program continue to install light-emitting diode lighting, allow HVAC measures in more climate zones, remove co-pay barriers for multi-family renters, and add air conditioning tune-up as part of the basic package. Synergy does not provide savings estimates, and believes that resulting costs will be minimal.

2.3. Beyond-Energy-Efficiency Ideas

This section includes proposals from parties that are somewhat or totally outside of the traditional purview of the energy efficiency rulemaking and funding. Each proposal or set of proposals received is summarized briefly below, organized by party or parties making the proposal.

3C-REN submitted a proposal that targets three sector areas:

1. Expansion of the residential energy efficiency multi-family program, with $2 million in additional funding, to include solar and storage measures in a single program, to generate 30 percent peak savings (incremental savings to come from solar and storage) from ten properties in 2022 and 15 properties in 2023;
2. Expansion of existing Energy Assurance program, targeting public, commercial, and workforce, education,

and training (WE&T), into San Luis Obispo and Santa Barbara Counties, with an additional $5 million in funding, to generate 1 megawatt (MW) of peak demand savings and 2.8 MW in 2022 and 2023, respectively (this proposal is actually more appropriate to Section 2.2 above); and

3. Entering the industrial, agricultural, and large commercial sectors (not currently authorized in the 3C-REN portfolio), with $6 million in additional funding, to provide energy efficiency/demand response measures and solar/storage measures in a single program. Estimated to generate 0.75 MW and 1.25 MW of savings in 2022 and 2023, respectively.

SoCalREN presents a number of recommended program expansions or launches, as well as recommended changes to the Commission's policies or requirements. In the program area, SoCalREN recommends the following programs be launched and/or expanded:

- Commercial Food Desert Energy Equity program;
- Public Energy Resilience Program;
- Public Schools Intelligent Load Management Program;
- Public Water and Wastewater Intelligent Load Control;
- Public Electric Vehicle Peak Load Reduction Project;
- Public Demand Response Enablement and Enrollment Program; and
- Residential Multifamily Distributed Energy Generation Program.

In addition to these program changes and augmentations, SoCalREN recommends the following changes to Commission requirements:

1. Allowing program administrators to engage in all relevant and appropriate IDSM activities to meet net peak load reduction needs;

2. Allowing ratepayer funded energy efficiency programs to support all significant retrofit opportunities, even if they may be below code, are subject to industry standard practice (ISP) exclusions, and/or are outside of NMEC programs;
3. Expanding the regulatory interpretation of "building" within NMEC programs to include all energy-using public facilities and infrastructure;
4. Setting strict timeframes for project reviews by program administrators to accelerate energy efficiency projects;
5. Modifying interconnection rules to allow for solar and battery storage programs to provide greater value beyond the current meter load; and
6. Imposing a moratorium on net energy metering changes for two years.

BayREN proposes to add $1 million in additional funding to add solar and storage to existing project in its multifamily program pipeline. BayREN expects this would produce 30 percent peak demand savings for a multifamily property, with 20 total projects completed by 2023.

ENGIE recommends two actions. First, ENGIE recommends expediting Rule 21 project approvals by removing application barriers and approving short-term staffing increases to review projects. Second, ENGIE recommends working with the CEC to increase funding to the Energy Conservation Assistance Act Zero Interest Loan for Schools program to reduce participation barriers and maximize the number of schools that can participate by summer 2022.

Synergy recommends that a certain percentage of self-generation incentive program Equity Resiliency funds be set aside for low-income (*i.e.*, ESA-eligible) customers, and that eligibility for the single-family affordable solar homes program be extended to all ESA-eligible customers.

SDG&E proposes several additional ideas in this category, going beyond energy efficiency. First, SDG&E recommends considering a program concept that includes not only energy efficiency and demand response aspects, but also potentially a microgrid. Second, SDG&E recommends exploring expanding the scope of SDG&E's existing third-party-implemented multifamily, small commercial, and large commercial programs, adding a demand response enrollment step to any smart thermostat installation measure. Finally, SDG&E recommends integrated with other distributed energy resource investments, such as solar and storage, with energy efficiency program actions or investments.

3. Parties' Comments on Proposals

In reply comments, parties commented on each others' opening proposals in response to the ALJ e-mail Ruling.

BayREN and 3C-REN filed joint reply comments, urging the Commission generally to "de-silo" demand-side programs and allow for broader program/measure integration (*e.g.*, energy efficiency with solar and storage) to meet peak demand needs in the future.

CEDMC, in its reply comments, reiterated the points in opening comments on the PAC test and proposed the alternative of moving to 0.85 TRC ratio as a threshold for energy efficiency portfolios generally. CEMDC supported the Gridium proposal for a reliability/resiliency benefit and the Enovity proposal to deeply reform or eliminate the Custom Review Process. In addition, CEDMC supported PG&E's proposals to expedite project reviews and tighten the timing of review and baseline modeling periods for custom projects and NMEC projects, as well as the proposal to treat all reliability-focused custom projects as accelerated replacement projects. Finally, CEDMC supported Gridium's

recommendation to change how the TRC test is calculated for on-bill-financing projects.

MCE's reply comments offered additional arguments for why the commission should approve and fund the FLEXmarket program. MCE also supported parties' comments regarding modifications to cost effectiveness tests. In addition, MCE supported proposals to modify the ACC to reflect the true value of load reduction during peak hours. Finally, MCE recommended that the Commission authorize funding and implementation for any approved program proposals through a decision on the ALJ e-mail Ruling.

NRDC and Sierra Club, in reply comments, supported expediting SCE's Indoor Horticulture Lighting workpaper and SCE's emergency heat pump program. They also supported approval of MCE's Peak FLEXmarket program and additional funding for it. NRDC and Sierra Club recommended rejecting SoCalGas' request for incentives for natural gas equipment as inconsistent with state policy goals.

Cal Advocates' reply comments recommended that Commission consider the use of a one-stage Request for Proposals process for expediting solicitations tied to the Governor's Proclamation. They also recommended, to the maximum extent feasible, that the Commission require program administrators to shift funds from underperforming energy efficiency programs to reliability-focused programs, rather than authorize new collections that would increase rates. Finally, Cal Advocates noted that proposals for broad energy efficiency policy changes are beyond the scope set by the ALJ e-mail Ruling in response to the Governor's Proclamation and should be denied. Cal Advocates argued that a market access-type proposal such as Recurve's should be proposed using other channels outside of this specific reliability-focused context, to provide more

opportunity for discovery, workshops, further record development, and opportunity to request hearings, in order to avoid undermining the procurement process.

PG&E's reply comments supported NRDC's (and other parties') proposals to develop a reliability adder to the ACC. PG&E opposed wholesale changes to cost effectiveness that would span the entire energy efficiency portfolios, but supported items that would be more limited to summer reliability purposes. PG&E stated that items like large-scale changes to cost-effectiveness would benefit from further discussion with stakeholders and regulators and should be done in the integrated distributed energy resources (IDER) proceeding (R.14-10-003). PG&E also recommended that the Commission consider the energy efficiency reliability proposals holistically with reliability proposals in R.20-11-003, R.19-09-009, and R.12-11-005. Finally, PG&E recommended that the Commission reject proposals that are not within the scope of energy efficiency. For example, PG&E stated that any ESA reliability proposals would be better considered in the ESA proceeding, although no such open proceeding currently exists. In particular, PG&E stated that Synergy's ESA reliability proposal has factual errors in its assumptions and would not yield the level of savings indicated by Synergy.

Recurve's reply comments supported a market access model, as stated in opening comments and reiterated by other parties (MCE, PG&E). Recurve noted that numerous parties, including Recurve, CEDMC, MCE, NRDC, EBCE, Enovity, and Gridium all recommend a temporary or permanent change or suspension of the TRC for cost-effectiveness. Recurve supported the proposal for expansion of MCE's Peak FLEXmarket program and the OBF program.

SCE's reply comments supported proposals from PG&E, SoCalREN, and CEDMC to expand NMEC eligibility to the industrial and agricultural sectors. In response to SoCalREN's proposals, SCE commented that they contain a lot of items not related to energy efficiency and should be considered in the emergency reliability rulemaking, and not in this energy efficiency proceeding. SCE also commented that SoCalREN's energy efficiency proposals should be considered as part of the regular planning processes for 2024 and beyond.

SCE also commented that SoCalGas' proposals should be rejected because they do not meet the goals of the Governor's Proclamation and are misaligned with California's decarbonization goals.

With respect to adding any avoided cost grid benefits to the ACC, SCE commented that such options should only be considered in the IDER proceeding. SCE stated, though, that cost-effectiveness requirements could be relaxed in the energy efficiency context for reliability-focused programs and projects.

Regarding the ENGIE and Enovity recommendations to impose changes on all OBF programs, SCE stated that those proposals should be rejected to preserve each program administrator's discretion to administer their portfolios. SCE also stated that Gridium's request to change the TRC evaluation for OBF programs is better addressed in R.20-08-022, which is addressing financing for demand-side investments.

SCE also commented that the Commission should reject SoCalREN's request to impose a moratorium on net-metering rate changes. Finally, SCE recommended that Synergy's proposal to change weather stations used for HVAC be rejected, because such a change would be too costly and would have uncertain (and possibly low) benefits.

SoCalGas' reply comments proposed prioritizing developing more detail for the proposals. For example, SoCalGas suggests making sure that NRDC's ACC adder proposal is given the same rigor as the overall ACC changes process and ensuring that SCE's residential heat pump proposal has more detail (since the original proposal did not include total savings or budget). SoCalGas also supported SDG&E's proposal to streamline the workpaper approval process.

SoCalREN, in reply comments, supported proposals by CEDMC, Enovity, PG&E, and SDG&E that rapidly advance the completion of energy efficiency and grid reliability projects to support the grid's needs during extreme weather conditions. SoCalREN also supported requests that remove ISP requirements for projects that meet emergency reliability needs.

SoCalREN also specifically supported PG&E's proposal that the use of NMEC methods should be expanded to include non-building projects. In addition, SoCalREN agreed with SCE that the Commission should allow SEM to be expanded across additional sectors. SoCalREN stated that it does not agree that SEM should be limited to existing third-party SEM implementers as suggested by SCE, but rather should be utilized by all program administrator's serving those market sectors.

Finally, SoCalREN agreed with SCE that the Commission should approve proposals presented in response to this ruling rather than waiting for program administrators to request additional funding in the 2022-2023 budget advice letters.

In its reply comments, I'm In Control responded to a number of other parties' proposals, as follows. First, I'm In Control supported Enovity's proposals to expand OBF as well as to include a resiliency benefit in the ACC to further integrate energy efficiency and demand response benefits and programs.

I'm In Control also supported eliminating or at least streamlining the custom project review process, which I'm In Control stated is tied to their most significant recommendation, which is to eliminate the paperwork barrier for qualified projects.

I'm In Control also supported Gridium's proposal to move from the TRC to the PAC as the primary cost-effectiveness test. I'm In Control stated that programs must be implemented to align value for the customer with their financial decision whether to take on a project. I'm In Control also stated that "influence review" should be eliminated for financed projects.

In addition, I'm In Control referenced BayREN's comments in its opinion that energy efficiency and all aspects of demand response should be fully integrated in every decision by the Commission and the CEC. In this vein, I'm In Control supported MCE's Peak FLEXmarket approach and request for additional funding, because the program fully integrates energy efficiency and demand response flexibility, minimizes paperwork, and relies on actual performance, and thus does not require up-front custom calculations.

I'm In Control also supported PG&E's suggestions on how to effectively integrate energy efficiency and demand response programs to accelerate uptake, stating that reform of IDSM rules is one useful aspect. I'm In Control stated that program fragmentation makes it difficult for customers to understand and access the benefits of integrated, multi-measure solutions, also supporting similar statements by ENGIE. I'm In Control also supported ENGIE's proposals to increase funding and reduce participation barriers for the AB 841 program in schools.

Finally, in its reply comments, I'm In Control includes prior comments it had submitted as a "public comment" in this rulemaking, discussing how to

improve energy efficiency in older and smaller commercial buildings, without central boilers or chillers and without (or with broken) building management systems. I'm In Control included in its reply comments a number of very specific program-level implementation recommendations for these types of buildings.

4. Discussion

In this section of the decision, we discuss the disposition of the ideas brought forth by parties for Commission consideration and additional initiatives that we will approve to address the Governor's Proclamation. This section is organized into proposals we approve, proposals that we generally support but that should be addressed in another venue, and proposals that we are rejecting at this time.

4.1. Approved Actions/Programs

In deciding what proposals to approve for this decision to address the reliability issues in the summers of 2022 and 2023, our primary criterion was to select actions that could result in immediate or at least very rapid deployment achieving peak and net peak demand savings. Thus, we have prioritized programs that have already been proven to deliver savings, and where the infrastructure is already in place to support additional projects.

In addition, we are approving actions that can be clearly shown to be incremental to existing programs, either because additional funding will allow for more projects to be funded and/or because the approved actions represent changed approaches compared to activities contained within the prior approved portfolios.

We also have kept in mind the potential for approaches that could later be rolled into the overall energy efficiency portfolio after the summers of 2022 and

2023, to create sustainable action to support reliability needs in the hours when the electric system needs demand reduction the most.

With these principles in mind, the next subsections detail the actions we take in this decision.

4.1.1. Market Access Program

The first program that we will approve in this decision represents a combination and slight modification of similar proposals from Recurve, MCE, CEDMC, and to some degree, PG&E. We will refer to it as the Market Access Program in this decision, though program administrators and implementers may wish to rebrand it or call it by a different name during the implementation stage.

The concept behind this program is that it utilizes population-level NMEC rules and a PFP concept to incentivize implementers to find energy efficiency projects that deliver measurable peak or net peak demand savings. In this sense, it is similar to the FLEXmarket program that MCE is already running as part of the general energy efficiency portfolio, but with an emphasis on delivering peak and net peak benefits. The major benefits of the program are that funds are only expended for portfolios of projects that deliver verifiable energy savings at peak times. In addition, any implementers that can deliver those savings and meet standardized eligibility criteria will be able to participate in this type of standardized program.

The basic structure of the program will be to set upfront criteria to allow implementers to be approved for participation through an existing program administrator. Examples of these criteria may include such things as building type, end-use/project type, forecasted net peak savings amounts, number of years in business, licenses and certifications, demonstrated ability to complete energy efficiency projects, and/or other criteria. Interested program

implementers would submit appropriate information to be reviewed for approval by the program administrator. Once approved, implementers would be able to begin energy efficiency upgrades and project submissions, according to processes established by the program administrator.

Then, project-level energy savings will be paid for based on the TSB delivered by the project, discounted to account for program administration costs, and adjusted to include a "kicker" for peak and net peak savings delivered in June through September of 2022 and 2023. Payment to implementers will be based on measured TSB and will be made in accordance with rules outlined in the NMEC Rulebook[2] and processes set by the program administrator.

This program should be designed to achieve net peak savings that are incremental to the energy efficiency goals adopted in D.21-09-037. Program administrators will develop program requirements to ensure that eligible projects are targeted to deliver savings at net peak times. Each implementer approved for participation will need to commit to achieve a certain amount of net peak savings across their project portfolio, with performance payment penalties or bonuses applied to that threshold.

For purposes of the two-year period of 2022 and 2023, we will waive cost-effectiveness threshold requirements for this program as an emergency program. This means that costs and benefits from this program will not be included in an energy efficiency program administrator's portfolio-level cost-effectiveness calculations.

[2] Available at the following link: https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/demand-side-management/energy-efficiency/rolling-portfolio-program-guidance. Link directly to the rulebook: https://www.cpuc.ca.gov/-/media/cpuc-website/files/legacyfiles/n/6442463694-nmec-rulebook2-0.pdf.

This is reasonable because these reliability needs for 2022 and 2023 were unforeseen during the development of our current avoided costs, which were based on load forecasts from 2019.[3] The Governor's Proclamation itself points to the need to bring additional sources of energy (or demand reductions) online in time to address an "unforeseen" shortfall of capacity, and asks the Commission to do all we can to facilitate new resource contributions by "expanding" and "expediting" approval of clean energy projects. In addition, this type of program is very low risk to ratepayers regardless of cost-effectiveness score, because actual energy savings are measures based on NMEC methods, payments to aggregators are made based on performance, and spending is limited by the TSB actually achieved. Therefore, it is reasonable to suspend cost-effectiveness rules for this purpose for this unforeseen emergency situation in response to the Governor's Proclamation.

In addition, the Market Access program budget will not be applied to the third-party threshold requirements, since this program is being considered and approved outside of that structure.

Projects participating in this program will be required to be installed by no later than June 1, 2023. Program administrators may propose to extend the program beyond that date, but should include such proposals in their four-year portfolio filings in February 2022 and/or in future filings.

In assessing the appropriate budget cap for this program, we evaluated the proposal of Recurve that was based on MCE's current program and territory size (in terms of customers and energy usage on their system). On that basis, a

[3] See the following link for documentation on the current ACC: ftp://ftp.cpuc.ca.gov/gopher-data/energy_division/EnergyEfficiency/CostEffectiveness/2021%20ACC%20Documentation%20v1b.pdf.

statewide budget of approximately $300 million per year would be warranted, but given that we have not yet authorized such a program on this scale, we will be more conservative. While we want to set a funding cap for this initiative at a level that spurs investment and fast activity in the market, we also want it to be realistic.

We will have a later opportunity to extend this approach beyond 2023 later if it proves successful. For now, we will assign a total budget statewide not to exceed $150 million for 2022 and 2023. This allows for a ramp up, with smaller expenditures likely for 2022 benefits and a more robust response in 2023. We will further consider the appropriate funding level when we evaluate all of the program administrators' four-year portfolio proposals to be filed in February 2022.

Each utility program administrators' proportion of the $150 million statewide should be calculated based on the proportions contained in Decision (D.) 19-12-021, Table 1, with the proportions adjusted for the fact that SoCalGas is not required to contribute, since this decision concerns only electric peak and net peak demand savings.[4]

While the budget allocation will necessarily be by utility service territory, any program administrator may choose to administer this program within their geographic areas, including RENs and CCAs. All interested program administrators will be invited to submit advice letters seeking to reserve funding (and with additional details specified below). If the total amount of funding requested exceeds the initial $150 million outlined in this decision, we may choose to pro-rate the requests, once we see the response from the program

[4] Available at: https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M321/K507/321507615.PDF.

administrators. However, to encourage a coordinated approach, we require each utility to meet and confer with the other program administrators operating within their geographic area, to discuss coordination and total budget allocation, prior to submitting the advice letter described below.

Then, each interested program administrator shall submit a Tier 2 advice letter within 45 days after the issuance of this decision. Each advice letter shall contain at least the following information:

- Requested budget;
- Anticipated net peak demand savings and TSB, for both 2022 and 2023;
- Description of net peak demand threshold for implementer eligibility and any bonuses or penalties that will be applied;
- Description of how programs will apply a "kicker" for peak and net peak times, in June through September of 2022 and 2023;
- Description of the reporting processes, including at least monthly reporting specific to these programs;
- Description of any plans to integrate long-lasting energy efficiency deployment with other opportunities like demand response, and including a description of how measurement of energy efficiency and other savings will be disaggregated and paid for; and
- Description of how programs will be designed to achieve savings that is incremental to savings in the main energy efficiency portfolio.

Prior to program launch, program administrators must post an implementation to the Commission's California Efficiency Data and Reporting System (CEDARS) website. While implementation plans will not be subject to Commission or staff approval, they must conform with information submitted in

advice letter filings and must include a program-level measurement and verification plan that meets the requirements in the NMEC Rulebook.

There is no need to specify other energy savings requirements or measure-level calculations, since savings will be calculated using NMEC methods. Program administrators will be required to report the incremental savings achieved as part of their regular reporting requirements, including Annual Reports. In addition, all summer reliability efforts will be required to provide weekly or monthly savings reporting to the Commission, including up-to-date forecasts of peak or net peak savings, based on completed installations and enrolled customers. We delegate to Commission staff to determine the reporting process for the summer reliability efforts described in this decision.

4.1.2. Marin Clean Energy Peak FLEXmarket Program

MCE, as part of its proposal, requested to use approximately $11 million in unspent funding to scale the Peak FLEXmarket program to deliver increased load reduction and grid benefits during the summer of 2022 and 2023. MCE also proposes to implement this change in concert with their other FLEXmarket programs.

This approach is largely the model for the larger Market Access Program approved in this decision. As mentioned above, this type of program is very low risk to ratepayers, because it requires measurement of actual energy savings using NMEC methods, payments are based on performance, and program spending is limited by total system benefit achieved. So far, the MCE version appears to have been performing well, as evidenced by its budget

oversubscription as of May 2021, exceeding MCE's initial enrollment forecasts.[5] Many parties, including MCE, Recurve, and PG&E also support the program and/or the program concept in comments in this proceeding. The program structure is already operating and does not need additional time to scale up. MCE also can utilize unspent funds without the need to increase collections from ratepayers. For all of these reasons, we see no reason why MCE should not be authorized to augment their program and this decision approves this portion of the MCE proposal. MCE will be required to report the increased load reduction and grid benefits as a result of this additional funding authorization separately to the Commission according to the reporting requirements to be developed by Commission staff for summer reliability purposes.

4.1.3. 3C-REN Energy Assurance Program

One of the proposals in the 3C-REN comments was to augment its Energy Assurance Program, which targets public, commercial, and WE&T activities, by expanding into San Luis Obispo and Santa Barbara Counties, with an additional $5 million in funding. This funding would be incremental and represents an expansion of already ongoing activities.

Since 3C-REN's proposal is a geographic expansion of program activities already underway, it seems particularly suited to producing near-term results. Therefore, we approve this expansion of this program only, with incremental funding of $5 million for program years 2022 and 2023 only. Funding for future years will be considered in the 3C-REN portfolio filing due in February 2022.

[5] *See* MCE Advice Letter 49-E, filed May 2021.

4.1.4. Third-Party Solicitation for Additional Reliability-Focused Programs or Measures

SDG&E, as part of their comments, proposed to hold a third-party solicitation, presumably through their normal third-party solicitation process, for programs and measures that would deliver peak and/or net peak demand savings in the summers of 2022 and 2023.

While to some degree such an effort could end up overlapping with the Market Access Program approved in this decision, we generally support the idea of going to the energy efficiency market for additional ideas from third parties where a need is identified. There may be measures or program approaches that we have overlooked in the short timeframe utilized for the development of this decision. We also recognize, however, that it will be a challenge to conduct a solicitation, execute contracts, submit and receive approval for contracts, as applicable, according to the normal third-party solicitation process, and get programs on the ground for the summer of 2022. Still, there may be value for 2023, and therefore we still find this to be a valid concept worthy of funding and effort.

Therefore, in this decision we approve a total statewide incremental budget to conduct an additional third-party solicitation to result in programs launched before summer 2023, focused on delivering peak and/or net peak demand savings either through energy efficiency or IDSM activities. In determining the total statewide budget, we have taken into account the size of the effort we are approving for the Market Access program, the size of the utilities' current third-party solicitation efforts over the next few years, and the fact that it is likely that this will be a budget for one year's worth of benefits. Based on this rationale, we approve a statewide budget of $30 million for a single

additional third-party solicitation to support peak and/or net peak benefits associated with energy efficiency or IDSM.

Since SDG&E proposed the idea, and to keep the administration simple and streamlined, we select SDG&E to be the statewide administrator on behalf of all utility program administrators. SDG&E shall develop a single solicitation plan and schedule to be reviewed by SDG&E's procurement review group (PRG). SDG&E may follow a single-stage solicitation process, as described further in the next section, and shall launch the solicitation no later than February 1, 2022.

SDG&E may execute multiple contracts from the solicitation, as long as criteria and process for selection of bids to move to contract negotiation, as well as the contract negotiation process, adheres to the normal third-party solicitation process, where solicitation plans and processes are presented to the PRG and independent evaluator (IE) in advance of executing the process. SDG&E should fully leverage the existing third-party solicitation process, including the PRG and IE, and should submit by Tier 2 advice letter any contract that meets the threshold criteria in D.18-01-004, by no later than September 15, 2022.

We also direct SDG&E to prioritize programs that use a pay-for-performance structure in the selection process. All projects resulting from the solicitation must be launched (*i.e.*, open for participants) with sufficient lead time, as proposed by the bidder and reviewed by SDG&E and discussed with the IE and PRG) to ensure installation and operation of energy efficiency measures by June 1, 2023, to achieve energy savings during peak and net peak hours of summer 2023.

The intent of this decision is that the energy efficiency summer reliability programs resulting from this solicitation should be incremental to the energy

efficiency savings already forecasted for the general energy efficiency portfolios. New contracts executed for this solicitation shall be designed not to impact other already-executed third-party contracts or other energy efficiency programs already launched from realizing their forecasted savings and the opportunity to earn payments according to established terms. Likewise, the intent with this solicitation is not to encourage existing contracted implementers to find more favorable contract terms to deliver the same savings they are already being paid to deliver with prior contracts, thus suggesting the savings would not be truly incremental.

In that regard, because the intention of this new third-party solicitation is to produce incremental energy savings, the programs are not required to meet a cost-effectiveness threshold, for similar reasons to those described above in Section 4.1.1 related to the Market Access program. We expect the solicitation to result in new, innovative, integrated approaches that would not otherwise be eligible for the existing energy efficiency portfolio. Though there will be no threshold TRC and PAC cost-effectiveness requirements, we will still require SDG&E to include TRC and PAC calculations in their reporting processes and advice letter submittals, as applicable. For the same reasons, the program savings resulting from this solicitation will be considered incremental to existing energy efficiency forecasts. Thus, energy savings shall not count towards the utility energy efficiency savings goals, nor toward the third-party solicitation targets established by D.16-08-019 and as subsequently modified.

To fund this program, PG&E, SCE, and SDG&E shall contribute their proportion of the total $30 million budget in the proportions outlined in D.19-12-021, Table 1, with PG&E and SCE transferring their portion of the total budget to SDG&E for statewide administration.

4.1.5. Single-Stage Solicitations for Reliability-Focused Programs

Several parties, including SCE and PG&E, proposed allowing the utilities, who are already in the process of conducting third-party solicitations to comply with their third-party requirements, to move to a single-stage solicitation process for reliability-focused programs.

While in general the two-stage process has been implemented in a way that takes longer than necessary, it seems reasonable that moving to a single-stage solicitation can save additional time. We urge the utility program administrators to continue to streamline the process even for the two-stage solicitations.

The key question here is to determine the criteria to apply to the solicitations that are reliability-focused and can be converted to a single-stage solicitation. None of the proposals from the utilities around third-party solicitations contained a great deal of detail on how the solicitation process would be structured. Given that, we will approve here the concept of a single-stage solicitation process for the reliability-focused solicitations, and require the utility program administrators to present to their PRG within 60 days of issuance of this decision which solicitations will move to a single-stage process, how these solicitations are reliability-focused, and how the solicitation and contracts will be structured to achieve savings specific to peak and/or net peak demand and not affect savings anticipated or opportunities for payments to implementers of recently-signed third-party contracts.

4.1.6. Reallocation of Unspent Funds

SCE, in its comments, asked for increased budget flexibility to reallocate to reliability-focused programs or projects where they find opportunities. While this proposal was not terribly specific, we find merit in the concept that any

program administrator should be encouraged to reprioritize its budget in such a way as to maximize reliability benefits, especially for the summers of 2022 and 2023.

Therefore, we include in this decision authorization for any program administrator to submit a Tier 2 advice letter at any time through June 2023 with notification that they intend to reallocate funds, and how, for summer reliability purposes. This does not authorize any increase in program funding, but rather ensures maximum utilization of any unspent funds from prior years or from less-successful programs, taking into account direction in D.21-01-004 for implementation of AB 841, to focus priority on summer reliability peak and/or net peak demand reduction purposes.

4.1.7. Expedited Processes for Reliability-Focused Custom and Site-Level NMEC Projects

There were several proposals from parties that concerned the process around site-level NMEC and custom projects. In general, we agree with the need to expedite a number of items to ensure that projects that will produce reliability benefits can come online by summer 2022 and 2023.

In general, we urge the program administrators to streamline and expedite review, whenever possible, while adhering to the standards needed to support the custom project review process, of any projects in their pipeline that will result in peak or net peak savings as soon as possible. Retrofit custom projects already slated for installation in the large commercial, industrial, and agricultural sectors seem particularly suited for prioritized treatment.

Along similar lines, we intend to ensure that our involvement in the custom project process is as streamlined as possible. In particular, Commission staff will prioritize the review of any custom projects selected for review if they

have summer reliability impacts, through at least the summer of 2023. Review and approval of any measure packages, including but not limited to the indoor lighting workpaper mentioned by SCE in its comments, will also be prioritized. We will also take into account Gridium's suggestion to consider site-level NMEC changes as part of the NMEC working group and rulebook updates.[6]

4.2. Actions to be Addressed in Other Venues

This section discusses concepts proposed by parties where we have a generally favorable view of the proposal, but where it is more appropriate to take up those ideas in another venue.

4.2.1. ACC Modifications

The first proposal we consider is related to introducing an "adder" or an "accelerant" to the ACC for peak and/or net peak hours, to recognize the enhanced value of energy efficiency or demand reduction impacts during these key hours for purposes of system reliability. This concept, or one similar to it, was introduced in comments from NRDC, Recurve, Enovity, and PG&E.

While we agree there is merit to considering this type of change to the ACC to reflect the importance of the peak and/or net peak period for system reliability, the ACC modifications are not usually within the scope of this proceeding, but rather are typically addressed in the IDER proceeding (R.14-10-003). This type of change to assumptions would also have impacts that are more far-reaching than the limited purpose of this decision, which is reliability impacts for the summer of 2022 and 2023. In addition, there are more parties represented in R.14-10-003 that can contribute to a more robust

[6] Updates will be posted to this web page: https://www.cpuc.ca.gov/industries-and-topics/electrical-energy/demand-side-management/energy-efficiency/rolling-portfolio-program-guidance.

consideration of changes to the ACC that may assist with summer reliability benefits. For all of these reasons, we defer consideration of ACC modifications to further discussion in R.14-10-003.

4.2.2. Energy Savings Assistance Program

Another set of proposals, including from Synergy, recommend inserting demand response and/or reliability messages or requirements into the ESA program addressing low-income customers. We are open to making modifications in the ESA context to allow for more emphasis on peak demand reduction and reliability. However, the Commission has recently established an ESA working group,[7] which would be a more appropriate venue for this type of focus for ESA to be discussed and implemented. Thus, we defer any ESA-related requirements to the ESA working group venue for further discussion and consideration.

4.2.3. On Bill Financing

Several parties proposed modifications to the funding levels, project eligibility criteria, or project size caps for the OBF program, including ENGIE, Enovity, and SDG&E. Gridium also proposed only to count the net present value of the interest rate subsidy as the full measure cost in OBF.

We note that by the terms of D.19-03-001, the utility program administrators already have some flexibility to modify the terms of their OBF Programs by submitting a Tier 2 advice letter, within certain limitations. All of the changes proposed by commenters here could be accomplished through that mechanism, with the exception of Gridium's proposed changes. Changes to the calculations for cost-effectiveness have broader implications and should be taken

[7] *See* D.21-06-015 at 518, Ordering Paragraphs 177 and 178.

up in this proceeding more broadly in the future. Otherwise, we invite the utility program administrators to offer more OBF project flexibility within the parameters already authorized in D.19-03-001.

4.2.4. Smart Communicating Thermostat Proposals

Google commented on adopting the SCT recommendations from the Energy Division staff concept paper that was issued in the summer reliability rulemaking (R.20-11-003), recommending allowing SCT installations in all climate zones and prioritizing the hottest climate zones, with additional requirements for demand response automatic enrollment and prioritization of the approval of certain work papers.

All of these issues are being taken up in R.20-11-003 and therefore we will not adopt any of these recommendations here. We also note that the workpaper review, which is normally handled by Commission staff that work on this proceeding, is already underway.

SoCalGas also requested $7 million per year to install more SCTs with enrollment into an electric demand response program. SoCalGas also requested associated approval of new savings estimates, as well as additional funds for direct install measures. Since these are complex proposals with electric benefits that would be produced by a gas utility, we prefer to consider this proposal as part of SoCalGas' proposed portfolio due to be submitted in February 2022.

4.2.5. Interconnection and Net Metering Processes

Several parties, including ENGIE and SoCalREN, discussed the need to expedite interconnection of distributed energy resources in order to meet summer reliability objectives. This is another area that the Commission has been pursuing for some time, but that is taking place in other venues. Rule 21

interconnection process improvements and upgrades are underway as a result of two recent decisions (D.21-06-002 and D.20-09-035) and therefore we will not undertake further discussion of these issues related to interconnection rules and processes here.

SoCalREN also proposed that the Commission suspend changes to the net metering tariffs for a period of two years, presumably to allow projects to proceed under the existing rules and thereby have greater certainty of estimated bill savings. This is another proposal that is not appropriate to consider in this rulemaking that is designed for the energy efficiency program context alone. The Commission has a net metering rulemaking (R.20-08-020) where it would be more appropriate to take up this suggestion.

4.3. Rejected Proposals

In this section, we describe the proposals that the Commission is not approving in this decision and our rationale.

4.3.1. Large Policy Changes

A number of the proposals put forward by parties in response to the ALJ e-mail Ruling addressed policy change recommendations for the Commission. Many of these proposals have far-reaching implications for the energy efficiency portfolio as a whole and are not laser-focused on near-term summer reliability benefits, and as such, this decision is not the appropriate place to make such changes. The particular proposals we reject are discussed below, along with our rationale.

The first of these proposals involves changing the entire energy efficiency portfolio to using the PAC test instead of the TRC test for cost-effectiveness assessments. This is a policy issue that has been raised many times already in this proceeding and we understand that many parties prefer this alternative for

numerous reasons. Whatever the rationale, it is clear that such a change, all other things being equal, would have an immediate effect of increasing the number of activities that would be considered cost-effective, thereby raising the budgets for energy efficiency. While we are not closed to such a result, far-reaching changes to long-standing cost-effectiveness policy need to be done thoughtfully and therefore this proposal is not something we will approve in response to the emergency proclamation.

Another proposal from PG&E suggested treating all reliability-focused projects with an accelerated replacement baseline. While it is our hope that the urgency of the focus on summer reliability inspires many customers to accelerate their projects, that is not guaranteed. This is another area where we are reluctant to deviate from established policy that was painstakingly developed over several years not very long ago. Without additional vetting, it is not clear if such a change could have unintended negative consequences for ratepayers without necessarily producing proportional benefits. Therefore, we will not approve an accelerated replacement baseline for reliability-focused projects in this decision.

4.3.2. Specific HVAC Programmatic Proposals

IGSD, in its comments, proposed a major initiative focused on HVAC conversions to heat pumps to save peak demand from cooling devices. IGSD's proposal assumes that a great deal of existing funding for other energy efficiency programs could be reallocated to this initiative. IGSD also projects an impact that is very large compared to the savings that our most recent energy efficiency potential study identified as cost-effective for this particular type of project. This would also involve a large redirection of funding for the program administrators on short notice with negative implications for the rest of the portfolio. Therefore,

while we are certainly interested in focusing efforts on HVAC replacements and upgrades in the portfolio, this is a proposal that is more appropriately taken up when we evaluate the next four-year portfolio from the program administrators due to be filed in February 2022.

SCE also proposed a major new initiative focused on installing residential HVAC heat pumps, covering air-conditioning and substituting for heating fueled by natural gas. SCE estimated a large amount of savings from the launch of this emergency program. Similar to the IGSD proposal, while this fuel substitution initiative may have merit, we prefer to look at it in the context of SCE's overall program portfolio to be filed in February 2022.

Finally, we have already discussed and rejected for now the HVAC proposal by SoCalGas above, pending additional consideration when SoCalGas makes its portfolio proposal in February 2022.

4.3.3. AB 841 Programs

ENGIE and SDG&E both proposed to augment the AB 841 school initiatives being administered by the CEC to target ventilation projects that could produce peak and/or net peak demand savings. While we agree conceptually with the notion that adding to existing programs already underway but adding a focus on peak demand reduction is a logical strategy, the reality is that the AB 841 program is already very complex and has many statutory requirements that are not related to energy efficiency. Furthermore, the CEC has authority to oversee the program and development implementation details, while our responsibility is to authorize the funding. For all these reasons, we reject this proposal and do not authorize additional requirements for the AB 841 program at this time. We do encourage the CEC to consider the ideas brought forward by ENGIE in their implementation of the AB 841 program as it can be a key channel

for resources to these schools and potentially load flexibility opportunities to address needs at net peak to support reliability and equity.

4.3.4. Addition of Solar and Storage to Multifamily Programs

3C-REN and BayREN both proposed to expand their residential energy efficiency multifamily building programs with additional funding to include the installation of solar and storage. The rationale behind this proposal is both to integrate distributed energy resources as well as to generate benefits during peak and net peak periods.

While we are generally in favor of integration of demand-side solutions for customers, in this particular case, multifamily buildings may be among the most difficult places to accomplish this goal. The challenges of installing solar and storage in multifamily buildings are numerous, involving navigating the net metering and virtual net metering tariff rules and other restrictions involving installations behind- or in-front-of the meter. Therefore, due to this complexity, we decline to approve this program proposal because it appears unlikely that the benefits could materialize in time for the summers of 2022 and 2023.

4.3.5. Other Proposals Not Specifically Discussed

In the case of any particular proposals not already specifically mentioned and discussed above in this decision, we decline to approve those proposals as well. In most cases, there was not enough detail or specificity submitted by the proposing party to allow us to approve the proposal without further record development. In some other cases, program administrators proposed to augment programs that may not have a sufficient track record that warranted giving them additional funding and/or the program administrator may have a large amount of unspent funding already, making it unclear how they could

effectively utilize a large amount of additional funding in a short period of time for summer reliability purposes.

Proposals that we can adopt in this decision needed to have sufficient detail, rationale, and track record already developed to be able to be self-explanatory and essentially self-executing, once approved. Since that was not the case for many proposals, they will be denied in this decision, but may be further considered with the filing and consideration of the program portfolios by the program administrators that will be proposed in February 2022.

5. Comments on Proposed Decision

The proposed decision of ALJ Fitch in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____, and reply comments were filed on _____ by _____.

6. Assignment of Proceeding

Genevieve Shiroma is the assigned Commissioner and Julie A. Fitch and Valerie U. Kao are the assigned ALJs in this proceeding.

Findings of Fact

1. Governor Newsom issued a Proclamation of a State of Emergency on July 30, 2021, in response to significant and accelerating impacts of climate change in California.

2. The Governor's Proclamation requested that the Commission identify and prioritize deployment of clean energy and storage projects to mitigate the risk of capacity shortage and increase the availability of carbon-free energy at all times of day.

3. Energy efficiency and other clean demand-side investments identified as part of the Governor's Proclamation are currently most valuable during peak and net peak demand hours (4:00 p.m. – 9:00 p.m. and 7:00 p.m. - 9:00 p.m., respectively), particularly for the summers of 2022 and 2023.

4. Proposals received from parties in this proceeding in response to the Governor's Proclamation generally fell into three categories: activities that reduce peak or net peak demand, activities that result in permanent load reductions, and activities that generally fall outside of the scope of the proceeding.

5. A program such as the Market Access program, which is based on a similar program already being run by MCE, measures savings based on population-level NMEC measurement and pays aggregators based on verified performance delivering energy savings.

6. MCE has already demonstrated growing aggregator participation and multi-party support for its FLEXmarket programs, which pay for energy savings delivered utilizing a PFP structure and based on NMEC population-based methods.

7. Under the Market Access program adopted in this decision, funds will only be expended on projects that demonstrate actual energy savings using NMEC methods.

8. MCE can quickly deploy additional projects through its existing FLEXmarket program by reallocating $11 million in otherwise unspent funds to this program in 2022 and 2023.

9. 3C-REN is running an existing Energy Assurance program that can quickly be expanded to two additional counties within its geographic reach for

2022 and 2023. This expansion will require $5 million in additional funding for the two-year period.

10. The Commission has been pursuing a policy of outsourcing energy efficiency program design and implementation responsibilities to third parties for several years, reflected in D.16-08-019 and D.18-10-008, among other recent decisions.

11. A single-stage solicitation process for reliability-focused programs in 2022 and 2023 is likely to save time and allow programs to be deployed more quickly.

12. The Commission typically considers modifications to the ACC in the IDER rulemaking, in order to account for the impacts on all demand-side programs and measures.

13. The Commission recently established an ESA working group in D.21-06-015.

14. D.19-03-001 gave the utility program administrators with OBF programs flexibility to adjust their programs by filing a Tier 2 advice letter.

15. Net metering processes and tariffs are being addressed in R.20-08-020.

16. Interconnection processes have been recently addressed in D.20-09-035 and D.21-06-002.

17. The concept of using the PAC test instead of the TRC test as the primary test for main energy efficiency portfolio cost-effectiveness has been rejected numerous times already in this proceeding, most recently in D.21-05-031.

Conclusions of Law

1. Energy efficiency programs fall under the clean energy requests in the Governor's Proclamation as activities that should be expedited if they can contribute to system reliability and mitigate the risk of capacity shortages.

2. Proposals that generally fall outside of the scope of the energy efficiency rulemaking are not appropriate for approval in this decision unless a nexus with energy efficiency can be shown.

3. It is reasonable for the Commission to prioritize energy efficiency and related actions that can result in immediate or rapid deployment of projects to achieve peak and net peak demand savings for summers 2022 and 2023.

4. It is reasonable to prioritize additional funding for programs that have already been proven to deliver savings and where infrastructure is already in place to support rapid deployment of additional projects.

5. It is reasonable for the Commission to seek to ensure that energy and peak demand savings for new activities are incremental to existing activities, and not just representing activities that would have already been conducted anyway within existing funding and programs.

6. It is reasonable for the Commission to suspend the cost-effectiveness requirements for the Market Access program approved in this decision because the program only pays aggregators who deliver actual savings, mitigating the need for up front cost-effectiveness estimates in favor of actual savings measured with NMEC methods. In addition, it is an emergency approach designed to respond to the Governor's Proclamation.

7. It is also reasonable for the Commission to suspend cost-effectiveness thresholds for the third-party solicitation required in this decision because it is intended to be incremental to the main energy efficiency portfolio efforts, and is also an emergency order in response to the Governor's Proclamation.

8. It is reasonable for the Commission to budget up to $150 million in incremental funds for the Market Access program because of its statewide potential to be deployed quickly and effectively to address summer reliability

needs in 2022 and 2023, to address the unforeseen reliability situation described in the Governor's Proclamation.

9. MCE should be approved to utilize $11 million in existing unspent program funds for 2022 and 2023 to augment its FLEXmarket program, to address the unforeseen reliability situation described in the Governor's Proclamation.

10. 3C-REN should be approved for $5 million in incremental funding to expand the geographic reach of its Energy Assurance program in 2022 and 2023, to address the unforeseen reliability situation described in the Governor's Proclamation.

11. It is reasonable to go to the market for third-party implementers in California for additional program ideas and strategies for garnering peak and/or net peak demand savings for summers 2022 and 2023. The utility program administrator should be directed collectively to allocate an additional $30 million statewide in 2022 and 2023 for this purpose, to address the unforeseen reliability situation described in the Governor's Proclamation.

12. It is reasonable to select SDG&E as the statewide administrator to conduct the third-party solicitation for reliability-focused programs in 2022 on behalf of electric utility customers statewide.

13. Any third-party solicitations that are focused on summer reliability should be authorized to be converted to a single-stage solicitation process for 2022 and 2023.

14. It is reasonable to allow any energy efficiency program administrator to reallocate unspent and uncommitted energy efficiency funds to maximize reliability benefits and peak and/or net peak demand savings in 2022 and 2023.

15. Tier 2 advice letters are the appropriate vehicles to allow program administrators to reserve funds from the additional energy efficiency budgets authorized in this decision, in proportions by utility service territory reflected in D.19-12-021, Table 1,[8] as well as to propose certain implementation details for the Market Access and third-party solicitation proposals. A Tier 2 advice letter is also appropriate for reallocating unspent funds from other programs to reliability-focused programs in 2022 and 2023.

16. It is reasonable for Commission staff to prioritize review of workpapers related to programs that will produce summer reliability benefits and consideration of site-level NMEC changes in 2022 and 2023.

17. It is reasonable for changes to the ACC, including augmented or accelerated values for peak and/or net peak demand impacts, to be considered in the IDER proceeding.

18. It is reasonable for integration issues associated with the ESA program to be handled by the ESA working group set up in D.21-06-015.

19. Many of the suggestions of parties in this proceeding with respect to modifications to OBF programs may be handled by the utility program administrators according to the provisions of D.19-03-001.

20. Smart communicating thermostat program ideas for 2022 and 2023 should be taken up in R.20-11-003.

21. Net metering suggestions should be considered in R.20-08-020.

22. Rule 21 interconnection rules are outside the scope of this proceeding.

[8] *See* https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M321/K507/321507615.PDF.

23. It is not appropriate to make wholesale policy changes affecting the entire energy efficiency portfolio, such as cost-effectiveness rules and baseline rules, in a decision addressing emergency summer reliability needs for 2022 and 2023.

24. The Commission should not require augmentation of the AB 841 schools programs for purposes of summer 2022 and 2023 reliability, as the CEC has authority to oversee the program and develop implementation details, while the Commission's authority is to authorize funding.

25. While the concept of adding energy storage and solar generation to existing energy efficiency projects in multifamily buildings is conceptually interesting, there are numerous challenges associated with the multifamily context that make this a poor fit for rapid deployment in 2022 and 2023 and therefore the Commission should not approve additional funds for this purpose.

26. Program proposals from parties that did not contain sufficient detail, rationale, or track record should not be approved by the Commission for additional funding or deployment at this time.

27. Since this decision is in response to the Governor's Proclamation, it is reasonable to require at least monthly savings reporting from any program authorized in this decision, and to delegate to Commission staff to determine the exact timing and nature of the reporting requirements.

O R D E R

IT IS ORDERED that:

1. An incremental budget of $150 million in the territories of Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) shall be allocated, according to the proportions included in Decision 19-12-021, Table 1, and subtracting Southern California Gas Company's portion, during energy efficiency program years 2022

and 2023 for a Market Access program as described in this decision. PG&E, SCE, and SDG&E shall meet and confer with the other energy efficiency program administrators operating within their geographic territories to discuss program collaboration and budget allocation. Subsequent to these meetings, to access these funds, any existing authorized energy efficiency program administrator interested in deploying this program shall file a Tier 2 advice letter within 45 days after the effective date of this decision, containing the following information:

(a) Requested budget;

(b) Anticipated net peak demand savings and total system benefits, for both 2022 and 2023;

(c) Description of net peak demand threshold for aggregator eligibility and any bonuses or penalties that will be applied;

(d) Description of how programs will apply a "kicker" or peak and net peak times, for June through September of 2022 and 2023;

(e) Description of the reporting process, including at least monthly reporting specific to these programs;

(f) Description of any plans to integrate long-lasting energy efficiency deployment with near-term opportunities like demand response, and including a description of how energy efficiency and other savings will be disaggregated and paid for; and

(g) Description of how programs will be designed to achieve savings that are incremental to the main energy efficiency portfolio.

Prior to program launch, each program administrator shall post an implementation plan with a program-level measurement and verification plan that meets the requirements in the Normalized Metered Energy Consumption Rulebook.

2. Marin Clean Energy is authorized to redeploy $11 million in unspent energy efficiency funds to augment its Peak FLEXmarket program budget in 2022 and 2023.

3. Tri-County Regional Energy Network shall be allocated an additional $5 million in funding for 2022 and 2023 to expand its Energy Assurance Program to San Luis Obispo and Santa Barbara Counties.

4. An incremental budget of $30 million in the territories of Pacific Gas and Electric Company, San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company shall be allocated during energy efficiency program years 2022 and 2023 for a single-stage third-party solicitation for reliability-focused programs to deliver peak and/or net peak demand savings. This program shall be funded in the proportions identified in Decision 19-12-021, Table 1, after subtracting the proportion of Southern California Gas Company. SDG&E shall be the statewide administrator and shall develop a solicitation plan and schedule to be reviewed by SDG&E's procurement review group for energy efficiency. SDG&E shall launch the solicitation no later than February 1, 2022.

5. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall be authorized to conduct single-stage solicitations for third-party programs during 2022 and 2023 for programs focused on delivering summer reliability benefits and peak/net peak demand savings. To implement this authorization, each utility shall present to their energy efficiency procurement review group within 60 days of the effective date of this decision, which solicitations will move to a single-stage process, how these solicitations will be reliability-focused, and how the solicitation and contract will be structured to achieve savings specific to peak and/or net peak

demand and will not affect savings anticipated from or opportunities for payments to implementers of recently-signed third-party contracts.

6. Any existing energy efficiency program administrator is authorized to reallocate unspent and uncommitted energy efficiency funding from prior years' budgets, taking into account direction in Decision 21-01-004 with respect to the School Energy Efficiency Stimulus Program, to 2022 and 2023 reliability-focused programs or measures. To implement this authorization, any energy efficiency program administrator may submit a Tier 2 advice letter at any time through the end of June 2023 with notification that they intend to reallocate funds, how, and why, to produce additional summer reliability benefits.

7. All programs authorized in this decision shall report savings impacts to the Commission at least monthly. Commission staff are authorized to determine further requirements for this reporting.

8. Rulemaking 13-11-005 remains open.

This order is effective today.

Dated _____, 2021, at San Francisco, California.