Decision 21-11-028 November 18, 2021

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking on the Commission's Own Motion to consider renewal of the Electric Program Investment Charge Program.	Rulemaking 19-10-005

DECISION APPROVING THE UTILITIES AS ELECTRIC PROGRAM INVESTMENT CHARGE ADMINISTRATORS WITH ADDITIONAL ADMINISTRATIVE REQUIREMENTS

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DECISION APPROVING THE UTILITIES AS ELECTRIC PROGRAM INVESTMENT CHARGE ADMINISTRATORS WITH ADDITIONAL ADMINISTRATIVE REQUIREMENTS

Summary

In this decision, we authorize Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), and San Diego Gas & Electric Company (SDG&E) (collectively the IOUs) to continue in their role as administrators of the Electric Program Investment Charge (EPIC) Program, subject to additional administrative requirements and performance safeguards. The IOUs are authorized to file five-year investment plans for the cycle covering 2021-2025 (EPIC 4). We authorize EPIC 4 investment plan budgets of $18.444 million annually for PG&E, $3.24 million annually for SDG&E, and $15.131 million annually for SCE.

To bring greater focus to the EPIC Program and improve transparency, we adopt a number of administrative requirements, as well as the guiding principles and mission statement contained in Appendix A. We also approve an increase in the administrative cost cap to 15% for the California Energy Commission (CEC). Given the number of revisions we adopt in this decision, we extend the filing deadline for the CEC's EPIC 4 investment plan from October 1, 2021 to December 1, 2021.

Although we authorize the IOUs as administrators, and authorize their investment plan budgets, this decision does not approve their investment plans. The IOUs will file applications containing their investment plans, as well as additional requirements directed here, in October 2022.

This proceeding remains open.

1. Procedural Background

On October 10, 2019, the California Public Utilities Commission (CPUC or Commission), on its own motion, opened Rulemaking (R.) 19-10-005 to consider the renewal of the Electric Program Investment Charge (EPIC) Program. The purpose of this proceeding is to review the EPIC Program, consider whether and how to continue funding the program, and to consider appropriate administrative and programmatic improvements. Decision (D.) 20-08-042, issued on September 2, 2020, addresses the question of continuing program funding by renewing EPIC for ten years, through December 31, 2030, authorizing two five-year investment plan cycles (referred to, respectively, as EPIC 4 and EPIC 5). That decision authorizes the California Energy Commission (CEC) to continue as an administrator, with an annual budget of $147.26 million for the EPIC 4 investment cycle (2021-2025). The decision did not authorize the Investor-Owned Utilities (IOUs) continuing in their current role as EPIC administrators, citing concerns with their performance, but instead deferred a determination on this topic to Phase 2 of this proceeding.

D.20-08-042 concluded Phase 1 of this proceeding and expanded the scope of issues in Phase 2. On October 2, 2020, the following parties filed and served opening comments for Phase 2 of the proceeding:

- the California Energy Commission (CEC);
- Pacific Gas and Electric Company (PG&E);
- Southern California Edison Company (SCE);
- San Diego Gas & Electric Company (SDG&E);
- Public Interest Research Advocates (PIRA);
- Bioenergy Association of California (BAC);
- the Silicon Valley Leadership Group (SLVG); and
- the Public Advocates Office (Cal Advocates).

Additionally, the CEC, PG&E, SCE, SDG&E, PIRA, the Natural Resources Defense Council (NRDC), the Conservation Strategy Group (CSG), and Cal Advocates filed and served reply comments to these opening comments on October 19, 2020.

On March 2, 2021, the assigned Administrative Law Judge (ALJ) issued a ruling ordering a supplemental round of comments and reply comments, specifically on a Staff Paper containing several possible outcomes for IOU participation in EPIC. The Staff Paper details options for EPIC administration going forward, as well as recommendations for improving IOU performance in the administration of EPIC to maximize the benefits of ratepayer funded research, development, and demonstration (RD&D) should they remain EPIC Administrators. The Staff Paper also discusses the disposition of $4.3 million accumulated in the state EPIC fund from payment of RPS noncompliance penalties pursuant to Public Utilities (Pub. Util.) Code § 399.15 (b)(8), and recommends that these EPIC funds be used to reduce ratepayer impacts by offsetting a portion of the CEC's EPIC 4 budget.

On April 5, 2021, the following parties filed and served opening comments to the Staff Paper:

- the CEC;
- PG&E;
- SCE;
- SDG&E;
- SLVG;
- the Schatz Energy Research Center (SERC); and
- Cal Advocates.

Additionally, the CEC, PG&E, SCE, SDG&E, and Cal Advocates filed and served reply comments on April 15, 2021.

On May 10, 2021, the Assigned Commissioner issued a First Amended Scoping Memo and Ruling (Amended Scoping Memo). The Amended Scoping Memo divides Phase 2 of this proceeding into three parts—Phases 2-A, 2-B, and 2-C—and orders a supplemental round of comments on a proposal and questions related to CPUC guidance on EPIC guiding principles and policy priorities.

On June 1, 2021, the following parties filed and served supplemental comments:

- the CEC;
- PG&E;
- SCE;
- SDG&E;
- BAC; and
- Cal Advocates.

Additionally, the CEC, PG&E, SCE, SDG&E, and Cal Advocates filed and served reply comments on June 11, 2021.

On June 21, 2021, the assigned ALJ issued a ruling ordering additional comments and reply comments on a recent EPIC performance audit and on questions related to administrative changes to proposed EPIC investment plan requirements.

On July 2, 2021, the following parties filed and served additional comments on the Email Ruling in this proceeding:

- the CEC;
- PG&E;

- SCE;
- SDG&E; and
- Cal Advocates.

On July 12, 2021, the following parties filed and served reply comments:

- the CEC;
- PG&E;
- SCE;
- SDG&E; and
- Cal Advocates.

2. Jurisdiction

The Commission's authority to initiate this rulemaking is pursuant to Pub. Util. Code § 399.8, which reads in pertinent part as follows:

> (a) In order to ensure that the citizens of this state continue to receive safe, reliable, affordable, and environmentally sustainable electric service, it is the policy of this state and the intent of the Legislature that prudent investments in energy efficiency, renewable energy, and research, development and demonstration shall continue to be made.
>
> (b)(1) Every customer of an electrical corporation shall pay a nonbypassable system benefits charge authorized pursuant to this article. The system benefits charge shall fund energy efficiency, renewable energy, and research, development and demonstration.
>
> (2) Local publicly owned electric utilities shall continue to collect and administer system benefits charges pursuant to Section 385.
>
> (c)(1) The commission shall require each electrical corporation to identify a separate rate component to collect revenues to fund energy efficiency, renewable energy, and research, development and demonstration programs authorized pursuant to this section…

Pub. Util. Code § 740.1 provides additional guidance, stating that:

The commission shall consider the following guidelines in evaluating the research, development, and demonstration programs proposed by electrical and gas corporations:

(a) Projects should offer a reasonable probability of providing benefits to ratepayers.

(b) Expenditures on projects which have a low probability for success should be minimized.

(c) Projects should be consistent with the corporation's resource plan.

(d) Projects should not unnecessarily duplicate research currently, previously, or imminently undertaken by other electrical or gas corporations or research organizations.

(e) Each project should also support one or more of the following objectives:

(1) Environmental improvement.

(2) Public and employee safety.

(3) Conservation by efficient resource use or by reducing or shifting system load.

(4) Development of new resources and processes, particularly renewable resources and processes which further supply technologies.

(5) Improve operating efficiency and reliability or otherwise reduce operating costs.

3. Issues Before the Commission

The Amended Scoping Memo revises the scope of this proceeding, dividing Phase 2 of the proceeding into three parts. This decision resolves Phase 2-B of the proceeding, including the following issues:

1. In light of the current economic recession, is a 20 percent reduction in the current EPIC surcharge appropriate?

Would a ten percent reduction in the total budget be more appropriate? Are any other budgetary changes necessary?

2. Other than the direct administrative role that Pacific Gas and Electric, Southern California Edison Company, and San Diego Gas and Electric Company had in prior EPIC investment cycles, is there another manner in which the IOUs can participate in EPIC research projects? For example, should a certain portion of the CEC's budget be allocated for the IOUs, and/or should utility investment proposals be represented in CEC investment plans? How could the Commission ensure that the expertise and applied knowledge of the investor-owned utilities (IOUs) informs EPIC research without continuing the IOUs' direct administrative role as previously structured? If the existing structure, with the IOUs continuing with direct administrative roles is deemed the preferred option, despite its documented flaws, how does the Commission ensure that the IOUs comply with their obligations as administrators?
3. Disposition of $4.3 million that have accumulated in the state EPIC fund from payment of RPS noncompliance penalties.
4. How should the Commission determine more specific guiding principles and policy priorities for EPIC? Do the mandatory and complementary guiding principles established in D.12-05-037 need refinement and/or updating?
5. Administrative and Program structure improvements
    a. What other changes to the administrative structure of EPIC could benefit the program? Is the current administrative structure sufficient to balance responsiveness to emerging RD&D priorities with the need for oversight and transparency?
    b. Should the Commission designate certain administrators or entities to certain administrative tasks or policy areas (e.g., would cybersecurity RD&D

be best suited to a particular administrator or type of administrator)?

c. Are any definition changes or clarifications to the three program areas (Applied Research and Development, Technology Demonstration and Deployment, and Market Facilitation) needed?

d. Should the 10 percent cap on administrative expenses remain or instead be increased, due to increased administrative tasks?

4. IOU Participation in EPIC

The Staff Paper presents options for future utility involvement in EPIC project activity for investment periods 2021-2025 (EPIC 4) and 2026-2030 (EPIC 5). These options are summarized in Table 1 and described below.

Table 1. Options for Utility Roles		
IOU Administered	Option 1a	Investor-owned utilities (IOUs) administer their own EPIC projects, subject to strengthened administrative criteria.
	Option 1b	All IOU EPIC projects are proposed and executed jointly, with one IOU selected to administer the joint EPIC program, subject to strengthened administrative criteria.
CEC Administered	Option 2a[1]	The CEC administers all three IOU EPIC programs, with dedicated funding for each IOU.
	Option 2b	IOUs compete with non-IOU applicants for CEC-administered EPIC projects, with no dedicated pool of funding for IOUs.
	Option 2c	IOUs are funded to act as technical advisors for CEC-administered EPIC projects.

In proposed Option 1a, the IOUs would continue to administer their EPIC projects but would need to take on the following portfolio optimization activities:

- coordination and consultation with Electric Power Research Institute (EPRI) to develop and prioritize

[1] We clarify that in the Staff Paper's description of funding for Option 2a, the annual CEC budget remains at $148 million, and any IOU carveout comes out of that amount.

potential investment areas for California-specific electric grid RD&D projects;

- hold individual or joint public stakeholder planning workshops to further identify and prioritize (1) overarching electric grid investment goals, (2) potential electric grid RD&D project areas, and (3) key front-of-the-meter projects for inclusion in the investment portfolio;
- develop investment plans with priority electric grid projects;
- solicit bids from vendors; and
- contracts with vendors on projects selected for funding.

This option is closest to the current role of the utilities in EPIC, with each utility proposing and administering their own projects. The funding allocation among the IOUs would remain the same as EPIC 3.

In proposed Option 1b, one IOU would be responsible for administrative functions for all three IOUs, with all projects jointly proposed. Option 1b would retain the current funding allocation among the IOUs. Under this option, projects must benefit all ratepayers.

In proposed Option 2a, the CEC would be the sole EPIC Administrator and assume administrative duties for all three IOUs. The CEC's budget would remain at its current authorized level, with ten percent set aside for IOU projects.

In proposed Option 2b, the CEC would be the sole EPIC Administrator without the ten percent aside for IOUs, meaning the IOUs would compete with each other and with non-IOU applicants for CEC-administered EPIC funding.

In proposed Option 2c, the CEC would be the sole EPIC Administrator, and the IOUs would serve as technical advisors for CEC-administered projects and not propose their own R&D project portfolios.

4.1 Party Positions

The CEC, SCE, PG&E, SERC, and SVLG all support Option 1a. The CEC further recommends the CPUC allow the IOUs one year to implement the changes identified in D.20-02-003, along with any other requirements resulting from the Commission's forthcoming Phase 2 decision. The CEC believes that the current administrative structure, including both the CEC and the IOUs as administrators, is well conceived and remains relevant to the program. PG&E asserts that Option 1a is the only option that implements the IOUs' accountability and responsibility for safe and reliable management of the electric grid, and most effectively leverages the uniquely qualified expertise of the IOUs. SCE asserts this option allows the IOUs to be responsive to midstream project changes reflecting evolving circumstances. SCE also recommends that the IOU administrators file their respective EPIC 4 and 5 investment plans as a set of initiatives, with brief descriptions of joint candidate projects that would be funded in each initiative. Under this proposal, workshops would focus on drawing consensus on the actual initiatives, and whether the initiatives align with the successor program's guiding principles and policy priorities. SCE asserts this would increase collaboration, the potential for joint projects, and allow for the leveraging of U.S. Department of Energy funding.

No party supports Option 1b. PG&E argues this option would be ineffective because it would introduce a tremendous amount complexity and inefficiency in coordination and decision-making that would more than offset any efficiencies gained from the consolidation of administrative functions. In its opposition, SCE explains that the different infrastructure characteristics of each IOU, as well as potential technical incompatibilities, require that EPIC projects be designed for each IOU's respective needs. SDG&E argues that all administrative duties should remain with the individual IOUs, and that attempts to have one IOU perform these duties for all three IOUs would be impractical and severely diminish the value of the program.

Cal Advocates does not support either Option 1a or 1b, and asserts the CEC is best suited to fulfill the program's purpose and is the only administrator to fulfill consistently the EPIC Program's purpose and mandatory principle. Additionally, Cal Advocates argues that the CPUC should reject PG&E's assertion that direct IOU participation and administration of EPIC is essential as unfounded because the IOUs have a long history of funding RD&D through traditional ratemaking processes and CPUC-initiated programs.

The CEC opposes Option 2a, noting that providing non-competitive awards for IOU projects would not conform with Public Resources Code § 25711.5(h)(1). The CEC also asserts this option would increase its administrative burden and reduce its budget to award other projects.[2] PG&E states Option 2a would diminish significantly grid RD&D by limiting the IOUs' role to a consultative one at the early stages of investment planning. Option 2a would reassign responsibilities for directly addressing the wildfire mitigation, resiliency, and clean energy deployment goals set for the IOUs by the CPUC to the CEC, which PG&E notes, opposes this action. It also would eliminate the IOUs' ability to shift and realign RD&D priorities effectively in the face of rapidly evolving issues. SCE states Option 2a would create coordination inefficiencies and greatly reduce the ability of the IOUs to realign priorities and respond effectively to midstream project changes. SDG&E opines that IOUs

[2] To appropriately support transmission and distribution grid R&D, the CEC states it would need to account for new administrative activities, including increased stakeholder engagement, solicitation development, proposal review, and agreement management activities.

should receive funding for any required consulting, advice, or other support they provide to the CEC in administration of its EPIC program.

PG&E opposes Option 2b, arguing it removes any certainty in IOU funding, precludes any cohesive planning and execution of grid RD&D, and the option is ineffective and contrary to the goals and objectives of the EPIC program. SCE asserts Option 2b would diminish the IOUs to solely a participatory role and thus reduce the value and expertise that the IOUs bring as the operators of the grid, as well as create significant uncertainty for each utility about whether it will be able to execute its RD&D program in support of its technology and grid strategies.

While the CEC is not opposed to the IOUs participating on technical advisory committees (TACs), the CEC notes it does not pay representatives serving on TACs and it opposes granting special treatment for IOU participation. Thus, the CEC asserts that technical assistance envisioned in Option 2c would need to be unrelated to work while part of a TAC. PG&E states Option 2c would almost completely eliminate the value of critical front-of-the-meter grid RD&D and negate the goals and objectives of the overall EPIC program. SCE states that Option 2c eliminates all the unique attributes IOUs are uniquely positioned to provide and greatly reduces the overall value of the EPIC portfolio. SCE adds that a funded technical advisor does not supplant the value of IOU administration, in particular, IOU expertise in testing and evaluating emerging technologies under real world conditions to integrate and advance the grid. SCE also disputes Cal Advocates statement that reducing the IOUs to an advisory role would "maintain the productive parts of the existing EPIC Program," as well as maintain "most of the EPIC Program's budget and all its authorized program activities."

SDG&E recommends a hybrid administration model of Option 2b and Option 2c, where the CEC administers EPIC, with the IOUs able to compete with non-IOUs for EPIC projects, while also being compensated to act as technical advisors to CEC projects. Additionally, under SDG&E's proposal, the CPUC would allow the IOUs to seek additional RD&D funds for EPIC-compatible projects through General Rate Case (GRC) proceedings. Cal Advocates supports Option 2c, which allows the IOUs to act as technical advisors for CEC-administered EPIC initiatives. In its reply comments, Cal Advocates supports the hybrid option proposed by SDG&E. Cal Advocates does not object to SDG&E's request that the CPUC allow IOUs to request EPIC funding in their GRCs, as long the project meets the objectives and metrics of the EPIC program.

If the CPUC adopts Options 2a, 2b, or 2c, the CEC strongly recommends that the full EPIC budget not be cut by more than 10 percent.

4.2 Discussion

We agree to continue the IOUs' role as EPIC Administrators, as proposed by Option 1a of the Staff Paper, subject to the conditions proposed in the Staff Paper, as well as additional requirements we adopt in this decision. Comments by several parties effectively eliminate the other options presented in the Staff Paper.

We note that no party supports Option 1b, and find that the challenges Options 2a-2c create, including contradicting statute, make them unfeasible to implement at this time. Asking the CEC to administer the IOU investment plans would require an increase in the CEC's administrative expenses . Especially because the CEC itself is not willing to take on this role, and because this option would reduce the funding available to the CEC for its own investments and administration, this option as discussed thus far seems likely to diminish the effectiveness of our best-performing administrator. We do not want to reduce the benefits from CEC's share of EPIC.

Option 2c, which would allow the IOUs only to participate as technical advisors to CEC projects, would take advantage of the IOUs' expertise, but also would require increasing administrative expenses, and raises a range of technical challenges. At least as proposed, it would obviate the benefits and strengths of IOU technical leadership (and we reiterate, we have found that these are significant; it is their *administrative* performance that has been lacking) while presenting new administrative challenges. The CEC does not have oversight authority over the IOUs, which we anticipate could fundamentally complicate an option in which IOUs are required to provide technical assistance to the CEC. The CEC also strongly opposes paying the IOUs for their technical assistance under Option 2c, while the IOUs assert that they must be compensated for their time and guidance. These issues demonstrate the potential administrative challenges posed by this option.

Option 1a most effectively leverages the unique expertise of the IOUs and the IOUs are best positioned to scale up and implement new technologies for actual grid operations. We make this finding particularly in light of our desire to leave no stone unturned in our larger efforts to ensure safe, reliable, and sustainable energy for electric IOU ratepayers. For example, PG&E noted multiple ongoing EPIC 3 projects with the potential to diminish wildfire risk, such as a project at a substation in a high fire risk area testing "Rapid Earth Fault Current Limiter (REFCL) technology … [with] the potential to reduce the number of ignitions from wires-down events on the 12kV distribution circuits in PG&E's High Fire Threat Districts by over 50%."[3] We believe there is value in the projects IOUs lead, and we are loath to abandon that when viable options for improving their administration exist.

Cal Advocates also argues that the IOUs should use other venues like General Rate Cases to make RD&D proposals,[4] but our intent with EPIC is that these proposals be made in stand-alone applications for coordination and transparency. Moving these types of IOU investments outside of EPIC would not necessarily address administration concerns; we prefer to keep these projects within EPIC and to focus on addressing shortcomings directly with the administrative requirements adopted here.

We find that Option 1a is the most effective and efficient structure for sustaining the value that IOUs bring to EPIC, given the significant flaws parties identify with the other options. While we agree to continue IOU administration of EPIC, we also adopt specific requirements in concert with this option to ensure the IOUs improve as administrators.

We agree with PG&E and SCE's proposal that the IOU Administrators file their respective EPIC investment plans at the initiative level, which we clarify below, and add that to our requirements of the IOU Administrators. In its comments, the CEC states that "budgeting to finer-level initiative categories is not recommended as that would reduce the effectiveness of EPIC." We understand their concern to be that budgeting at the level of research topic areas would unnecessarily constrain the CEC's nimbleness and ability to shift funding between solicitations as needed due to unforeseen circumstances and emerging

[3] PG&E Phase 2 Opening Brief at B-31

[4] Cal Advocates Reply Comments on EPIC Staff Proposal at 2.

conditions. That outcome is not our intent, which is why text descriptions of research topic areas or individual projects are not binding. Our intent is that specifying funding at a Strategic Initiative level provides the Commission with the information it needs to clearly understand the administrator's priorities and what is to be accomplished through each investment plan, while preserving EPIC administrator's ability to plan and execute project portfolios that maintain a long-range perspective, are dynamic in nature, address emerging issues, and make the best possible use of resources. In Section 6.4 below, we note that funding may be shifted among research topics areas within an approved Strategic Initiative without Commission approval.

All EPIC Administrators' must propose budgets at the "Strategic Initiative" level, hereby defined as the strategies the administrators will employ to meet their high-level strategic objectives. We note that "Strategic Initiatives" are more granular than the six high-level "strategic policy level" or "strategic objective" categories used by the CEC in its EPIC 4 research topics. EPIC Administrators must propose funding levels for the Strategic Initiatives and specify how they intend to operationalize those initiatives. Further, EPIC Administrators must disclose the proposed activities that will be implemented to support the funding of Strategic Initiatives. This detail should be similar to what the CEC provided in terms of subthemes and funding initiatives in its EPIC 3 investment plan. Finally, we note that given that issues related to prioritization guidance are in scope of Phase 2-C of this proceeding, so we may further clarify this guidance.

5. Administrative Criteria

As detailed in D.18-10-052, the 2017 Evergreen Economics evaluation of EPIC administration (Evergreen Evaluation) identified areas where the administrators were technically compliant but could fulfill better the spirit or intent of EPIC requirements. The Evergreen Evaluation identified cases where the minimum requirements for EPIC administration at the time were not strong enough to ensure best-in-class program administration, including greater portfolio optimization, prioritizing EPIC's many objectives, and the IOU administrators improving on their information sharing and stakeholder engagement. While some progress has been made through the IOU joint research administration plan process required by D.18-10-052, the Staff Paper provides recommendations for further improving IOU performance in EPIC administration to maximize the benefits of ratepayer funded RD&D.

The Staff Paper finds that eight out of the 11 requirements of D.20-02-003 were met and provides specific recommendations for improvement in the areas that have not yet been addressed, including portfolio optimization, stakeholder engagement, and benefits quantification.

The Evergreen Evaluation finds a lack of clarity on project alignment with EPIC goals and recommended that the administrators collaborate in categorizing and summarizing projects (such as by technology type and/or policy area) and review projects by topic areas to ensure that the portfolio of projects effectively supports key policy goals. Specific recommendations addressing this deficiency include:

- IOUs must detail clearly in IOU investment plans, and where possible quantitatively, each project's strategic value in the portfolio, providing detailed explanations of how the projects support State goals;
- IOUs must clearly justify why each project is a priority in the investment plan; and
- IOUs must work with CPUC staff to ensure data and descriptions needed to characterize investments across administrators are supplied in a form compatible with the

combined EPIC database that will be developed through the PICG.

The Evergreen Evaluation recommends that the IOUs engage stakeholders earlier in the investment planning process, as it found little external input aside from that provided by the Electric Power Research Institute (EPRI) because although the IOUs solicited input from stakeholders besides EPRI to weigh in on their plans, their plans are very far along by the time they hold stakeholder workshops, and input provided at these forums did not appear to shape IOU investment plans. Specific proposed requirements addressing this deficiency include:

- At the time of investment plan filing, the IOUs must file a summary of all stakeholder feedback received during investment plan formulation, and how this feedback was considered the investment plan.
- Prior to conducting stakeholder workshops, the IOUs must provide specific commitments in investment plans and any other project filings to the CPUC on the type of project content that will be shared with stakeholders.
- Prior to conducting stakeholder workshops, the IOUs must provide comprehensive information about what projects are being planned to stakeholders through all outreach channels. This should include detailed information on the planned project's focus, demonstration approach, needed partner expertise, and other relevant considerations. Identify and use additional outreach channels to reach a broader range of communities.
- IOUs must clarify how outside stakeholder responses will be considered.
- At least one month prior to project launch, the IOUs must share detailed project proposals and budgets with stakeholders to allow stakeholders to fully understand and formulate input on the proposed projects.

- During all workshops, the IOUs must provide abundant time for stakeholders to provide and discuss input. Examine how to provide technical assistance to diverse participants during and before workshops.
- Throughout the project process, the IOUs must provide relevant, timely, detailed, and appropriately technical information to interested stakeholders upon request.

The Evergreen Evaluation finds the IOUs do not have a robust systematic process to evaluate project benefits, and recommends the IOUs better quantify and report on project benefits. Specific proposed requirements addressing this deficiency include:

- The IOUs must work with the CEC to develop a single, unified benefits analysis process to enable evaluation of the benefits of all EPIC projects on an equal basis. We clarify that this EPIC-wide process should result from a newly scoped process that may be informed, but not dictated, by other methodologies for use in EPIC or other similar R&D programs;
- Once projects are authorized, the IOUs must conduct and share with stakeholders any prospective impact analyses characterizing, in detail, what each proposed project's outcomes and benefits are expected to be;
- The IOUs must develop a detailed plan to conduct rigorous post-project impact analysis for projects with quantitative metrics; and
- In project closeout and any follow-up reports, evaluation of project success should include specific tangible ratepayer benefits resulting from EPIC investment in the project, assessment of whether the project materially supports state goals and policy objectives including serving disadvantaged communities, and what shortcomings were encountered and how they could inform future projects. Additional analysis may include expected long-term societal benefits and conditions needed to realize them, such as policy development, further technical innovation,

> or novel market mechanisms. However, such impact analysis should be careful to not over-attribute to EPIC what may have otherwise occurred on a longer timescale through regulated utility or private sector actions.

5.1 Party Positions

The CEC, PG&E, SCE, and SERC support the proposed recommendations. SDG&E asserts that the IOUs have addressed appropriately the issues raised in the 2017 Evergreen Economics evaluation of the EPIC Program, but acknowledges that there is always room for improvement. SDG&E states that clear, quantifiable metrics must be defined through a transparent methodology if administrative performance is to be assessed. SDG&E suggests identification of existing baselines can provide insight into scalability, applicability beyond the demonstrated use case, and even needed improvements identified as a result of a failed test. Additionally, SDG&E asserts that projects must show ratepayer benefits to prove they have performed to the guiding principles of EPIC. Finally, SDG&E suggests that criteria on gauging TD&D project merit include (1) how well the project aligns with the need for utility infrastructure advancement in the context of emerging technology, (2) value to ratepayers, and (3) alignment with state policies.

Cal Advocates opines that the administrative recommendations in the Staff Paper will not cure the IOUs' shortcomings as EPIC Administrators, not because the recommendations are unreasonable, but because the CPUC already requires the IOUs to execute most of them. Cal Advocates states that despite the CPUC's repeated concerns about the IOUs' administrative conduct, the IOUs did not propose credible steps to rectify their documented shortcomings in this proceeding. Cal Advocates further asserts that the Evergreen Evaluation shows that the IOUs did not quantify, track, and report their EPIC projects' benefits. In response to Cal Advocates, PG&E notes that its Phase 2 Opening Brief, filed in October 2020, provided a comprehensive summary of the value delivered by each PG&E EPIC project. In addition, PG&E states it now quantifies and shares EPIC project benefits as part of reporting requirements for the new and emerging technologies in its Wildfire Mitigation Plan.

5.2 Discussion

We adopt the strengthened administrative criteria proposed in the Staff Paper and agree with the CEC's suggestion that the IOUs invite the CEC's participation on relevant IOU technical advisory committees. We disagree with SDG&E's assertion that the IOUs have appropriately addressed the issues raised in the 2017 Evergreen Evaluation. This Commission continues to be concerned with IOU administration of EPIC, as noted in several recent Commission decisions,[5] as well as the Evergreen Evaluation and the Staff Paper. This continued concern led us to defer consideration of the IOU role in EPIC even though we approved the CEC continuing on as an administrator in D.20-08-042. We appreciate PG&E and SCE committing to the improvements discussed above and expect full compliance from SDG&E.

We agree with SDG&E's statement that metrics for assessing administrative performance should be clear, quantifiable, and defined through a transparent methodology. We also note that some of Cal Advocates' concerns about IOU reporting of project benefits are addressed by the EPIC project value summaries provided in the Phase 2 Opening Briefs filed by certain IOUs. While

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[5] *See* D.20-02-003 at 33, Utility Administrators' "performance as administrators under the past and current EPIC program administrative rules keeps falling short."

See D. 20-08-042 at 25, "Because of our repeated concerns about identified shortcomings with utility administration, we do not authorize any utility administrative budget in this Decision."

See D. 18-10-052, Findings of Fact 6 and 7.

we appreciate the project value summaries provided by PG&E, they can be improved upon. To ensure that the IOUs comply with their obligations as administrators, and specifically to address the remaining deficiencies in IOU EPIC administration identified in the Staff Paper, this Commission directs the IOUs to work with Energy Division staff and the CEC to develop quantitative and qualitative metrics by which the success of EPIC administration in these areas can be measured. This should include identifying an existing baseline as the point of comparison for the demonstration results, which can provide insight into scalability, and applicability beyond demonstrated use cases. Projects must show ratepayer benefit to prove they have met the guiding principle of EPIC. For projects that are not successful, the reasons for lack of success and guidance for future success should be disseminated to ensure the success of future projects. The "failure" of a R&D project lies mainly in failing to learn from it. The report shall include in plain English information that allows a non-technical stakeholder to understand what IOU EPIC efforts have accomplished and why the investments are worth the cost. This may include meta-analysis and synthesis of the aggregate impact of related projects, rather than the impact of each project alone. Energy Division staff will work with the CEC and the IOUs to identify metrics of success such that it is clear what needs to be done to obtain CPUC approval of the report.

This collaborative process shall be transparent and culminate in reports by each IOU to be filed with their respective IOU EPIC 4 investment plan applications. This Commission will evaluate these reports and take them into account in determining whether to approve the IOUs' EPIC 4 investment plans. Failure to provide a suitable report will result in the withholding of IOU EPIC funds until such time as the Commission is satisfied that the individual IOU has identified and committed to a clear path of administrative success. On approval of the EPIC 4 applications, all IOU EPIC funds collected from Jan 1, 2021 to the time applications are approved will become available to the IOUs. To provide time to develop and execute a process for measuring success, and to produce the required reports, the deadline for the IOU's EPIC 4 investment plan applications is extended to October 1, 2022. The IOUs also are directed to continue implementation of the administrative improvements put forward in the IOU joint research administration plan, and include updates on their progress in all public workshops related to improving administrative performance and include a summary of these efforts in their reports.

The report above shall include several topics adopted in this decision, especially the tracking of measurable benefits. We note that D.18-10-052 directs the IOUs to propose a specific process for improving their benefits tracking, including the identifying types of data that would be necessary, how it would be collected, and the reporting structure to be used for benefit documentation provided to stakeholders. D.20-02-003 finds some progress made on IOU benefit tracking and assessment, though further progress is needed, and is required by this decision.

While we hope and expect that the additional requirements adopted here will sufficiently improve the IOUs' administration of EPIC, we also adopt some reasonable safeguards in the event that they do not. To this end, we adopt a requirement that Energy Division Staff review, assess, and report to the Commission on the IOUs progress in implementing the additional requirements one year and three years after IOU EPIC 4 applications are approved. Additionally, this decision only approves the IOU budget through 2025 (the EPIC 4 cycle). Phase 2-C of this proceeding will address the program evaluation issues in greater detail, including the metrics used as part of the evaluation, the schedule, and consequences for underperformance. We intend to consider and adopt specific review requirements that will enable us to evaluate performance before 2025. Continuance past this date will be reconsidered based on IOU performance.

6. Additional Administrative and Program Structure Improvements

D.20-08-042 confirmed that administrative and program structure improvements would remain in the scope of issues for Phase 2 of this proceeding, including resolving the questions discussed below.

- What other changes to the administrative structure of EPIC could benefit the program? Is the current administrative structure sufficient to balance responsiveness to emerging RD&D priorities with the need for oversight and transparency?
- Should the Commission designate certain administrators or entities to certain administrative tasks or policy areas (*e.g.*, would cybersecurity RD&D be best suited to a particular administrator or type of administrator)?
- Are any definition changes or clarifications to the three program areas (Applied Research and Development, Technology Demonstration and Deployment, and Market Facilitation) needed?
- Should the 10 percent cap on administrative expenses remain or instead be increased, due to increased administrative tasks?

On June 21, 2021, the Assigned ALJ issued a ruling taking notice a recent EPIC performance audit prepared on behalf of the CPUC by Sjoberg Evashenk Consulting and requesting comment on it. One of the audit's findings was that the CEC's administration expenses did not at the time exceed the current ten percent cap on administrative expenses, but they could.

6.1 Party Positions on Changes to Administrative Structure

The CEC and PG&E do not recommend any changes to EPIC's administrative structure, though both recommend identifying ways to streamline administrative activities. SDG&E suggests the current administrative structure should be critiqued carefully to make sure that the maximum amount of value to the ratepayers is achieved.

PG&E, SCE, and SDG&E recommend that the IOUs' future investment plans be comprised of sets of initiatives, to align with the level of detail of the initiatives in the CEC's investment plans, and to increase flexibility during investment plan execution. PG&E and SCE recommend that the administrators include the anticipated funding for each major initiative in proposed EPIC investment plans. SDG&E supports of identifying initiatives or needs first, then developing a corresponding budget. The CEC proposes specifying funding at a level of "themes," where themes are more detailed than "programs" but less detailed than "initiatives," unless administrators are given the ability to reallocate funding among the initiatives. Cal Advocates supports additional EPIC investment plan criteria that require the administrator to provide more detailed initiative and program level cost information, and asserts it is reasonable to require administrators to provide an estimated cost for each initiative.

The CEC, PG&E, SCE, and SDG&E all support providing the administrators the flexibility to move funds between initiatives, with the CEC supporting a reallocation of up to 10 percent of funds between initiatives before requiring additional CPUC approval and SCE recommending allowing administrators to shift up to 20 percent of funds between initiatives without Commission approval. PG&E recommends fund shifting not cause the total funding of any of the overarching program areas to exceed their approved budgets. SDG&E states there should be no limitation on the percentage of funding that can be reallocated between initiatives. Cal Advocates supports the existing requirement of allowing a reallocation of up to five percent of funds within a program area without requiring additional Commission approval.

All three IOUs request authorization to conduct projects in EPIC's Applied Research & Development investment category. SDG&E asserts that allowing the IOUs to participate in applied research and development and market facilitation would result in greater value for ratepayers, and ultimately, a more effective, successful EPIC program. All three IOUs argue they should be allowed to participate in all major stages of RD&D, including applied research, demonstration, and market facilitation, and that the current structure is inherently inefficient, in that it does not allow the IOUs to work with vendors to resolve problems that are identified in the demonstration phase and it does not support IOUs in migrating promising concepts from demonstrations into commercial adoption. SCE asserts this would allow for the IOUs to access other resources, both private and public. SDG&E argues the IOUs are best positioned to do evaluations and demonstrations in their own systems, but they would need a higher level of funding for this activity and suggests options for moving that role completely out of EPIC should be examined. SDG&E and SCE assert that allowing IOUs to participated in market facilitation would result in greater value for ratepayers and a more effective, successful EPIC program. The CEC does not support allowing the IOUs to conduct applied R&D and market facilitation.

PIRA recommends that the CPUC make use of administrative approaches that increase market and policy impacts, are responsive to emerging needs, attract the world's top researchers, and train the future workforce. In addition, PIRA recommends adopting new administrative approaches that facilitate coordination, continuity, and cross-disciplinary collaboration, including the funding of competitively selected, multi-project programmatic research initiatives that involve multiple research teams and focus on well-defined thematic areas. PIRA recommends that at least 15 percent of the CEC's EPIC funding go toward funding competitively selected programmatic initiatives such as: (1) increase market and policy impact through a programmatic, rather than project, approach; (2) respond to emerging market and policy needs; (3) attract top researchers and students to work on California's challenges; and (4) educate the state's future workforce. PIRA identifies the proposed California Flexible Load Research and Deployment Hub as a promising example of a thematic administrative approach and recommends the establishment of more multi-disciplinary multi-project initiatives.

SDG&E recommends that EPIC allow administrators to utilize funds for membership in the programs of research institutes such as the Electric Power Research Institute.

6.2 Party Positions on Designation of Certain Tasks or Policy Areas to Certain Administrators or other Entities

The CEC recommends against designating certain administrators to perform certain administrative tasks or policy areas. SDG&E asserts IOUs are better suited to working in policy areas that require significant RD&D performed in the actual utility systems, and funding levels of administrative budgets should reflect the level of administrative responsibilities. SCE argues the EPIC program benefits from all the administrators being able to work on all policy areas, asserting that electrical grid challenges are complex and necessitate the collective actions of all the administrators working together and that confidentiality obstacles are not insurmountable. PIRA recommends the CPUC require the CEC to select programmatic initiatives competitively, such as research centers and hubs, that focus on thematic areas.

6.3 Party Positions on Definitions and Clarification of Program Areas

For clarity, the CEC recommends the CPUC refine the definition of Market Facilitation:

> A range of activities including program tracking, market research, targeted outreach, and strategic interventions at key stages of a new technology's development and scale-up that will facilitate customer adoption, including entrepreneurial assistance and strategies to overcome technology lock-in barriers.

SCE recommends Market Facilitation include activities such as cost-share of clean energy technologies for communities, and have an emphasis on DACs, as well as economic recovery for communities negatively affected from natural calamities, such as wildfires or pandemics. SCE asserts Market Facilitation activities should not exceed five percent of the total program budget per administrator. PIRA supports the intent of the CEC's recommended revisions to the definition of Market Facilitation but asserts the definition should be expanded to include the following research areas and receive a larger share of funding: (1) research responsive to the needs to low-income and disadvantaged communities, (2) research to help the state improve electricity sector planning and development, and (3) evaluate the suite of policies needed to meet the states goals. Alternatively, PIRA recommends creating new program areas with titles such as Solutions for Disadvantaged Communities and Market and Policy Research for Transformed Electricity Sector. SCE agrees with PIRA that

expanding the definition of Market Facilitation to include disadvantaged communities (DACs) would improve program value for all customers.
PG&E and SDG&E recommend that the CPUC use a more representative title for the TD&D investment area would be "Technology Development and Demonstration," asserting that the word "deployment" in the current title misleadingly implies that within this investment area, technologies are taken to a commercial level of maturity and deployed in production. SCE recommends renaming the program area of "technology demonstration and deployment" to simply "demonstrations." The CEC asserts it is not necessary to revise the definition of TD&D because IOUs have a role in clean energy technology deployment. Cal Advocates argues the CPUC should reject SCE's request to rename TD&D to "demonstrations" because it would narrow the activities traditionally funded under TD&D the IOUs would be relieved of their expected duty to focus on installations that are directly interconnected or located on the electricity grid.

6.4 Discussion

We agree with PG&E, SCE, and the CEC's recommendation that the IOUs' future investment plans should be comprised of sets of initiatives to align more with how the CEC presents its investment plans, which, as discussed in Section 4.2, we define as "Strategic Initiatives." To provide flexibility to administrators, we eliminate the requirement that administrators obtain Commission approval to shift more than five percent of funds between categories of expenditures. Instead, we allow administrators to reallocate funding between Strategic Initiatives by up to 15 percent after their investment plans are approved. EPIC Administrators must file a Tier 2 Advice Letter seeking Commission approval of funding shifts of greater than 15 percent between Strategic Initiatives. The intent for allowing this flexibility is to ensure administrators can slightly adjust overall plans. Tier 2 Advice Letters must demonstrate that the fund shifting proposal above 15% remains in line with their approved investment plan and is necessary in the near term before their next application filing date. The Commission retains all policymaking and oversight authority over EPIC investment plans, and any Tier 2 filing that requests substantial changes to overall plans must be disposed of via a Resolution. We believe this approach balances program nimbleness and the administrators' need for greater flexibility, especially now that investment plan cycles are five years instead of three, with this Commission's need for oversight and ratepayers' need for greater transparency into the level of funding and effort required for each initiative.

We decline to expand the programmatic areas the IOUs may invest in using EPIC funds. In D.12-05-037, this Commission found "an inherent incentive" for an IOU to "bias its investments to favor itself over competitors" and limited Applied Research & Development and Market Facilitation investment categories.[6] The IOUs have not presented compelling reasons for this Commission to determine otherwise.

We decline to designate certain administrative tasks to just one specific administrator or some outside entity, as other entities were not identified in the record. Further, instead of expanding the range of research topics administrators can work on, this decision seeks to create more-focused EPIC investments.

Regarding proposed changes to EPIC Program definitions, we note that in establishing the program investment areas, this Commission deliberately chose not to be "overly precise" with defining potential funding areas due to the risk of

[6] D.12-05-037 at 45

unintentionally excluding a worthy investment area.[7] We exercise that same caution here, with only limited revisions. We revise the definition of "Market Facilitation" so that it now is: "A range of activities including program tracking, market research and policy analysis, targeted outreach, and strategic actions at key stages of a new technology's development and scale-up that will facilitate customer adoption, including entrepreneurial assistance and strategies to overcome non-technical market barriers."

Finally, additional recommendations laid out in the Evergreen Evaluation are part of the scope of issues in Phase 2-C of this proceeding and will be determined in a forthcoming decision.

7. Increasing the Administrative Costs Cap

The administrators' current cap for administration costs (10% of their overall budget) was set in D.12-05-037, which stated this was a soft cap and that "if the administrators, in each triennial investment plan, can justify the need for a larger amount of administrative funding based on the exact nature of the investments proposed, we will consider it at that time."[8] The scoping ruling specifically raised the question of increasing the cap, and parties weighed in on the issue, with only the CEC substantively arguing for an increase for its administration.

7.1 Party Positions

CEC requests the CPUC increase the cap on administrative expenses from 10 percent to 15 percent, asserting that the current 10% administrative budget is "inadequate for the CEC to carry out the core functions of the program, address new administrative responsibilities and tasks, and implement the program in the

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[7] D.12-05-037 at 38

[8] D.12-05-037 at 66

manner that provides the most benefits to ratepayers."[9] The CEC argues that it has more administrative duties now than when the program was approved, pointing to requirements and activities stemming from legislation (AB 523 regarding equity in clean energy investments), policy guidance (the SB 350 Barriers Study) and Commission-established requirements for EPIC that have been added since the program's inception (including the Policy + Innovation Coordination Group).[10] The CEC states that it would like to undertake additional program support activities such as expanded technical support and outreach targeted to disadvantaged communities, and cites to its Empower Innovation online platform as an example of its progress in this area. The CEC notes a 2019 assessment of its work in this area by the California Environmental Justice Alliance (CEJA) which recognized its beneficial efforts but calls for "continued development of its community engagement process, including technical assistance and a streamlined grant application process for community-based organizations."[11] The CEC states that it would like to expand its work in this area but cannot do so without an increase in the cap.

Additionally, the CEC argues that its core administrative functions are more complex and continually changing than those of the energy efficiency and renewables incentives programs to which EPIC's original 10% cap was originally compared in D.12-05-037.

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[9] CEC Opening Brief on Phase II issues, page 23

[10] CEC Opening Brief on Phase Issues

[11] CEJA Environmental Justice Agency Assessment, 2019, pp. 10-11, available at https://caleja.org/wp-content/uploads/2020/06/CEJA-Agency-Assessment-May-2020-Final-Web2.pdf

The CEC also notes that in the past, it used funds from its Energy Resources Programs Account to cover administrative costs beyond its 10% cap, but that this is not a sustainable practice. The CEC states that as of October 2020, it had a 20.5 person years staffing deficit which it partly attributes to the more complex, labor-intensive administrative work an R&D program requires compared to incentive program administration.

Cal Advocates supports the existing 10 percent cap on administrative expenses, arguing that since the CEC presumably will operate within its existing budget, and its EPIC operations do not appear any more burdensome, there is no reason to divert ratepayer monies to the CEC's administrative functions. Further, Cal Advocates asserts it is reasonable to conclude that the CEC's administrative costs should have decreased since 2012 because of program efficiencies.

PIRA does not recommend increasing the administrative expense cap, arguing that, instead, the CEC should pursue opportunities to lower administrative expenses by focusing on programmatic initiatives and simplifying administrative tasks. NRDC recommends that the Commission increase the EPIC administrative expenses cap to 12.5 percent, if the CEC will have to serve as the sole EPIC Administrator, and also suggests implementing improvements identified by the Evergreen evaluation.

While PG&E recommends keeping the administrative budget cap at 10 percent, it also urges the CPUC to evaluate and prioritize administrative requirements, given that there is already considerable pressure on the administrative budget. PG&E also suggested the joint development (Energy Division, IOUs, and CEC) of an EPIC Program Administration handbook that clearly articulates the program's administrative requirements and standards to ensure alignment on expectations among the Commission and the Administrators. SDG&E suggests the CPUC consider the separation of administrative costs into two categories that take into account those costs that are required by each administrator during each cycle (fixed) and those that vary based on the number and type of projects undertaken (variable). SDG&E recommends that the CPUC clearly define fixed administrative costs and assign as many of them as possible to Program Administrators with larger budgets.

SDG&E also recommends covering administrator costs for supplying technical expertise to participate in the PICG, whether through EPIC, a utility's general rate case, or some other mechanism. Finally, SDG&E asserts the rules for EPIC should include a process for increasing administrative funds if necessary.

7.2 Discussion

We increase the soft cap of 10% on administrative expenses to a firm cap of no more than 15% for the CEC only. This will be a firm cap, and the CEC may not propose an administrative budget that exceeds this amount. We make this change in light of the extensive arguments provided by the CEC that an increase to 15% is necessary and warranted. We make no change to the current cap for the utilities, which remains 10%. We direct the CEC to provide additional detail, specified below, in its upcoming application to support proposed budgets for any amount above the current 10%. We also direct a workshop and Tier 2 advice letter process to provide greater clarity and consistency about administrative costs.

The Administrative Law Judge's Proposed Decision as mailed for comment declined to modify the administrative cap, with the rationale that according to the Sjoberg Evashenk Consulting audit, the CEC's administrative expenses have remained near ten percent, as have the utilities. In its comments on the proposed decision, the CEC argued that this fact should not be used as a rationale to avoid increasing the soft cap, reiterating that it has had to use other funding sources to administer the program after reaching its 10% budget.[12] The CEC in its comments also reiterated its main arguments for an increase from its briefs in this proceeding.

In its reply comments on the ALJ's proposed decision, Cal Advocates urged us to reject the CEC's request for an increase, stating that the programs CEC cites for comparison are much smaller in overall size, and that since the CEC manages the much-smaller Natural Gas Research and Development program (at $24 million per year, with $2.4 million per year for administration) on a 10% budget it should be able to do so for EPIC as well.[13]

We take seriously the CEC's statements indicating that it needs additional administrative funds to address its core functions, particularly given that the CEC is the main administrator of EPIC. While Cal Advocates argues that the CEC should be able to run EPIC on the same budget as its Natural Gas program, the record here shows that an increase is warranted. Cal Advocates also advocated extensively for the CEC to be the only EPIC administrator, citing its excellent administrative performance and the high likelihood of benefits resulting from its investments; we note this as well, and it is a main consideration in our decision on this issue.

We further note that the forthcoming Proposed Decision in this proceeding is slated to consider additional prioritization guidance, and that this issue and others may affect administrative duties. The CEC's argument about the nature of

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[12] CEC opening comments on Proposed Decision at 3.

[13] Cal Advocates Reply Comments on ALJ's Proposed Decision at 4.

RD&D program administration being relatively complex compared to incentive programs, which was not rebutted by Cal Advocates, is compelling; while we cannot quantifiably compare EPIC to other programs, it is clear that a large electricity research and development program run through a state agency using public solicitation development and engagement processes is complex to administer.

The CEC has presented a persuasive argument that the duties required of it as an EPIC administrator—and those it identified that go above and beyond its requirements, such as enhanced efforts to target research towards disadvantaged communities and help these communities participate in grants -- justify an increase in its administrative costs cap up to 15%. This increase to 15% as a firm cap for the CEC is not a substantial change or "loosening" of applicable rules for EPIC. We already allow administrators to propose a budget above 10%; in fact, the information submitted by the CEC justifying an increase, and that which we require below, provides *more* clarity and additional restrictions to ensure administrative efficiency than have existed to date.

We do not adjust the 10% soft cap on administration for the utilities, given that there is no detailed support for an increase from any of the utilities themselves, and also because this proceeding has been considering whether to retain the IOU administrators at all because of concerns over their performance. The IOUs shall still be governed by D.12-05-037 in this regard. The workshop and advice letter process we require below should be helpful in better understanding all administrators' expenses, and considering any potential future requests.

The CEC provided an overview of the types of activities it would like to undertake – enhanced outreach, technology transfer, technical support, increased staffing – but did not provide a budgetary breakdown of their expected cost. Therefore we also require the CEC to submit the following detailed information in its EPIC 4 application to justify any incremental administrative budget amount requested above 10%, up to 15%:

- An accounting of the additional, incremental, and new administrative activities it plans to undertake in EPIC 4 and going forward;
- An accounting of the specific administrative activities which it had previously funded via other funding sources and which now it intends to fund via the additional funds;
- Estimated costs for these activities.

Additionally, parties raised recommendations regarding enhanced clarity about administrative costs to allow everyone to better understand, report, and oversee which activities different administrators consider "administrative" and how much they cost. This issue will be more fully addressed via a workshop and advice letter process, as directed by Commission staff, and subject to approval by the Commission.

To clarify and better understand EPIC administrative costs, we direct the EPIC administrators to jointly hold a public workshop no later than 60 days after the issuance of this decision to propose an appropriate detailed line-item list of EPIC administrative costs. Administrators shall consult Energy Division on the agenda for the workshop and should provide the presentation to Energy Division and other parties in advance of the workshop. Ten days after the workshop, PG&E shall submit a joint Tier 2 advice letter proposing a list of eligible administrative budget line items with clear associated definitions. As D.18-10-052 recognized, and as the record of this proceeding makes clear, each administrator runs its EPIC program differently. Therefore, while we hope that the workshop will help identify areas of consistency and encourage administrators to account for their administration consistently, we recognize that this may not be possible across the board. The Advice Letter should describe and provide rationale for areas in which administrators could not come to consensus in terms of what activities are administrative and how they should be defined. Once the Advice Letter containing a list of administrative budget line items is approved, Administrators should use only these line items to describe and justify any administrative costs going forward, commencing with EPIC 4 Investment Plans.

8. Adoption of Guiding Principles

Parties filed and served comments in response to D.20-08-024. Taking those comments into consideration, the Amending Scoping Memo includes a proposal refining EPIC's guiding principles for the EPIC 4 and EPIC 5 investment cycles. If adopted, the proposal would remove the non-mandatory complimentary principles and streamline existing mandatory guiding principles to the following five:

- **Improve Safety**: EPIC projects should improve the safety of operation of California's electric grid in the face of climate, wildfire, and emerging challenges.
- **Increase Reliability**: EPIC projects should increase the reliability of California's electric grid while continuing to decarbonize California's electric power supply.
- **Increase Affordability**: EPIC projects should fund electric sector technologies and approaches that lower California electric rates and ratepayer costs.
- **Improve Environmental Sustainability**: EPIC projects should continue to reduce GHG emissions, criteria pollutant emissions, and the overall environmental impacts of California's electric system.

- **Improve Equity**: EPIC innovations should increasingly support, benefit, and engage vulnerable, low-income and disadvantaged California communities.

The proposed changes seek to retain the existing mandatory guiding principles (with more guidance as to the definition of each principle) and add to them environmental sustainability and equity. The expectation is that EPIC Administrator investment plans meet all five principles and each investment made under the plans must demonstrate alignment with, and support of, one or more of these mandatory guiding principles. Investment plans would demonstrate which of the proposed investments align with the most principles, and to what extent. The Commission, in its review, would prioritize investments that are the most actionable, the most beneficial, and that promise substantive impact.

The Amended Scoping Memo also includes a proposed mission statement for the EPIC 4 and EPIC 5 investment cycles: "EPIC invests in innovation to ensure equitable access to safe, affordable, reliable, and environmentally sustainable energy for electricity ratepayers."

The Amended Scoping Memo and Ruling asks parties to comment on whether the Commission adopt this proposal, should the Commission adopt a modified version of this proposal, and, if yes, how would parties modify the proposal.

8.1 Party Positions

Most parties support the proposed streamlined principles in general, though several suggest revisions. Cal Advocates and the CEC encourage the CPUC to revise the principles to ensure that the mandate to provide electricity ratepayer benefits remains and is the most important guiding principle of the EPIC program overall and, secondly, that EPIC projects must be funded in an efficient manner. SDG&E expresses concern that if the IOU Administrators continue in that role, they may not have sufficient funds to develop enough projects to comply with all five principles. The CEC suggests the word "innovations" replace "projects" in the Improve Environmental Sustainability principle, and that the word "projects" replace "innovations" in the Improve Equity principle. SCE suggests the word "projects" replace "innovations" in the Improve Equity principle for consistency.

The CEC recommends revising the Improve Safety principle by adding the word "change" after "climate." SDG&E suggests the principle also target worker safety and public safety. BAC urges the Commission to increase the focus on wildfire across all programs, including EPIC, and to prioritize EPIC funding for forest BioMAT projects.

The CEC recommends revising the Increase Reliability principle by replacing the word "grid" with "system" to broaden this definition, asserting there are customer action-based strategies, which can enhance reliability in addition to grid-specific actions. SDG&E recommends measuring reliability using standard utility industry reliability metrics.

The CEC recommends revising the Increase Affordability principle by adding "and help enable the equitable adoption of clean energy technologies" to the end of the sentence because affordability remains a significant barrier to the adoption and access to clean energy technologies and their benefits particularly in under-resourced communities. BAC urges the Commission to look at affordability issues more broadly than just the rates on utility bills.

SDG&E suggests the Improve Environmental Sustainability principle incorporate the environmental impacts of the entire life cycle of the technology beyond just testing and deployment (e.g., production and disposal or recycling).

Among other items, BAC urges the Commission to prioritize technologies and strategies required by the state's Climate Change Scoping Plan, Short-Lived Climate Pollutant Reduction Plan, Forest Biomass Utilization Plan, Natural and Working Lands Plan, and other state plans and policies to address climate change and public health.

Several parties suggest modifications to the proposed principle that EPIC innovations should increasingly support, benefit, and engage vulnerable, low-income and disadvantaged California communities. PG&E and SCE recommend that the definition of "vulnerable" communities to take into account "Disadvantaged Vulnerable Communities," as already defined by the CPUC,[14] and communities in areas of high wildfire vulnerability. The CEC suggests using "under-resourced" as a broader umbrella term to include "vulnerable, low-income, and disadvantaged" communities and populations, as well as tribes. BAC asks the CPUC to make certain is does not exclude rural areas of the state that are some of the most economically depressed regions and many of which face significant pollution from wildfires, open burning, and fossil fuel combustion.

8.2 Discussion

We adopt several clarifying revisions to the guiding principles and the EPIC mission statement. A final version of EPIC's mission statement and guiding principles appears in Appendix A. We revise the EPIC mission

[14] *See* D.20-08-046, Ordering Paragraph 1. Disadvantaged Vulnerable Communities consist of communities in the 25% highest scoring census tracts according to the most recent version of the California Communities Environmental Health Screening Tool (CalEnviroScreen), as well as all California tribal lands, census tracts with median household incomes less than 60% of state median income, and census tracts that score in the highest 5% of Pollution Burden within CalEnviroScreen, but do not receive an overall CalEnviroScreen score due to unreliable public health and socioeconomic data.

statement and principles to ensure that the mandate to provide electricity ratepayer benefits is explicit, though we note this concept is already enshrined in statute. Further, we note that the requirement that EPIC projects must be funded in an efficient manner is already enshrined in Pub. Util. Code 740.1. We revise the Improve Safety principle by adding the word "change" after "climate." We revise the Increase Affordability principle by adding "and help enable the equitable adoption of clean energy technologies" at the end of the sentence. We revise the Equity principle so that the requirement is to engage Disadvantaged Vulnerable Communities, as defined by the CPUC in other proceedings and note that definition includes Tribal lands. We revise the Increase Reliability principle by replacing the word "grid" with "system."

We revise the EPIC guiding principles so that the word "innovations" appears in each guiding principle and not the words "project" or "projects." As stated elsewhere, EPIC is an innovation fund. For clarity, administrators may want to view the word innovations as meaning innovative projects, but we decline to substitute the word project for innovations.

Given the number of revisions we adopt in this decision, both in terms of administrative improvements and well as these guiding principles, we extend the filing deadline for the CEC's EPIC 4 investment plan from October 1, 2021 to December 1, 2021.

Regarding concerns that administrators may be unable to meet all five guiding principles, we emphasize that while each project does not necessarily need to meet all five principles, a five-year investment must meet all requirements.

Finally, where it can on a reasonable basis, the CPUC strives to implement policy or funding choices in a technology neutral manner. Thus, we decline to adopt proposed revisions to the guiding principles that favor one technology area or industry and decline to allocate a fixed percentage of EPIC funds to one technology area or industry, no matter how promising it may be.

9. Full Funding of EPIC Budget

While D.20-08-042 authorizes EPIC's continuation and the CEC's budget, 80 percent of the entire EPIC budget, it left for Phase 2 to resolve the question of authorizing the IOU Administrators, including the remaining 20 percent of the EPIC budget. A significant reason for choosing this path was the state of the economy in August 2020, in the middle of the COVID-19 pandemic and with millions of Californians filing for unemployment benefits, and not desiring to place more burdens placed on ratepayers.

9.1 Party Positions

Except Cal Advocates, no party supports reducing the EPIC budget. SDG&E argues its funding level must increase. BAC and BASIC support current or even increased funding, given the growing number of energy-related challenges facing California.

SDG&E argues any reduction should be equitable among all EPIC Administrators, and should be reconsidered when the pandemic is over and the economy is at full strength. SCE supports a temporary 10 percent funding reduction in EPIC's total budget. The NRDC supports EPIC funding at current levels, and asserts that if necessary, the Commission should adopt a temporary 10 percent cut in program funding that is revisited once the pandemic is over.

The CEC and SVLG oppose a 20 percent funding reduction and argue that any temporary reduction should be for as short as possible. The CEC asserts the next ten years are crucial for meeting the state's climate and energy goals, and that given the scale of the challenge California faces, a 20-percent reduction in

EPIC funding will reduce the EPIC program's ability to support reaching those goals. The CEC supports a 10 percent budget reduction for only one year. SCE and PG&E request the Commission sustain the IOUs' program funding at the same level as the EPIC 3 investment plans, asserting a reduction to the EPIC budget would damage the program's effectiveness with minimal rate reduction for customers. SDG&E argues that if the IOU budgets are cut, the Commission should allow the IOUs to seek additional RD&D funding through their general rate cases.

9.2 Discussion

The change of circumstances since this Commission adopted D.20-08-042 last August, with the pandemic subsiding and Californians returning to work, as well as the long-term value of ratepayer-funded RD&D to address climate change, wildfire risk, equity, and other California policy priorities likely outweighs any benefit from a nominal reduction in ratepayer payments. We note from D.20-02-003 our prior extensive findings about the vital importance of energy innovation investments and the benefits they yield. Most directly, this decision approves the continuance of the IOUs' administrative role, and these administrators need budgets with which to perform this role. However, as discussed above, we also find it reasonable to balance our continuance of the IOUs' role with some safeguards in the event that our additional administrative requirements are not successful. For this reason, we only authorize the IOUs' budget in this decision through 2025. We intend that a review of their performance occur prior to any continuance for the EPIC 5 cycle of the IOUs' budgets. The forthcoming decision in this proceeding will address the evaluation schedule and scope and we can address that process at that time. Thus, we adopt an EPIC revenue collection of $185,000,000 annually, and reinstate the budget for the IOUs, through 2025.

Appendix B provides budget details identifying each program administrator's total budget for the EPIC 4 investment cycle, broken down by project budget, administrative budget, and portion of the program oversight budget to be remitted to the Commission. The purpose of this detail is to provide clarity and transparency on the budget among the EPIC administrators, the Commission and its staff, and other stakeholders.

10. Disbursement of RPS Non-compliance Penalty Funds

Public Resources Code § 25711(a) directs the CEC to administer the EPIC Fund in the State Treasury. The fund includes noncompliance penalty monies paid into the fund under the California Renewables Portfolio Standard (RPS) Program. To date, the CPUC has not directed the CEC to use these RPS noncompliance penalty funds. To date, roughly $4.3 million in penalties that have been collected.[15] The Staff Paper identifies three potential options for use of RPS noncompliance penalty payments. In Option 1, the CEC continues administering its EPIC projects as usual, drawing first from the RPS Penalty Fund for its project costs until it is depleted, before invoicing the utilities, thereby reducing a small portion of EPIC's ratepayer cost. In Option 2, the CPUC directs funds toward projects related to high-priority emerging issues that may be within or outside the scope of CEC's five-year investment plans. In Option 3, the CPUC directs funds toward EPIC projects carried out by IOUs and administered by the CEC.

[15] *See* Staff Paper at 20.

10.1 Party Positions

The CEC, PG&E, SCE and SDG&E support Option 1, using accumulated RPS noncompliance penalties to reduce ratepayer impacts by offsetting a portion of the CEC's EPIC 4 funding. The CEC asserts this is the most straightforward option, which follows the rigorous transparency and stakeholder input processes that the other options do not, and it does not add to CEC's administrative burden.

Cal Advocates recommends the CPUC adopt Option 2, in which the funds are CPUC directed and not used to offset ratepayer costs, and recommends that the CEC should prioritize the funds for RPS-related RD&D. The CEC argues Options 2 and 3 would require a budget change proposal subject to Department of Finance and Legislature approval.

10.2 Discussion

We direct the balance in RPS non-compliance penalty funds to be used to provide a one-time ratepayer cost reduction of at least $4.3 million. For EPIC 4 project costs, CEC shall draw first from the RPS noncompliance penalty funds in the EPIC fund until the penalty funds are depleted before invoicing the IOUs for EPIC 4 project funds. The CEC will need to request legislative authority to begin using these funds as soon as possible. In summary, we authorize a reduction in the collection of the EPIC surcharge in the amount of RPS penalty funds expended by the CEC for the EPIC 4 program through December 31, 2025. Collection for the funding of EPIC, as adjusted by the above amount shall continue to be allocated to the utilities in the following percentages: PG&E at 50.1 percent, SCE 41.1 at percent, and SDG&E at 8.8 percent.

11. Conclusion

In summary, we authorize the IOU EPIC Administrators to continue in that role, subject to additional administrative requirements. We also authorize EPIC 4 investment plan budgets of $18.444 million for PG&E, $3.24 million for SDG&E, and $15.131 million for SCE. All EPIC Administrators have the ability to propose adjusting their EPIC 5 investment plan (2026-2030) budgets by the rate of inflation, as calculated using the California Department of Finance's California CPI-W method. Investment plans must show funding amounts at the initiative level, instead of at the broader program area level. IOU EPIC 4 investment plans must be consistent with the EPIC Program Priorities that will be considered in Phase 2C.

To bring greater focus and transparency to the EPIC program, we adopt a number of administrative requirements, as well as the guiding principles and mission statement contained in Appendix A. Many of these improvements stem from those identified in the Evergreen Evaluation, including the need for increased clarity on portfolio optimization, the need to prioritize among EPIC's many objectives, and the need for the IOU Administrators to improve upon information sharing and stakeholder engagement.

Given the number of revisions we adopt in this decision, we extend the filing deadline for the CEC's EPIC 4 investment plan from October 1, 2021 to December 1, 2021.

Although we authorize the IOUs to continue as EPIC Administrators and also authorize their respective investment plan budget amounts, this decision does not approve their investment plans. The IOUs must file their EPIC 4 Investment Plan applications for Commission consideration by October 1, 2022, and their EPIC 5 Investment Plan applications by October 1, 2025. Accompanied with their EPIC 4 Investment Plan applications, each IOUs must file a report documenting the success of its EPIC investments, using quantitative and qualitative metrics. We direct the IOUs to work with the CEC as well as this Commission's Energy Division Staff to develop these quantitative and qualitative metrics. This Commission will evaluate the report and take it into account in determining whether to consider approval of the IOUs EPIC 4 investment plans. Failure to provide a suitable report will result in the withholding of IOU EPIC funds.

Finally, the CEC will use the balance in RPS non-compliance penalty funds to provide a one-time ratepayer cost reduction of at least $4.3 million.

12. Comments on Alternate Proposed Decision

The proposed alternate decision of Commissioner Guzman Aceves in this matter was mailed to the parties in accordance with Section 311(d) 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 November 3, 2021, and reply comments were filed on November 8, 2021 by the following parties:

- The CEC;
- PG&E;
- SDG&E;
- SCE; and
- Cal Advocates.

In response to comments from the CEC, we revise this decision by correcting a mathematical error in Appendix B, Table 1.

In response to requests from the IOU Administrators, we extend the time required to hold a public workshop to propose an appropriate detailed line-item list of EPIC administrative costs from within three weeks no later than 60 days after the issuance of this decision.

We clarify on page 16 our intent in specifying funding at a Strategic Initiative level. Cal Advocates objects to this change, arguing that it represents a decrease in our oversight. We disagree that this decision decreases our ability to oversee the program—we continually oversee the administrators, and this decision enacts new oversight requirements for the IOUs in particular—but we acknowledge their concern. Filing investment plans at the Strategic Initiative level is intentionally slightly more broad than filing specific projects as the IOUs have done in the past, but at the same time, we are requiring more specific funding proposals than the IOUs have been held to in the past (IOUs' past investment plans contained project proposals with budgets, but the IOUs were not limited by any fund shifting requirements), and the time horizon is longer than it used to be. There is ample opportunity during the application proceedings to satisfy all applicable review requirements. The approved changes appropriately balance the need for investment planning detail and program nimbleness.

Cal Advocates claims that Finding of Fact 3 is legally and factually flawed, and not supported by the record. We have slightly modified Finding of Fact 3 to reflect the fact that we have identified legal, logistical, or budget challenges with the IOU administrative role options in the record. Several logistical challenges are identified, including additional complexities and coordination efforts.

Cal Advocates also does not acknowledge differences between the IOUs' direct administrative leadership role and a technical advisor role, arguing that the APD does not "explain how Option 2c obviates any IOU technical leadership benefit. …if the IOUs' performance as administrators keeps falling short, but there is value in their technical leadership, how is it reasonable to reinstate the IOUs as administrators and reject Option 2c, which would assign them as technical advisors?"[16] This logic holds that there would be no difference between a direct decisionmaking role as a program administrator developing and leading its own plans and acting in an advisory capacity to another administrator, and we disagree with it. The record also demonstrates various shortcomings and objections to this option.

Additionally, Cal Advocates argues that allowing a Tier 2 Advice Letter process for fund shifting among Strategic Initiatives is an improper delegation of our authority. We have provided additional guidance to ensure that staff dispositions of these filings will be appropriately ministerial and that substantive changes requiring our approval will come before the Commission. The old structure, in which a 5% limit on fund shifting among three program areas was only applicable to the CEC, is different from the new one (in which all administrators filed budgeted Strategic Initiatives with a 15% fund shifting limit). We believe the new structure is better suited to the program's goals.

Overall, we understand Cal Advocates' position that the IOUs should not continue in an administrative role, but as we have discussed, we have decided as a policy matter to continue a direct IOU administrator role with multiple specific additional requirements and safeguards in place. While Cal Advocates does not acknowledge these requirements and safeguards, we see them as crucial. For consistency with direction provided on page 34 and 37, we add new Ordering Paragraph 16, directing the EPIC Administrators to host a joint public workshop, in consultation with Energy Division Staff, no later than 60 days after the

[16] Cal Advocates opening comments on the APD at 5

issuance of this decision to propose an appropriate detailed line-item list of EPIC administrative costs that all Administrators may rely on. Ten days after the workshop, PG&E is to file a joint Tier 2 Advice Letter proposing a list of eligible administrative budget line items with clear associated definitions, as well as the items EPIC Administrators could not reach a consensus. Once the Advice Letter is approved, our expectation is the EPIC Administrators will use only these line items to describe and justify any administrative costs going forward, commencing with EPIC 4 Investment Plans.

13. Assignment of Proceeding

Martha Guzman Aceves is the assigned Commissioner and Thomas J. Glegola is the assigned Administrative Law Judge in this proceeding.

Findings of Fact

1. EPIC funds have financed promising projects that provide considerable energy savings and improve safety.

2. The IOUs are best positioned to scale up and implement new technologies for grid operations, and these utilities remaining as EPIC Administrators effectively leverages their expertise.

3. There are statutory, logistical, and budget challenges posed by the administrative role alternatives proposed by the Staff Paper.

4. The Evergreen Evaluation and the Staff Paper identified recommendations to improve IOU administration of EPIC.

5. To date, five of the thirteen recommendations in the Evergreen Evaluation have not been addressed.

6. It is unclear if EPIC Administrator investment plan portfolios, as a whole, are optimized.

7. The record indicates a need to prioritize and focus EPIC's many objectives.

8. Development of EPIC Program Priorities will assist IOU EPIC 4 and all EPIC 5 Investment Plans to focus on the areas where expenditures will provide the greatest value to ratepayers.

9. The IOU Administrators, while technically in compliance with EPIC program requirements, should improve their information sharing and stakeholder engagement practices.

10. The administrative improvements we adopt will increase transparency and improve EPIC program efficacy by ensuring that IOU Administrators track benefits using quantitative and qualitative metrics.

11. Requiring all EPIC Administrators to use the same benefits analysis framework and set metrics allows for improved EPIC program evaluation and oversight, as well as greater transparency for ratepayers.

12. Requiring the IOU Administrators to file a report documenting their success to date increases EPIC program transparency and provides metrics for continued program evaluation.

13. The revised Guiding Principles adopted in this decision provide more focused direction to EPIC Administrators on specific investments.

14. Requiring all EPIC Administrators to file investment plans at the Strategic Initiative level, as defined herein, provides greater transparency into the level of funding and effort required for each initiative.

15. Allowing EPIC Administrators to reallocate up to 15 percent of funds between Strategic Initiatives provides administrators with appropriate flexibility to manage five-year investment plans.

16. The IOUs, CEC, and this Commission's Energy Division Staff are best positioned to collaborate and identify appropriate metrics to evaluate the success of the EPIC investment plans.

17. This Commission retains the ability to reject an IOU's EPIC 4 investment plan should the report in Ordering Paragraph 13 not demonstrate sufficient success.

18. Reducing the EPIC program budget by 20 percent will lead to a nominal reduction in monthly ratepayer bills.

19. The IOU Administrators will incur expenses to prepare the report ordered in Ordering Paragraph 13.

Conclusions of Law

1. The framework adopted herein for EPIC oversight and funding is just and reasonable in light of the whole record.

2. Retaining the IOUs as EPIC Program Administrators is the most effective and efficient structure for sustaining the value that IOUs bring to EPIC, despite the concerns identified in the record.

3. The long-term value of ratepayer-funded research and development and deployment to address climate change, wildfire risk, equity, and other California policy priorities outweighs the benefit from a nominal reduction in ratepayer payments.

4. The IOU Administrators will need to be reimbursed for the administrative costs incurred in preparing the report in Ordering Paragraph 13 and thus the Commission should authorize the reimbursement using EPIC funds.

5. This Commission retains the ability to reject an IOU's EPIC 4 investment plan should the report in Ordering Paragraph 13 not demonstrate sufficient success.

6. With the identified improvements, this Commission should authorize the EPIC IOU administrators to continue on in their roles as EPIC Administrators.

7. A one-time ratepayer cost-reduction is the most efficient use of the current balance in the California Renewables Portfolio Standard Program non-compliance penalty fund, given other options require statutory revisions.

8. Given the number of revisions we adopt in this decision, this Commission should extend the filing deadline for the CEC's EPIC 4 investment plan.

O R D E R

IT IS ORDERED that:

1. Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) shall continue to administer its portion of Electric Program Investment Charge, in accordance with Commission-approved investment plans and subject to the conditions adopted herein.

2. The Electric Program Investment Charge Mission Statement and Guiding Principles, as shown in Appendix A, are adopted.

3. The California Energy Commission shall have an annual Electric Program Investment Charge budget of $147.26 million, Pacific Gas and Electric Company shall have an annual Electric Program Investment Charge budget of $18.444 million, San Diego Gas & Electric Company shall have an annual Electric Program Investment Charge budget of $3.24 million, and Southern California

Edison Company shall have an annual Electric Program Investment Charge budget of $15.131 million. All administrators will have the ability to propose to adjust their budgets for their 2026-2030 investment plan by the rate of inflation, as calculated using the California Department of Finance's California Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) method.

4. Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), and Southern California Edison Company (SCE) shall collect funding for the Electric Program Investment Charge (EPIC) in the total amount of $185 million annually beginning January 1, 2021 and continuing through December 31, 2025. The collections for the California Energy Commission's budget continues through 2030 under prior authorization. Responsibility for collection of the funding for the EPIC funds shall be allocated to the utilities in the following percentages: PG&E - 50.1 percent; SDG&E - 8.8 percent; and SCE - 41.1 percent.

5. The soft cap of 10% of the budget for administrative costs is increased to a firm cap of 15% for the California Energy Commission only.

6. No later than 30 days after the effective date of this Decision, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall each file a Tier 1 Advice Letter modifying their tariff sheets to reflect the Electric Program Investment Charge (EPIC) surcharge in accordance with this Decision and to authorize them to record authorized EPIC budgets and expenditures and to collect the EPIC funds through December 31, 2025, or as otherwise authorized by the Commission.

7. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall file Electric Program Investment Charge (EPIC) 4 and EPIC 5 investment plans as applications for Commission

consideration on October 1, 2022 and October 1, 2025, respectively. Those applications shall be served on the service list for this proceeding and the service lists for each utility's pending or most recent general rate case.

8. All EPIC Administrators shall file investments plans at the Strategic Initiative level. Strategic Initiatives are defined as the strategies EPIC Administrators employ to meet their high-level strategic objectives. EPIC Administrators shall propose funding levels for the Strategic Initiatives and specify how these initiatives will be operationalized, including the proposed activities.

9. The requirement of D.12-05-037 that administrators obtain Commission approval to shift more than five percent of funds between the three EPIC program categories of expenditure authorized in an investment plan is eliminated.

10. EPIC Administrators are authorized to reallocate up to 15 percent of funds among each of their approved initiatives without additional Commission approval.

11. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company and the California Energy Commission shall file a Tier 2 Advice Letter seeking Commission approval to reallocate more than 15 percent of funds between initiatives.

12. Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company shall coordinate with the California Energy Commission and this Commission's Energy Division staff to develop a single, uniform benefits analysis framework and set of metrics that enable the evaluation and tracking of the benefits of all EPIC projects.

13. When they file their EPIC 4 investment plans, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company each must also file a report documenting their success to date of the EPIC projects under its administration, using the metrics they are ordered to create in Ordering Paragraph 12, and in working with this Commission's Energy Division staff.

14. The deadline for the California Energy Commission to file its EPIC 4 investment plan is extended from October 1, 2021 to December 1, 2021.

15. The California Energy Commission shall draw first from the California Renewables Portfolio Standard Program noncompliance penalty funds in the EPIC fund until the penalty funds are depleted before invoicing the Investor-Owned Utilities for EPIC 4 project funds.

16. EPIC Administrators shall host a joint public workshop no later than 60 days after the issuance of this decision to propose an appropriate detailed line-item list of EPIC administrative costs that all Administrators may rely on. EPIC Administrators shall consult Energy Division on the agenda for the workshop and should provide the presentation to Energy Division and other parties in advance of the workshop. Ten days after the workshop, PG&E shall file a joint Tier 2 Advice Letter proposing a list of eligible administrative budget line items with clear associated definitions. The Advice Letter also shall identify and describe areas in which EPIC administrators could not come to consensus. Once the Advice Letter is approved, EPIC Administrators should use only these line items to describe and justify administrative expenses in their investment plans.

17. Rulemaking 19-10-005 remains open.

This order is effective today.

Dated November 18, 2021, at San Francisco, California.

MARTHA GUZMAN ACEVES
CLIFFORD RECHTSCHAFFEN
GENEVIEVE SHIROMA
DARCIE HOUCK
Commissioners

I abstain.

/s/ MARYBEL BATJER
President

APPENDIX A

APPENDIX A

Electric Program Investment Charge (EPIC) Mission Statement

- EPIC invests in innovation to ensure equitable access to safe, affordable, reliable, and environmentally sustainable energy for electricity ratepayers.

EPIC Guiding Principles

EPIC's mandatory guiding principle is to provide ratepayer benefits. Ratepayer benefits are defined here as (1) improving safety, (2) increasing reliability, (3) increasing affordability, (4) improving environmental sustainability, and (5) improving equity, all as related to California's electric system.

- **Improve Safety:** EPIC innovations should improve the safety of operation of California's electric system in the face of climate change, wildfire, and emerging challenges.
- **Increase Reliability:** EPIC innovations should increase the reliability of California's electric system while continuing to decarbonize California's electric power supply.
- **Increase Affordability:** EPIC innovations should fund electric sector technologies and approaches that lower California electric rates and ratepayer costs and help enable the equitable adoption of clean energy technologies.
- **Improve Environmental Sustainability:** EPIC innovations should continue to reduce GHG emissions, criteria pollutant emissions, and the overall environmental impacts of California's electric system, including land and water use.

- **Improve Equity:** EPIC innovations should increasingly support, benefit, and engage disadvantaged vulnerable California communities.[17]

(END OF APPENDIX A)

[17] *See* D.20-08-046, Ordering Paragraph 1. Disadvantaged Vulnerable Communities consist of communities in the 25% highest scoring census tracts according to the most recent version of the California Communities Environmental Health Screening Tool (CalEnviroScreen), as well as all California tribal lands, census tracts with median household incomes less than 60% of state median income, and census tracts that score in the highest 5% of Pollution Burden within CalEnviroScreen, but do not receive an overall CalEnviroScreen score due to unreliable public health and socioeconomic data.

APPENDIX B

APPENDIX B

Proposed Budget Tables

This appendix provides budget information, showing the methodologies and budgets described in Section 8 of this Decision. Tables 1-4 clarify the proper reconciled budgets for each administrator to give the approved collection amounts and administrator budgets for the 2021-2025 period. We note that D.20-08-042 directed that there be no escalation applied between the EPIC 3 to EPIC 4 budget.

The CEC's general budget breakdown methodology is: the CEC's total EPIC budget is 80% of the EPIC program amount; the CEC pays 80% of the 0.5% EPIC program oversight budget, taken out of its total EPIC budget; and 10% of the CEC's total budget is allocated for administration (although this Decision increases that amount to up to 15%, to be specifically justified in their EPIC 4 application; this will reduce their program budget accordingly. The table is for information only)

The utilities' general budget breakdown methodology is: the three utilities have 20% of the EPIC program budget, allocated pursuant to their collection amount; they altogether pay 20% of the program oversight amount, allocated among them pursuant to their collection amount; 10% of each utility's budget is allocated for administration; and the remainder is allocated for the TD&D program area. D.15-04-020 allocated 20% of the total oversight budget to each utility in the following manner: 50.1% from PG&E, 41.1% from SCE, and 8.8% from SDG&E. Therefore, the Decision directed that the administrators' share of the total annual 0.5% oversight budget is as follows: CEC 80%, PG&E 10.02%, SCE 8.22%, and SDG&E 1.76%.

Table 1: CEC 2021-2025 Budget

Total EPIC Budget	$925,000,000	
Total CPUC Oversight Budget	0.5% of total EPIC Budget	0.005 * $925,000,000 = **$4,625,000**
CEC EPIC Budget	80% of total EPIC Budget	0.8 * $925,000,000 = **$740,000,000**
CEC Administrative Budget	10% of CEC EPIC Budget	0.1 * $740,000,000 = **$74,000,000**
CEC Share of Oversight Budget	80% of total CPUC Oversight Budget	0.8 * $4,625,000 = **$3,700,000**
CEC Program Area Budget	(CEC EPIC Budget) – (administrative and oversight budgets)	$740,000,000 - $74,000,000 - $3,700,000 = **$662,300,000**

Table 2: PG&E 2021-2025 Budget

Total EPIC Budget	$925,000,000	
Total CPUC Oversight Budget	0.5% of total EPIC Budget	0.5 * $925,000,000 = **$4,625,000**
IOUs' Portion of Total EPIC Budget	20% of total EPIC Budget	0.2 * $925,000,000 = **$185,000,000**
PG&E Collection Allocation	50.1%	
PG&E EPIC Budget	50.1% of IOU share of EPIC budget	0.501 * $185,000,000 = **$92,685,000**
PG&E Administrative Budget	10% of PG&E EPIC Budget	0.1 * $92,685,000 = **$9,268,500**
PG&E Share of Oversight Budget	10.02% of total CPUC oversight budget (50.1% of remaining 20% not paid by CEC)	0.1002 * $4,625,000 = **$463,425**
PG&E Program Area (TD&D) Budget	(PG&E EPIC Budget) – (administrative and oversight budgets)	$92,685,000 - $9,268,500 - $463,425 = **$82,953,075**

Table 3: SCE 2021-2025 Budget

Total EPIC Budget	$925,000,000	
Total CPUC Oversight Budget	0.5% of total EPIC Budget	0.5 * $925,000,000 = **$4,625,000**
IOUs' Portion of Total EPIC Budget	20% of total EPIC Budget	0.2 * $925,000,000 = **$185,000,000**
SCE Collection Allocation	41.1%	
SCE EPIC Budget	41.1% of IOU share of EPIC budget	0.411 * $185,000,000 = **$76,035,000**
SCE Administrative Budget	10% of SCE EPIC Budget	0.1 * $76,035,000 = **$7,603,500**
SCE Share of Oversight Budget	8.22% of total CPUC oversight budget (41.1% of remaining 20% not paid by CEC)	.0822 * $4,625,000 = **$380,175**
SCE Program Area (TD&D) Budget	(SCE EPIC Budget) – (administrative and oversight budgets)	$76,035,000 – $7,603,500 - $380,175 = **$68,051,325**

Table 4: SDG&E 2021-2025 Budget

Total EPIC Budget	$925,000,000	
Total CPUC Oversight Budget	0.5% of total EPIC Budget	0.5 * $925,000,000 = **$4,625,000**
IOUs' Portion of Total EPIC Budget	20% of total EPIC Budget	0.2 * $925,000,000 = **$185,000,000**
SDG&E Collection Allocation	8.8%	
SDG&E EPIC Budget	8.8% of IOU share of EPIC budget	0.088 * $185,000,000 = **$16,280,000**
SDG&E Administrative Budget	10% of SDG&E EPIC Budget	0.1 * $16,280,000 = **$1,628,000**
SDG&E Share of Oversight Budget	1.76% of total CPUC oversight budget (8.8% of remaining 20% not paid by CEC)	0.0176 * $4,625,000 = **$81,400**
SDG&E Program Area (TD&D) Budget	(SDG&E EPIC Budget) – (administrative and oversight budgets)	$16,280,000 - $1,628,000 - $81,400 = **$14,570,600**

(END OF APPENDIX B)