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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

ADMINISTRATIVE LAW JUDGE'S RULING SEEKING COMMENTS ON BUDGET APPROACH FOR COMMUNITY CHOICE AGGREGATORS THAT ELECT TO ADMINISTER ENERGY EFFICIENCY PROGRAMS

This ruling presents a staff proposal for modifying the formula used to determine the maximum potential budget for a community choice aggregator (CCA) that elects to administer energy efficiency programs as provided for in Section 381.1, subsections (e) and (f), of the Public Utilities Code, and as previously authorized by the Commission in Decision (D.) 14-01-033. Interested parties may file and serve comments in response to this ruling and the staff proposal by no later than June 24, 2026. Reply comments are due no later than July 3, 2026.

1. Background

Public Utilities Code Section 381.1,¹ originally established in 2003, provides a pathway for CCAs to apply to the Commission for access to energy efficiency funding. Section 381.1, as initially written, states that by July 15, 2023 “the commission shall establish policies and procedures by which any party,

¹ All references to code sections in this ruling are to the Public Utilities Code, unless otherwise noted.

including, but not limited to, a local entity that establishes a community choice aggregation program, may apply to become administrators for cost-effective energy efficiency and conservation programs established pursuant to Section 381.” It further required the Commission to establish an impartial process for making the determination of whether a third party, including a CCA, may become an administrator for the referenced cost-effective energy efficiency and conservation programs.

In 2011, Section 381.1 was amended to add subsections (e) and (f), which provides a pathway specific to CCAs that allows them to gain access to energy efficiency funds to provide programs to their customers. Section 381.1 (e) and (f) state:

“(e) The impartial process established by the commission shall allow a registered community choice aggregator to elect to become the administrator of funds collected from the aggregator’s electric service customers and collected through a nonbypassable charge authorized by the commission, for cost-effective energy efficiency and conservation programs, except those funds collected for broader statewide and regional programs authorized by the commission.

(f) A community choice aggregator electing to become an administrator shall submit a plan, approved by its governing board, to the commission for the administration of cost-effective energy efficiency and conservation programs for the aggregator’s electric service customers that includes funding requirements, a program description, a cost-effectiveness analysis, and the duration of the program. The commission shall certify that the plan submitted does all of the following:

- (1) Is consistent with the goals of the programs established pursuant to this Section and Section 399.4.
- (2) Advances the public interest in maximizing cost-effective electricity savings and related benefits.

- (3) Accommodates the need for broader statewide or regional programs.
- (4) Includes audit and reporting requirements consistent with the audit and reporting requirements established by the commission pursuant to this Section.
- (5) Includes evaluation, measurement, and verification protocols established by the community choice aggregator.
- (6) Includes performance metrics regarding the community choice aggregator's achievement of the objectives listed in paragraphs (1) to (5), inclusive, and in any previous plan."

In D.14-01-033, the Commission implemented Section 381.1 (e) and (f), and determined the formula that CCAs electing to administer energy efficiency programs should use to establish their budget, while accounting for statewide and regional programs delivered by other administrators.

The budget formula in D.14-01-033 has proven challenging for at least three reasons. First, energy efficiency funds are only a portion of each utility's revenues that make up the public purpose program nonbypassable charges. The energy efficiency percentage fluctuates over time. Second, the amount of nonbypassable charge collections overall can vary widely from year to year for each utility, depending on unspent funds from previous years and changes in authorized budgets overall. Third, the percentage of each utility's nonbypassable charge collections for energy efficiency that is reserved for statewide and regional programs may also vary widely from year to year. All of this adds up to considerable fluctuation in potential budgets for CCAs that elect to administer energy efficiency funding, which then can have potentially negative impacts on their ability to plan and execute their program activities.

In 2023, California Choice Energy Authority (CalChoice) filed a petition for modification of D.14-01-033, asking the Commission to set a minimum threshold for funding for statewide and regional programs, in order to preserve the ability for CCAs to elect to administer some amount of energy efficiency funding. The Commission ultimately adopted D.24-04-077, which set a maximum of 96 percent of a utility's energy efficiency nonbypassable charge collections that could be reserved for statewide and regional programs, keeping at least a minimum of 4 percent available for CCAs that elect to administer energy efficiency programs.

In 2025, it came to light that different CCAs had interpreted the formula in D.14-01-033 in different ways, leading to inconsistency in the amount of budget eligible to be accessed by different CCAs.

Commission staff proposed and in February 2025 the Commission adopted a temporary modification to the budget formula in Resolution E-5366, which recalculated the budgets of existing CCAs that had already elected to administer energy efficiency programs by using an eight-year average of the energy efficiency percentage of the electricity nonbypassable charge collections. Impacted CCAs then returned unspent funds that had been collected above and beyond the adjusted budget calculations.

In light of this demonstrated need to modify the formula for purposes of both clarity and continuity, Commission staff have proposed modifications to the formula originally adopted in D.14-01-033 in the staff proposal attached to this ruling as Attachment A.

2. Discussion

In the staff proposal in Attachment A, Commission staff propose a new formula for calculating the maximum potential budget for a CCA that elects to administer energy efficiency funding, based on a three-year average of data

inputs rather than a single year. This is designed to smooth out year-over-year changes in collections and budget authorizations for energy efficiency. In addition, the staff proposal in Attachment A suggests that the utility portfolio administrators be required to report on their actual energy efficiency collections as a portion of their public purpose charge collections in their energy efficiency annual reports, so that CCAs have a transparent source of data for their budget calculations when they make a request to the Commission to elect to administer energy efficiency funding. This ruling proposes to apply the approach described in Attachment A to any CCA that elects to administer energy efficiency programs after the date of any Commission decision modifying the budget formula.

3. Questions for Parties

This ruling encourages parties to provide their general comments in response to the proposal in Attachment A. In addition, it will be helpful if parties address the following three specific questions, and note in responses if the recommendations require modifications or refinements to existing portfolio or program administration rules or processes:

1. What modifications, if any, do you suggest to the proposed budget formula modifications included in Attachment A, and why?
2. Should any changes the Commission may make to the CCA elect-to-administer budget formula apply only on a going-forward basis, or should they be retroactively applied to any CCAs currently administering energy efficiency funding? Please explain your rationale.
3. To reduce existing ambiguity and add uniformity, what is the most useful way for the electric investor-owned utilities to illustrate their energy efficiency nonbypassable charge collections in their Energy Efficiency Annual Reports?

