ATTACHMENT 1

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Market Transformation

Scope of Annual Audit of California Market Transformation Administrator, for Years 2026, 2027 and 2028

Objective

The objective of this audit effort is to verify the expenditures incurred, compliance and progress made by the California Market Transformation Administrator (CalMTA/Resource Innovations) relative to its contract, CPUC Decision 19-12-021, including Attachment A, the terms of this (2025) decision, and other applicable planning documents including:

- adopted Market Transformation Initiative (MTI) Plans
- the annual Operations Plans
- approved MTI Advancement Plans

Audits will be conducted annually for calendar years 2026, 2027 and 2028. The audits will assess CalMTA/Resource Innovation’s performance, financial management, and compliance in its role as statewide independent third-party market transformation administrator.

Background

The California Public Utilities Commission (CPUC) approved the launch of CalMTA in late 2022 to spearhead energy efficiency initiatives and accelerate the adoption of energy-efficient products and practices. The program is funded by California ratepayers and is administered by Resource Innovations.

Market transformation is a type of energy efficiency approach that seeks to make permanent changes to markets such that the efficient/sustainable option becomes the default and not the exception. These kinds of permanent changes take substantial planning, and 3-5 years of implementation before the desired changes begin to manifest and can be measured and verified. In the first years of implementation, the emphasis of evaluation efforts is on validating the foundational market theory and logic models and not measuring savings.

Audit Scope

- Audit period: annual performance audit for calendar years 2026, 2027, and 2028.

- The intent of these annual audits is to verify if CalMTA/Resource Innovations and related sub-contractors used the expenditures in accordance with their contract and D.19-12-021 including Attachment A “Adopted Market Transformation Framework”, the planning documents referenced above, applicable regulations, and all terms of this (2025) decision. Specifically, this audit requires the following:
    - Expenditure tracking: Trace expenditures and disbursements to ensure that Cal MTA /Resource Innovations and related sub-contractors spent funds on authorized activities that are necessary and consistent with the contract, approved MTI Plan(s), approved MTI Advancement Plans, and Operations Plan. This includes reviewing expenses related to subcontractors such as Cadmus, 2050 Partners, and others.
    - Compliance review: Evaluate Cal MTA/Resource Innovations and its subcontractors’ controls and procedures for compliance with contract terms and to meet the adopted goals and timelines set out in planning documents referenced above and requirements of D.19-12-021.
    - Documentation review: The auditors shall have full access to inspect supporting records, including but not limited to invoices, contracts, accounting systems, bank statements, program records, personnel, and data systems to verify and trace information as necessary.
    - Transition readiness: (For years 2027 and 2028 only.) Review the compliance of the planning and preparation efforts for transitioning CalMTA to a nonprofit entity, given this decision and the requirements of CalMTA/Resource Innovations’ contract, including Appendix C. The Commission requires Cal MTA to file a full transition plan by the end of 2028.