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**California Public
Utilities Commission**

Attachment A:

Staff Proposal to Modify Budget Formula
for Community Choice Aggregators to
Elect to Administer Energy Efficiency
Funds

CPUC ENERGY DIVISION STAFF

May 2026

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1 Introduction

This staff proposal recommends revisions to the methodology for maximum budget formulation for Community Choice Aggregators (CCAs) who elect to administer (ETA) an energy efficiency program funded with nonbypassable charge collections from ratepayers.¹ Staff propose two modifications to the Commission’s policies for the budget calculation formula: (1) use a three-year average of the percentage of the investor-owned utility’s (IOU’s) electricity energy efficiency nonbypassable charge collections to stabilize year-to-year fluctuations, and (2) direct the IOUs to include a section in their annual energy efficiency portfolio reports that clearly states which nonbypassable charge collections were associated with energy efficiency programs and the amounts collected.

Public Utilities Code² Section 381.1 established in 2003 a pathway for CCAs to apply to become administrators for cost-effective energy efficiency and conservation programs by proposing a budget and submitting a business plan for Commission review. In 2011, Senate Bill (SB) 790 (Stats. 2011, Ch. 599) added subsections (e) and (f) to give CCAs a simpler option to access energy efficiency funding, through a plan approved by the CCA’s governing board, subject to the Commission’s approval through a resolution. Public Utilities Code Section 381.1(e) sets certain requirements for the funding mechanism for CCAs to administer energy efficiency programs with funds from the energy efficiency funds collected from the CCA’s retail customers, while still reserving funds associated with statewide or regional programs. The statute reads: “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

¹ As described in D.14-01-033, Footnote 14, Public Utilities Code Section 381(a) (2003) requires the Commission to establish “a nonbypassable element of the local distribution service” to fund energy efficiency programs. The public goods charge (PGC) was the nonbypassable charge in place when the Commission issued D.05-01-055, but it expired in 2012. The Commission authorized additional electric procurement charges in D.11-12-038 to ensure ongoing funding of cost-effective electric energy efficiency, pursuant to other statutory mandates. IOUs track these charges in their Procurement Energy Efficiency Balancing Account (PEEBA) or related accounts.

² Throughout this document, references to code sections are to the Public Utilities Code, unless otherwise indicated.

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.” In 2012, Resolution E-4518 approved the first ETA program and specifically noted that the Commission based the allowable budget on two nonbypassable charge collections: Procurement Energy Efficiency Revenue Adjustment Mechanism (PEERAM) and Public Purpose Program Revenue Adjustment Mechanism (PPPRAM). Pursuant to Commission Decision (D.) 14-01-033, CCAs can ETA an energy efficiency program using the electricity energy efficiency nonbypassable charge collections from their customers through a resolution of a CCA’s Tier 3 advice letter.

Application of the Commission’s budget formula for these programs is challenging for at least two reasons. First, energy efficiency is only a portion of nonbypassable charge collections. Line items in IOUs’ balancing accounts that are not related to energy efficiency might be for the Energy Savings Assistance Program, Electric Program Investment Charge, Tree Mortality Non-Bypassable Charge, or other purposes. Without clear guidance on the relevancy of each line item each year, there is ambiguity in the ETA budget calculations. Second, the energy efficiency percentage of the total nonbypassable charge collections varies greatly from year to year because an IOU can carry over funds from year to year, which can lead to significantly lower funding collection for some years compared to the average over time. The portion of the total electrical nonbypassable charge collected for energy efficiency changes, which impacts a CCA’s ETA program design and budgeting.

The year-to-year changes in the energy efficiency program funding through nonbypassable charge collections, and the practice of using the most recent year’s accounting to determine the energy efficiency percentage, can lead to a budget that under- or over-estimates the actual energy efficiency nonbypassable surcharge collections from the CCA’s customers. To illustrate this variation, Table 1 shows the year-to-year collections in nonbypassable charge collections and energy efficiency revenue requirement items for Pacific Gas and Electric Company (PG&E). Both the nonbypassable charge and energy efficiency collections vary widely year-year, but the results are significantly more stable when comparing across three years.

Table 1. Line items qualifying as energy efficiency in PG&E Nonbypassable Charge Collections (NBCC) Revenue Requirements over four years.

	2021	2022	2023	2024
PG&E Advice Letter	6004-E-C	6408-E-B	6805-E	7116-E/7307-E
Total NBCC Revenue Requirements	\$839,725,139	\$1,237,817,164	\$1,089,447,228	\$1,056,493,353
EE (former PGC Legacy)	\$120,801,136	\$120,743,835	\$120,736,874	\$120,736,874
Procurement EE/PEERAM	\$9,292,256	\$121,595,836	\$216,755,177	\$125,618,702
Statewide ME&O/PPPRAM	\$75,068	-	-	-
Statewide ME&O/PEERAM	\$5,833,890	-	-	-
Energy Efficiency AB 841 Schools Program	-	\$76,747,062	\$56,079,596	-
Emergency Reliability OIR - Flex Alert - PEERAM	-	\$3,057,238	-	-
Emergency Reliability OIR - Flex Alert - PPPRAM	-	\$39,300	-	-
California Hub for Energy Efficiency Financing	-	-	\$17,692,879	-
Total EE	\$136,002,350	\$322,183,271	\$411,264,526	\$246,355,576
EE % of total*	16%	26%	38%	23%

*Only the line items for energy efficiency programs are shown here. Examples of non-energy efficiency line items are Energy Savings Assistance, Tree Mortality Non-Bypassable Charge, and Wildfire Fund Charge. See the Revenue Requirement tables in PG&E advice letters referenced above for the complete list of non-energy efficiency collections.

After it was brought to Commission staff's attention that several CCAs based their budgets on the total electricity nonbypassable charge collections instead of only the energy efficiency portion, the Commission provided a temporary modification to the budget formula adopted in Resolution E-5366. To recalculate the budgets of existing ETA energy efficiency programs, the resolution used an eight-year average of the energy efficiency percentage of the electricity nonbypassable charge collections. All of the impacted CCAs returned unspent funds that were more than the re-calculated budgets. The resolution noted that this modification was not intended to apply for future ETA

CCAs. There were comments from five parties on the draft resolution. Most of the comments were either in support or requested minor clarifications. Two of the comments requested modifications to the budget formula. PG&E suggested that ETA budgets be based on the specific year that aligns with the timing of the CCA's advice letter. Staff disagreed, because this would not eliminate challenges for a CCA to plan a budget when the nonbypassable charge collections vary greatly from year-to-year. California Choice Energy Authority (CalChoice)³ recommended that the Commission base future ETA budgets on the merit of the requested budget in individual advice letters. The resolution only addressed the budgets of existing ETA programs; it stated that determining future ETA budget calculations would need to be handled in a formal proceeding. Accordingly, the Order Instituting Rulemaking for Rulemaking (R.) 25-04-010 discusses a staff proposal to address the continuing need to refine the budget formula for CCAs that elect to administer energy efficiency programs, to apply to future requests from CCAs to ETA energy efficiency programs.

2 Regulatory Background

Public Utilities Code (PU Code) Section 381.1 provides two pathways for CCAs to gain access to energy efficiency programs funded through nonbypassable charges collected from their electric service customers:

- Apply to Administer - A CCA can apply to administer a portfolio of energy efficiency programs by submitting a four-year business plan that requires formal Commission review and a decision, identical to the process for other portfolio administrators such as IOUs and regional energy networks (RENs).
- Elect to Administer - Subsections (e) and (f) of Section 381.1 establish the ETA pathway, which allows CCAs to operate small-scale energy efficiency programs for their own customers using a more streamlined and simpler process, without undergoing the

³ CalChoice is a joint powers authority that provides regulatory support for its member CCAs in Southern California, namely in the cities of Lancaster, Palmdale, Pico Rivera, Pomona, Rancho Mirage, San Jacinto, Santa Barbara and the Town of Apple Valley.

Commission's full business plan application process required for IOUs, RENs, and CCAs that apply to administer.

On June 20, 2012, the assigned Administrative Law Judge issued a ruling in R.09-11-014 regarding procedures for CCAs to become administrators of energy efficiency programs through Section 381.1(a), the application process to administer an energy efficiency program to all customers in their service territory, and through Section 381.1(e) and (f), the election process to administer energy efficiency programs only for the CCA's customers. On January 23, 2014, the CPUC issued D.14-01-033, which established the procedural and filing requirements for CCAs seeking to ETA energy efficiency programs pursuant to Section 381.1(e)-(f), including the requirement to submit a Tier 3 Advice Letter for Commission approval of the proposed program. D.14-01-033 refined the definition of statewide and regional programs for the purpose of the budget formula, as follows:

- Regional Programs - Programs offered to all eligible customers throughout an individual IOU's service territory in which a CCA is offering service, but not necessarily offered in other IOU service territories. This includes state and institutional government partnerships. This does not include any programs that are offered only in a geographic subset of an IOU territory.
- Statewide Programs - Programs, as defined and designated by the Commission, that are offered throughout the four IOU service territories on a generally consistent basis. Evaluation, Measurement and Verification budgets are included in statewide programs, as these budgets are overseen by Commission staff across all four IOUs on a consistent basis (D.14-01-033, pp 25-26).

The Commission approved the first ETA CCA program in 2012. From 2018 through 2023, the Commission approved seven ETA CCA programs. D.23-06-055 acknowledged that ETA CCA budgets tend to be small and for short-term programs. Because they are often approved in the middle of a portfolio cycle, the IOUs are not required to adjust their own approved energy efficiency portfolio budgets to accommodate newly approved ETA plans between the four-year cycles of energy efficiency portfolio applications. Therefore, the IOUs can collect additional funds beyond their energy efficiency portfolio budget caps to fund the ETA CCA programs. The amount is limited

to the amount approved by the Commission for the new energy efficiency program. The collections are tracked in the IOU's energy efficiency balancing accounts.

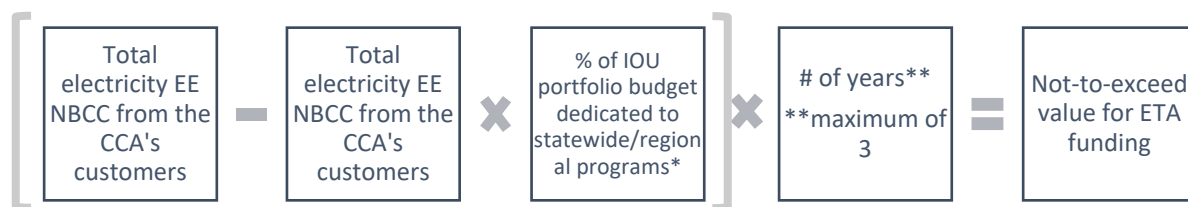
In 2023, CalChoice filed a petition for modification of D.14-01-033 on behalf of their eight member CCAs. The CalChoice petition argues that since the adoption of D.14-01-033, which set the definitions of statewide and regional programs, the percentage of statewide and regional programs in the IOUs' portfolios has increased to almost 100 percent. In order to make an ETA program viable for a CCA, as intended in SB 790, CalChoice requested that the Commission set a minimum funding threshold for ETA CCA budgets based on historical levels of funding. As a result, the Commission adopted D.24-04-077, which set a maximum of 96 percent of the IOUs' total electricity energy efficiency nonbypassable charge collections for statewide and regional programs, allowing a CCA to use at a minimum the remaining four percent of the charges collected from their customers, for an ETA program.

In January 2025, Resolution E-5366 addressed inconsistencies in prior ETA CCA budget determinations, whereby a number of CCAs calculated their ETA budget based on the total electricity nonbypassable charge collections, not just those collections associated with energy efficiency programs. Six of the seven ETA CCAs, including all the active ETA CCAs, were in PG&E territory. As an interim solution pending adoption of a standardized budget methodology, Resolution E-5366 applied an eight-year average of PG&E's energy efficiency funding share to retroactively adjust program budgets, requiring return of over-collections via Tier 1 ALs, and allowing continued spending of corrected budget amounts. R.25-04-010, opened in April 2025, includes in its scope (Section 2.1.2 of the Scoping Memo) consideration of modifications to the ETA budget formula.

3 Program Budget Determination

3.1 Current Budget Formula

D.14-01-033, with modifications by D.24-04-007, determined the budget formula for an ETA EE plan as follows:



**If the percentage of the applicable IOU portfolio budget dedicated to statewide and regional programs in the most recently authorized program cycle exceeds 96 percent, then the percentage shall be fixed at that 96 percent level and will not be allowed to exceed it, for purposes of this formula.⁴*

To determine a CCA’s maximum three-year ETA budget, the Commission must determine two components: 1) the electricity nonbypassable charges likely to be collected from the CCA’s customers to fund energy efficiency programs,⁵ and 2) the percentage of the most recently approved IOU energy efficiency portfolio budget dedicated to statewide and regional programs. The current practice is for a CCA to obtain the forecasted electricity energy efficiency nonbypassable charge collections either through a data request to the IOU or from the IOU’s Annual Electric True-Up (AET) Tier 1 advice letters, which the IOUs are required to file to update their electric rates and tariffs, including nonbypassable charges, also referred to as the Public Purpose Programs (PPP) charge. Only a portion of nonbypassable charge collections is allocated to energy efficiency programs, and it is often not clear in the AETs which rates are applicable. Also, the amount of revenue requirements and the programs themselves vary from year to year, which limits the utility of using only one year of data. For examples, see Table 2 on page 5 of PG&E’s Advice Letter 7116-E, Table 1 on page 4 of Southern California Edison Company Advice Letter 5725-E, or Attachment B of San Diego Gas & Electric Company Advice Letter 4757-E.

⁴ D.24-04-007, Ordering Paragraph 2.

⁵ D.14-01-033 at 22-23.

3.2 Past and Current Elect-to-Administer CCAs

In 2012, Marin Energy Authority (MEA; name later changed to Marin Clean Energy (MCE)) became the first CCA authorized by the Commission to elect to administer an energy efficiency program using ratepayer funds. Resolution E-4518 approved \$428,270 to fund the MEA energy efficiency program for an abbreviated period of eleven months in order to align with the funding cycle of the other administrators of energy efficiency programs. MEA's portion of nonbypassable charge collections would fund MEA's energy efficiency budget. To calculate the amount, the resolution specifically noted that the relevant nonbypassable charge collections to use as inputs into the budget formula were found in the IOU's Procurement Energy Efficiency Revenue Adjustment Mechanism⁶ and the Public Purpose Program Revenue Adjustment Mechanism⁷ balancing accounts.

Using the nonbypassable charge collections, which can change from year to year, as inputs to the formula creates a challenge for CCAs when they develop their program and budget. There is no standard protocol for the naming and reporting of these charges across all IOUs. The second CCA that the Commission certified to ETA was Lancaster Clean Energy (LCE), which is in Southern California Edison Company's territory, in 2017, followed by Redwood Coast Energy Authority (RCEA) in 2020; San Jose Clean Energy (SJCE) and CleanPowerSF (CPSF) in 2021; and Peninsula Clean Energy (PCE), Sonoma Clean Power Authority (SCP), and East Bay Community Energy (EBCE, later renamed Ava Community Energy (Ava)) in 2022. All the latter CCAs are in PG&E's

⁶ Procurement Energy Efficiency Revenue Adjustment Mechanism (PEERAM): tracks the procurement portion of revenues against the procurement portion of the authorized EE revenue requirement.⁶ Per D.19-12-021, PEERAM also tracks the electric portion of revenues against the electric portion of the authorized revenue requirement associated with Market Transformation activities. Per D.21-01-004, PEERAM also tracks the electric portion of revenues against the electric portion of the authorized revenue requirement associated with Assembly Bill (AB) 841 School Energy Efficiency Stimulus Program. Per D.21-08-006, PEERAM also tracks the electric portion of authorized revenue requirements associated with the California Alternative Energy & Advanced Transportation Financing Authority's (CAEATFA) implementation of the California Hub for Energy Efficiency Financing Programs (CHEEF).

⁷ Public Purpose Programs Revenue Adjustment Mechanism (PPPRAM): the electric public goods charge "legacy" portion of EE programs pursuant to D.11-12-038, the electric portion of Energy Savings Assistance (ESA), formerly Low-Income Energy Efficiency (LIEE) programs, the Self Generation Incentive Program (SGIP), the California Solar Initiative (CSI) program, and the Customer Energy Efficiency Incentive program.

territory. The resolutions approving the ETAs that followed Resolution E-4518 did not provide direction about which nonbypassable charge collections should be accounted for in the CCA's ETA energy efficiency program budget formula, only that they should be the nonbypassable charge collections associated with energy efficiency programs.

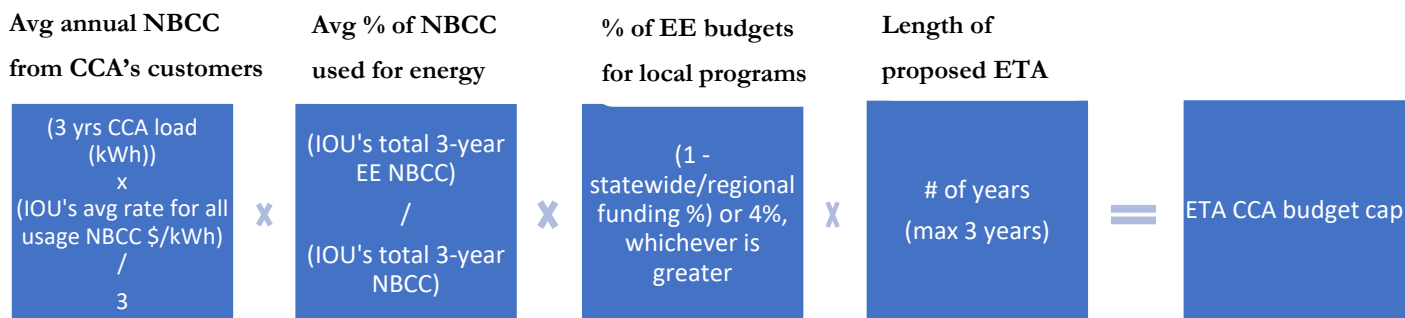
3.3 Budget Formula Miscalculations

Resolution E-4518 approved the MEA energy efficiency program to be funded from nonbypassable charges. The resolution approving MEA to ETA specifically noted that the applicable charges were the Procurement Energy Efficiency Revenue Adjustment Mechanism and the Public Purpose Program Revenue Adjustment Mechanism. Over the years from 2018-2022, Resolutions E-4917, E-5050, E-5166, E-5197, E-5198, E-5180, and E-5215 approved ETA energy efficiency programs for LCE, RCEA, SJCE, PCE, SCP, CPSF, and EBCE (later Ava), respectively. In August 2024, RCEA, PCE, SCP, SJCE, and Ava notified Energy Division staff that they had miscalculated their ETA energy efficiency program budgets when they filed advice letters for their ETA energy efficiency programs. The CCAs used the most recent year's total electricity nonbypassable charges in their calculations, without separating out the rates associated only with energy efficiency programs. They asked the Commission to clarify which specific nonbypassable charge collections should be used in the budget calculations and for coordination with Commission staff when calculating budgets. Also, the CCAs drew attention to the year-to-year variability in the percentage of energy efficiency in the nonbypassable charges. For example, the energy efficiency portion ranged from 16% to 70% over the period 2017-2024. This fluctuation makes planning a budget and a program challenging because the percentage might change significantly during the time that the CCA plans for and files its advice letter.

4 Proposal to Modify Maximum Budget Formula

CPUC staff propose greater clarity in the formula to determine the maximum allowable three-year budget for a CCA that ETAs an energy efficiency program. Accordingly, CPUC staff proposes

that the CCA use the average of the IOU’s most recent full three years of data as input into the formula to calculate the energy efficiency percentage and the average of the most recent three years of the total nonbypassable charges the CCA collects.



The formula involves several steps. First, the CCA should determine its forecasted retail customer load for the forthcoming year in each of the IOU’s corresponding tariff schedules. Then, to determine the portion of total electricity nonbypassable charge collections that are dedicated to energy efficiency, the CCA can calculate the energy efficiency portion of the total nonbypassable charge collections from the most recently available IOU’s Energy Efficiency Annual Reports. The CCA must exclude nonbypassable charge collections that are not related to energy efficiency. To reduce ambiguity in the selection of relevant programs, we propose that the IOUs must report their total nonbypassable charge collections in their Energy Efficiency Annual Reports, and note the value that is relevant to energy efficiency.⁸ The percentage can vary greatly from year to year; therefore, the CCA should use the average of the most recent three years of data that are available at the time of the filing of their ETA advice letter. After a submitted request, if an Annual Report is filed during its review period, the CCA must amend its request, via supplemental advice letter, if the amended budget formula outcomes are reduced by 20 percent or more. The CCA should multiply

⁸ Portfolio Administrators are required to file Energy Efficiency Annual Reports in accordance with the August 8, 2007, *Administrative Law Judge’s Ruling Adopting Annual Reporting Requirements for Energy Efficiency and Addressing Related Reporting Issues* (Ruling), in R.06-04-010, and the March 10, 2025, Procedural Email Ruling. Ordering Paragraph (OP) 2 of the Ruling requires “each utility to file its annual report on May 1 of the year following the end of a given program year.”

the average energy efficiency percentage by the total nonbypassable charge collections, averaged over three years, from its customers.

Finally, using the IOU's most recently approved energy efficiency portfolio, the CCA must determine the percentage of the IOU's current energy efficiency portfolio that is dedicated to statewide and regional programs. For this component of the budget calculation, pursuant to D.24-04-007, the CCA can use the minimum funding floor of four percent (4%) if the IOU dedicates more than 96% of its current energy efficiency portfolio to programs that are statewide or regional. The CCA then multiplies this amount by the number of years for their ETA program, with a maximum of three years. Below is an illustrative example of the calculation.

- **Average annual NBCC from CCA's customers:** The total of 3 years of the CCA's retail customer load, multiplied by the average NBC rates for all the IOU's tariff schedules, divided by 3 to get the annual average.
 - For example, 3,000,000,000 kWh in year 1, 4,000,000 in year 2, and 5,000,000 in year 3 = 12,000,000,000 kWh multiplied by the average per kWh NBC rate of \$0.01282 = \$153,840,000 divided by 3 = \$51,280,000.
- **Avg % of NBCC used for energy efficiency:** Calculating from the EE percent of the IOU's total NBC collections reported in the IOUs' EE Annual Reports, by adding the past 3 years of EE NBC collections divided by the total NBC collections for those same three years.
 - For example, the total for EE could be \$300,000,000 (year 1) + \$400,000,00 (year 2) + \$250,000,000 (year 3) = \$950,000,000. Divide this value by the total NBC for the same 3 years: \$1,200,000,000 + \$ 1,000,000,000 + 1,500,000,000 = \$3,700,000,000. The EE portion is 25.676%.
 - The three-year average EE % is multiplied by the average NBC collections from the CCA's customers. In our example, \$51,280,000 multiplied by 25.676% = \$13,166,653.
- **Percent of EE budgets for local programs:** The CCA calculates the percentage of the IOU's energy efficiency portfolio dedicated to statewide and regional programs. If the IOU's collections dedicated to statewide and regional programs exceeds 96%, then it is fixed at 96% per D.24-04-007. The CCA applies the % of collections remaining after deducting the statewide and regional portion, or 4%, whichever is greater.
 - In this example, we will use 4%. \$13,166,653 x .04 = \$526,666.

- **Length of proposed ETA CCA program:** To determine the not-to-exceed budget, the CCA multiplies the resulting value by the number of years they intend to administer their ETA program, with a maximum of 3 years.
 - For our example, we use 3 years. $\$526,666 \times 3 = \mathbf{\$1,579,998}$ is the maximum budget for the 3-year ETA program.

5 IOU Reporting Requirements

The Commission requires all EE Portfolio Administrators to file an Energy Efficiency Annual Report on May 1st of each year with information about the prior year. This staff proposal recommends that the Commission direct the IOUs, specifically, Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company, to include a section in the narrative that describes the total annual nonbypassable charge collections (in dollars) separated into the categorical amounts for electricity energy efficiency programs and other types of programs. Although the CCAs that ETA only use nonbypassable charges collected by electric IOUs, we are recommending that this requirement applies to all four of the major IOUs. To assist with near-term calculations, for the years prior to 2026, the IOUs should be required to submit the required NBCC data for 2023-2025 to the Energy Division, within 90 days of the issuance of a decision adopting this policy, for posting on the Commission's website.

(END ATTACHMENT A)