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R2504010

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking for
Oversight of Energy Efficiency
Portfolios, Policies, Programs, and
Evaluation.

Rulemaking 25-04-010

ASSIGNED COMMISSIONER'S SCOPING MEMO AND RULING

This scoping memo and ruling sets forth the issues, need for hearing, schedule, category, and other matters necessary to scope this proceeding pursuant to Public Utilities Code Section 1701.1 and Article 7 of the Commission's Rules of Practice and Procedure (Rules).

1. Procedural Background

This proceeding was initiated by the Commission on April 24, 2025 as a successor to the most recent energy efficiency Rulemaking (R.) 13-11-005. This proceeding was established as the forum for regulatory issues related to the ongoing oversight and administration of energy efficiency programs by the Commission.

A prehearing conference (PHC) was held on June 17, 2025 to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the proceeding, and address other matters as necessary. After considering the comments and reply comments on the Order Instituting Rulemaking (OIR) and the PHC statements, as well as the discussion at the PHC,

I have determined the issues and initial schedule of the proceeding to be set forth in this scoping memo.

2. Issues

As stated in the OIR, I expect that this proceeding, like its predecessor, will evolve as issues arise with respect to energy efficiency programs and implementation. Also similar to the OIR, the scope of issues to be addressed in this proceeding is divided into two categories: policy issues and implementation issues, both associated with the overall focus on impactful energy efficiency portfolios, as well as overall cost-effective energy efficiency programs.

2.1. Policy Issues

This section discusses the policy issues that are within the scope of this proceeding.

2.1.1. Natural Gas Measure Policy and Definition of Viable Electric Alternatives

In the Portfolio Administrators' 2024-2027 portfolio application proceeding (Application (A.) 22-02-005 *et al.*), the Commission addressed policy with respect to incentives offered for certain measures that save natural gas, in light of California's aggressive clean energy goals. Decision (D.) 23-04-035 addressed some issues related to this policy and directed additional processes, including a working group to, among other things, define and identify "viable electric alternatives" (VEA) to gas measures. A staff proposal is expected to be issued in 2025 for stakeholder input. Ongoing policy development associated with this natural gas measure policy, in the context of the broader state policy toward building decarbonization, will be needed.

Also as part of this issue area, later on in this proceeding, I expect the Commission will evaluate whether energy efficiency funding should be available

to encourage fuel switching (from unregulated fuels to regulated ones), in addition to fuel substitution (of one regulated fuel for another).

2.1.2. Community Choice Aggregator Oversight

Following modifications to Public Utilities Code Section¹ 381.1, D.14-01-033 was adopted providing guidance to community choice aggregators (CCAs) who wish to either apply to administer energy efficiency programs in their geographic area, or elect to administer programs only for their own electricity customers. Now that numerous CCAs have elected to administer energy efficiency programs under the provisions of Section 381.1(e)-(f), the Commission has more experience with the implementation of that policy. In particular, the budget formula for CCAs that elect to administer energy efficiency programs may need to be modified or refined. There may also be other aspects of CCA portfolio and/or program administration rules that require refinement. A staff proposal is expected to be issued on this topic in 2025 for stakeholder input.

2.1.3. Policy Guidance for 2026 Portfolio Applications

All current portfolio administrators are expected to file applications by February 15, 2026 for new portfolios to begin implementation in 2028. In advance of those applications, I expect that Commission staff will update the filing templates and instructions to the portfolio administrators, and that this guidance will be transmitted informally. To the extent that the Commission needs to give further direction more formally, this proceeding will be the venue, but further formal Commission direction is not expected to be needed at this time.

¹ All references to “Section” are to the Public Utilities Code Section unless otherwise indicated.

2.1.4. Portfolio Oversight and Cost-Effectiveness

This proceeding will provide a venue for the Commission to review energy efficiency portfolios for consistency with policy objectives, including affordability, decarbonization, and reliability, and to establish processes for continued Commission oversight. The proceeding is consistent with the March 2025 California State Auditor report, which included recommendations on how the Commission can improve its oversight of energy efficiency portfolios.² In addition, this proceeding aligns with the Commission's response to Governor Newsom's Executive Order N-5-24 regarding electricity affordability, which notes plans to "open a new rulemaking on energy efficiency in 2025" with "a focus on cost-effectiveness."³

I appreciate the importance of these topics and also emphasize the importance of energy efficiency programs as low-cost investments to reduce the overall cost of electricity and natural gas services for customers.

2.1.4.1. Portfolio Oversight

The last energy efficiency R.13-11-005 resulted in numerous changes to the energy efficiency portfolios, such as establishing portfolio segments for programs depending on their primary objectives and setting specific requirements by segment. This proceeding plans to build on that work to consider enhancements to the Commission's oversight of the energy efficiency portfolios and programs to promote maximum benefits to ratepayers. This will include (among other

² See the Auditor's report 2023-127 at the following link:

<https://www.auditor.ca.gov/reports/2023-127/>

³ See "CPUC Response to Executive Order N-5-24," February 18, 2025, at 18, available at the following link: <https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/cpuc-response-to-executive-order-n-5-24.pdf>

related issues) actions to identify and improve or conclude programs that consistently underperform and fail to achieve their goals or metrics. This may also include rules and requirements associated with third-party solicitations for utility portfolio administrators, as well as requirements for statewide program oversight and implementation.

2.1.4.2. Cost-Effectiveness

Cost-effectiveness policy is critical to the design and evaluation of energy efficiency portfolios which, like several other public benefit programs, are funded by ratepayers. Work to refine the Avoided Cost Calculator, which underpins much of the cost-effectiveness analysis, is ongoing in R.22-11-013. As part of a process of continual improvement of energy efficiency programs, adjustments may be needed to cost-effectiveness policies and their application within energy efficiency portfolios and programs. In addition, energy-efficiency-specific cost-effectiveness policy should be coordinated with the broader distributed resource cost-effectiveness work being undertaken in R.22-11-013. This proceeding may also evaluate actions that could improve the efficacy of energy efficiency portfolios and explore ways to reduce ratepayer funding for programs.

The scope of this proceeding will include any cost-effectiveness issues that are specific to the energy efficiency programs, such as energy efficiency costs, or the applicability of cost-effectiveness requirements to different administrators or segments of the energy efficiency portfolio. Matters that are more generally applicable to distributed energy resources, such as the design of the individual cost-effectiveness tests or their inputs should be handled in the Distributed Energy Resource Cost-Effectiveness R.22-11-013.

2.1.5. Treatment of Multifamily Buildings and Programs

In D.25-01-006, the decision which closed the predecessor proceeding (R.13-11-005), the Commission denied a motion by Bay Area Regional Energy Network (BayREN) and Tri-County Regional Energy Network (3CREN) on the treatment of multifamily buildings, for purposes of the custom project review process and some other aspects of energy efficiency policy. While the particular solution proposed by BayREN and 3CREN was rejected, I recognize there is a need to address the needs of the multifamily sector more directly and potentially craft new approaches to address this sector that is complex and challenging to serve. I expect that Commission staff will begin by hosting a workshop this year to solicit ideas on the best approaches.

2.1.6. Other Policy Issues

During our oversight of this proceeding, I expect that issues may arise related to the following topics that will also be in the scope of the proceeding:

- modifications or refinements to REN requirements and continued oversight;
- potential expansion of the definition of Hard-to-Reach customers to include individuals with disabilities, and additional refinement of equity segment categories in general;
- incorporation of the Environmental and Social Justice Action Plan goals into the energy efficiency portfolio, including but not necessarily limited to the Equity programs;
- consideration of the Disadvantaged Communities Advisory Group Equity Framework and its impact on the delivery of energy efficiency programs, including but not necessarily limited to the Equity programs;
- potential reevaluation of budget caps of various types (*e.g.*, 30 percent cap on Equity and Market Support portfolio

segments; 25 percent statewide requirement; 60 percent third-party requirement, etc.);

- continued attention to workforce issues, including the potential development of additional standards to ensure quality energy efficiency installations; and
- Normalized Metered Energy Consumption Rulebook modifications.

2.2. Implementation Issues

This Section discusses the implementation issues that are within the scope of this proceeding.

2.2.1. Potential and Goals

Every two years, the Commission undertakes an updated study to determine the energy efficiency potential that should be included by the California Energy Commission as part of its Integrated Energy Policy Report demand forecast. This study also determines the goals that the energy efficiency portfolio administrators should be expected to meet in overseeing and implementing their programs. A proposed decision is expected in this proceeding to address the energy efficiency goals for 2026 and beyond by August 2025.

2.2.2. Oversight of 2024-2027 Portfolios

The Commission authorized the energy efficiency portfolios for the period 2024-2027 in D.23-06-055. Any ongoing oversight of these approved portfolios will be conducted in this rulemaking.

2.2.3. Specific Program Area Oversight

Within this proceeding, I expect that we will address at least two specific program areas where there has been ongoing effort in the past. The first is the integrated demand-side management (IDSM) program area, where D.23-06-055 directed program activities that are still being initiated and implemented. The

second is the potential renewal of the California Hub for Energy Efficiency Financing (CHEEF) Go-Green Financing program, being overseen by the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) in the Office of the Treasurer for California. Funding is currently authorized for CAEATFA's work on the CHEEF and Go-Green Financing through June 2027 and reauthorization of the budget will be considered in this proceeding.

2.2.4. Oversight of Energy-Efficiency-Related Groups

There are several stakeholder and technical groups that have been created by the Commission over the years to support our energy efficiency policy and programs, including the California Technical Forum (CalTF), California Energy Efficiency Coordinating Committee (CAEECC), and the procurement review groups (PRGs), including any associated issues related to independent evaluators. Any evaluation, oversight, modifications, or consideration of recommendations from any of these or any other groups associated specifically with energy efficiency will be within the scope of this proceeding.

2.2.5. Other Implementation Issues

Other program or portfolio implementation issues that are within the scope of this proceeding, for which we may schedule specific activities, include:

- market transformation program rollout and oversight (coordinated with A.24-12-009);
- strategic energy management program updates;
- emerging technology program updates;
- oversight and improvements to the Database for Energy Efficiency Resources; and

- program evaluation oversight, conducted by Energy Division, and implications of evaluation outcomes for programs going forward.

2.3. Issues Not Within Scope

As discussed at the PHC and in several parties' comments to the OIR and PHC statements, San Diego Gas & Electric Company (SDG&E) has filed an application proposing to withdraw from administering regional energy efficiency programs (A.25-04-014). The issues raised in that application are not consolidated with this proceeding and I do not expect that we will undertake any general policymaking in this proceeding with respect to the authority or the policy implications of allowing a utility or any other portfolio administrator to withdraw from its role administering energy efficiency portfolios or programs. The issues associated with SDG&E's application will be addressed solely within A.25-04-014.

In addition, as stated by the Administrative Law Judges (ALJs) at the PHC, I expect that SDG&E will continue to fulfill its obligations as a full portfolio administrator, including the filing of a portfolio application by February 16, 2026, unless and until the Commission determines otherwise in A.25-04-014. This means, specifically, that SDG&E must file an application that includes a four-year portfolio and an eight-year strategic business plan that assumes that SDG&E continues to administer regional energy efficiency programs. If the Commission later makes a determination to grant SDG&E's request in its application (A.25-04-014), the Commission may then consider how to handle SDG&E's portfolio application for its 2028-2031 program portfolio and 2028-2035 strategic business plan. In the meantime, this complete portfolio planning will be useful to help the Commission better understand the energy efficiency needs in the San Diego region.

3. Need for Evidentiary Hearing

At this time, there are no identified issues of material disputed fact. However, it is possible that such disputed facts may arise during the course of the proceeding. Accordingly, I determine that evidentiary hearings may be needed, but do not schedule hearings at this time. In the future, if disputed facts arise, the ALJs will provide parties with an opportunity to identify the disputed issues and request hearings.

4. Schedule

The schedule in the table below is adopted here and may be modified by the ALJs as required to promote the efficient and fair resolution of the rulemaking. The schedule is shown below for events for which activities are already planned. Activities for other items within the scope will be scheduled as needed throughout the course of the proceeding, and most likely after the currently-scheduled items below are completed.

EVENT	DATE
Energy Efficiency Potential and Goals	
ALJ Ruling issued with consultant report for party comments	<i>Already Completed</i>
Opening comments filed and served	<i>Already Completed</i>
Reply comments filed and served	<i>Already Completed</i>
Proposed Decision	July 2025
Commission Decision	August 2025
Guidance for 2026 Portfolio Applications	
Informal guidance and filing templates released by Commission staff	No later than end of August 2025

EVENT	DATE
Portfolio Administrators file complete applications for 2028-2031 program portfolios and 2028-2035 business plans	February 15, 2026 ⁴
VEA Policy	
ALJ Ruling issued with staff proposal for party comments	3 rd Quarter 2025
Opening comments filed and served	3 rd Quarter 2025
Reply comments filed and served	3 rd Quarter 2025
Proposed Decision (PD)	4 th Quarter 2025
Commission Decision	No sooner than 30 days after the PD
Multifamily Programs and Policy	
Workshop	3 rd Quarter 2025
ALJ Ruling issued with staff proposal for party comments	3 rd Quarter 2025
Opening comments filed and served	4 th Quarter 2025
Reply comments filed and served	4 th Quarter 2025
Proposed Decision	4 th Quarter 2025
Commission Decision	No sooner than 30 days after the PD
CCA Elect-to-Administer Budgets and Policy	
ALJ Ruling issued with staff proposal for party comments	4 th Quarter 2025
Opening comments filed and served	1 st Quarter 2026

⁴ February 15, 2026 falls on a Sunday, so the actual due date will be February 16, 2026.

EVENT	DATE
Reply comments filed and served	1 st Quarter 2026
Proposed Decision	2 nd Quarter 2026
Commission Decision	No sooner than 30 days after the PD

Due to the complexity and ongoing nature of our oversight of the energy efficiency portfolios, I expect this proceeding will be resolved within 24 months from the date of this scoping memorandum and ruling.

5. Alternative Dispute Resolution (ADR) Program and Settlements

The Commission's Alternative Dispute Resolution (ADR) program offers mediation, early neutral evaluation, and facilitation services, and uses ALJs who have been trained as neutrals. At the parties' request, the assigned ALJ can refer this proceeding to the Commission's ADR Coordinator. Additional ADR information is available on the Commission's website.⁵

Any settlement between parties, whether regarding all or some of the issues, shall comply with Article 12 of the Rules and shall be served in writing. Such settlements shall include a complete explanation of the settlement and a complete explanation of why it is reasonable in light of the whole record, consistent with the law and in the public interest. The proposing parties bear the burden of proof as to whether the settlement should be adopted by the Commission.

⁵ <https://www.cpuc.ca.gov/PUC/adr/>

**6. Category of Proceeding and
Ex Parte Communication Restrictions**

The Commission preliminarily determined in the OIR that this is a ratesetting proceeding. Because this proceeding is primarily intended to set rules for the energy efficiency portfolios in general across a broad variety of portfolio administrators, the categorization of this proceeding is hereby modified to be quasi-legislative. Accordingly, *ex parte* communications are permitted without restriction or reporting requirement pursuant to Article 8 of the Rules. There may be instances in this proceeding where funds need to be appropriated, such as for consideration of the renewal of the CAEATFA CHEEF and Go-Green Financing funding. When such issues arise, the ALJs may create a separate track of the proceeding and designate it as ratesetting, as necessary.

7. Public Outreach

Pursuant to Public Utilities Code Section 1711(a), where feasible and appropriate, before determining the scope of the proceeding, the Commission sought the participation of those likely to be affected, including those likely to derive benefit from, and those potentially subject to, a decision in this proceeding. This matter was noticed on the Commission's daily calendar. Where feasible and appropriate, this matter was incorporated into engagements conducted by the Commission's External Affairs Division with local governments and other interested parties.

In addition, the Commission served the Order Instituting Rulemaking/Investigation on the service list for R.13-11-005, which was the previous longstanding energy efficiency rulemaking.

8. Intervenor Compensation

Pursuant to Public Utilities Code Section 1804(a)(1), a customer who intends to seek an award of compensation must file and serve a notice of intent to claim compensation by no later than July 17, 2025, 30 days after the PHC.

9. Response to Public Comments

Parties may, but are not required to, respond to written comments received from the public. Parties may do so by posting such response using the “Add Public Comment” button on the “Public Comment” tab of the online docket card for the proceeding.

10. Public Advisor

Any person interested in participating in this proceeding who is unfamiliar with the Commission’s procedures or has questions about the electronic filing procedures is encouraged to obtain more information at <https://www.cpuc.ca.gov/about-cpuc/divisions/news-and-public-information-office/public-advisors-office> or contact the Commission’s Public Advisor at 866-849-8390 or 866-836-7825 (TTY), or send an email to public.advisor@cpuc.ca.gov.

11. Filing, Service, and Service List

The official service list has been created and is on the Commission’s website. Parties should confirm that their information on the service list is correct and serve notice of any errors on the Commission’s Process office, the service list, and the ALJs. Persons may become a party pursuant to Rule 1.4.⁶

When serving any document, each party must ensure that it is using the current official service list on the Commission’s website.

⁶ The form to request additions and changes to the Service list may be found at <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/administrative-law-judge-division/documents/additiontoservicelisttranscriptordercompliant.pdf>

This proceeding will follow the electronic service protocol set forth in Rule 1.10. All parties to this proceeding shall serve documents and pleadings using electronic mail, whenever possible, transmitted no later than 5:00 p.m., on the date scheduled for service to occur. Rule 1.10 requires service on the ALJ of both an electronic and a paper copy of filed or served documents. However, the ALJs in this proceeding request only electronic service.

When serving documents on Commissioners or their personal advisors, whether or not they are on the official service list, parties must only provide electronic service. Parties must not send hard copies of documents to Commissioners or their personal advisors unless specifically instructed to do so.

Persons who are not parties but wish to receive electronic service of documents filed in the proceeding may contact the Process Office at process_office@cpuc.ca.gov to request addition to the “Information Only” category of the official service list pursuant to Rule 1.9(f).

The Commission encourages those who seek information-only status on the service list to consider the Commission’s subscription service as an alternative. The subscription service sends individual notifications to each subscriber of formal e-filings tendered and accepted by the Commission. Notices sent through subscription service are less likely to be flagged by spam or other filters. Notifications can be for a specific proceeding, a range of documents and daily or weekly digests.

12. Receiving Electronic Service from the Commission

Parties and other persons on the service list are advised that it is the responsibility of each person or entity on the service list for Commission proceedings to ensure their ability to receive emails from the Commission.

Please add “@cpuc.ca.gov” to your email safe sender list and update your email screening practices, settings and filters to ensure receipt of emails from the Commission.

13. Assignment of Proceeding

Commissioner Alice Reynolds is the assigned Commissioner and Julie A. Fitch and Valerie U. Kao are the assigned ALJs and presiding officers for the proceeding.

IT IS RULED that:

1. The scope of this proceeding described in Section 2 is adopted.
2. The schedule of this proceeding is set forth in Section 4 and is adopted.
3. Evidentiary hearing may be needed.
4. The presiding officers are Administrative Law Judge Julie A. Fitch and Valerie U. Kao.
5. The category of the proceeding is quasi-legislative.
6. *Ex parte* communications are permitted without restriction or reporting requirement pursuant to Article 8 of the Commission’s Rules of Practice and Procedure.
7. The Administrative Law Judges may designate separate tracks of this proceeding as ratesetting, if necessary.

Dated July 23, 2025 at San Francisco, California.

/s/ ALICE REYNOLDS

Alice Reynolds
Assigned Commissioner