California Energy Efficiency Coordinating Committee-Hosted Working Group on Energy Efficiency Filing Processes

Wednesday, November 20, 2019 10:00-5:00

SDG&E, Energy Innovation Center, 4760 Clairemont Mesa Blvd, San Diego

Final Meeting Summary

Facilitators: Dr. Jonathan Raab, Raab Associates, Ltd. & Meredith Cowart, CONCUR

On November 20, 2019, the CAEECC hosted its second Working Group (WG) meeting on Energy Efficiency (EE) Filing Processes, which met at the SDG&E Energy Innovation Center in San Diego. Thirteen WG Members (including Lead, Alternate, Ex Officio and Resource Members) participated in person and six attended via webinar. Approximately fifteen additional members of the public participated in person or via webinar. A full list of meeting registrants is provided in Appendix A.

Meeting materials, including presentations, are provided on the CAEECC website at: <https://www.caeecc.org/11-20-19-ee-portfolio>.

In this document, the majority of the discussion is captured without attribution. In some cases, the affiliation of the speaker is identified, because their affiliation is relevant to the comment.

Following presentations, key clarifying questions or comments are listed and relevant *responses to questions* are noted in *italics*. Where multiple responses were given, these responses are listed as sub-bullets. Support for Options and Next Steps, at the end of this document, describes emerging support for two different options, and captures the next steps discussed at the meeting.

**Introductions, Brief Recap, and Goals**

J. Raab began the meeting with a recap of the Working Group progress so far. The EE Filing Processes WG held its first meeting in October, and following this meeting, two Sub-Working Groups were formed: Sub Working Group #1 EE Filing Frequency and Content and Sub Working Group #2 on Roles, Responsibilities, and Regulatory Processes. The Sub Working Group #1 met twice over the phone to further develop EE filing process alternatives/proposals and Sub-Working Group #2 met once over the phone to define the various roles, responsibilities and regulatory processes associated with the alternatives developed by Sub-WG#1.

J. Raab explained that the goals of today are to discuss the alternatives developed by the Sub-Working Groups, consider any additional options, and identify one or two options that have strong support and which can be developed for a filing at the CPUC.

**Structure, Frequency, & Contents of Proposed (new) EE Filing Process**

Following introductions, Sub-Working #1 presented the material that their group developed on the structure, frequency and contents of the new EE Filing process. To begin, J. Feinberg (SCE) reviewed the table outlining many of the pros and cons of a 4-year v. 6-year cycle (see *Sub WG #1 EE Filing Freq + Content (11-14-19), Appendix B: 4 v. 6 Year Cycle: Pros/Cons* at link above). D. Buch (Public Advocates Office) then described two potential budget application options (Option 1: Robust Reasonableness Showing with Full-Cycle Budget, Savings, and Cost-Effectiveness vs. Option 2: Robust Reasonableness Showing with Test Year and Attrition Years). He also described the options for interim filings—a mid-cycle filing and trigger-based filings—and pointed out that both could be used.

Discussion was then held on each of the options under consideration (4 v. 6-Year application cycle; application filing options; and type of interim filings) and is organized below accordingly. Later in the day (following the presentation and discussion on Roles, Responsibilities and Regulatory Process), J. Raab also invited discussion on the options with all elements under consideration at once, which is also integrated into the topics below. Major discussion points on interim filings are also captured in redline edits to the document *Sub WG#1 EE Filing Freq + Content (11-14-19)* (see excerpt below). A summary section below each discussion section captures key points and agreements.

***4 v. 6-year cycle – Key Discussion Points, Clarifying Questions, and Summary:***

Members posed clarifying questions regarding the logic of a 4-year cycle, discussed their preferences for a 4 vs. 6 year cycle, raised relevant concerns, and briefly discussed an alternate 6-year cycle approach. Key discussion points, clarifying questions, and a summary are captured below:

* *Question for Public Advocates Office:* The pro/con table illustrates that a 6-year cycle reduces regulatory churn. Why do you support a 4-year cycle?
  + Public Advocates Office: We are trying to address two main issues: (1) Budget forecast certainty and (2) Reduced regulatory churn. We don’t see how you can get sufficient budget certainty with a 6-year cycle, so a mid-cycle filing would therefore need to be substantial – turning a 6-year cycle effectively into a 3-year cycle. A 4-year cycle would allow for a high degree of budget certainty, so the mid-cycle filing would be truly ministerial. This allows for budget certainty and possibly reduced regulatory churn compared with the 6-year (and effectively 3-year) option.
* Several Members noted their support for a 4 -year cycle, given certain conditions. Conditions stated included: (1) mid-cycle filings are proscribed/well-defined; (2) triggers are in place for any substantial changes; (3) 3rd party implementation funds are allowed to rollover so as to provide more certainty for implementers; and (4) relevant policy advice is stable preceding the filings.
* Other Members noted that they did not yet have a strong preference one way or another but needed to learn more from the discussion today.
* Some Members noted that they preferred a longer cycle to ensure implementer stability. One implementer stated that their main concern is that contracting can occur beyond the length of the cycle.
* Another Member raised a concern about the ability of a 4-year cycle to reduce regulatory churn, noting that PAs will need to begin their filings two years before the actual filing (“N-2”) at which point they must actually forecast six years ahead. The Member questioned whether this could lead to triggers occurring at only two years after filing, given that the group is concerned that budget forecasts aren’t reliable more than four years out.
* *The Energy Coalition proposed an alternative* 6-year cycle approach, with mid-cycle filing or “check-in” at 4 years (Tier 1 AL as well as projections to meet Goals), and a trigger-based filing (Tier 3 AL).
  + If another detailed filing is required at the four-year mark, how does this improve efficiency over a four-year cycle?
  + *The Energy Coalition:* Provides the opportunity to prove out savings and TRC before your next cycle. A significant amount of savings occur in the 4th year so a 6 year cycle maybe more reasonable.
  + How can PAs develop just and reasonable budgets for years 5 and 6 from the perspective of the Public Advocates Office?
    - *The Energy Coalition:* The second cycle would be approved mid-cycle

***In summary (and by the end of the meeting), a core group of the Working Group Members favored a 4-year cycle over a 6-year cycle, but some wanted to still consider whether a modified 6 year cycle would better meet the key goals of this working group of providing an EE filing process that reduces regulatory churn, while improving implementer certainty and the accuracy of budget forecasts.***

**Application Filing Options 1 (Full Cycle Showing) and 2 (Test Year and Attrition Years)– Key Discussion Points, Clarifying Questions, and Summary:**

Members discussed their preferences for Options 1: Robust Reasonableness Showing with Full-Cycle Budget, Savings, and Cost-Effectiveness vs. Option 2: Robust Reasonableness Showing with Test Year and Attrition Years; posed clarifying questions, and raised relevant concerns. Key discussion points, clarifying questions, and a summary are captured below:

* *Public Advocates Office:* Both options would include zero-based budgeting, which is described in the appendices in our straw proposal (See *Sub WG #1 EE Filing Freq + Content (11-14-19), Appendix A: Public Advocates Office Straw Proposal on EE Application and Mid-Cycle Review Contents (10/30/2019)* at link above). Zero-based budgeting means PAs must justify the full allocation of their budget, and would include testimony to support the reasonableness of the forecast.
* *SCE:* We are more likely to support a test year w/attrition years because a very short term focus allow a high degree of accuracy, and if we apply a reasonable escalation rate, for the next few years PAs can just operate.
  + *PG&E:* We also support a test year w/attrition years, as it will be difficult to get into the weeds of a forecast four years out.
* Does “robust reasonableness” in the budget applications ask for the same level of detail previously required in the 3-year cycle – except you are proposing a 4-year cycle?
  + Yes, except that the 3-year cycle also included PIPs, which were very detailed.
* For Option 2, could the escalation factor for attrition years be based on Goals and Avoided Costs? These are the main items that would alter outgoing years.
  + Goals are currently being approved at the CPUC. It is up to this Working Group to recommend the format and periodicity that best meets our needs.
  + The GRC uses an escalation factor that the CPUC revisits every other year, and the same could be done here.
* Would our thinking around the application filing options and periodicity of those filings change if Goals move to a 4-year cycle?
* Under a test year/attrition year option, what happens if major portfolio changes are needed in that cycle?
  + All known changes are incorporated, and some can be accounted for with the escalation factor.
* Would the C/E threshold need to be met for each individual year, or cumulatively across the budget application cycle? How would the test year impact a cumulative showing?
  + Public Advocates Office: Perhaps a hybrid Option would allow for a cumulative showing for C/E while allowing other elements to follow the test year/attrition years format.
* Regarding full cycle v. test year, Goals can be cumulative. However, C/E needs to be annual, and at the Portfolio level (everything combined).
  + *NRDC*: Some programs -particularly the programs we want to see - have high up-front costs in the first year so C/E would be low for the test year.
* *BayREN:* What will happen with Business Plans if we transition to this EE filing process?
  + *NRDC:* This process doesn’t displace Business Plans - they will remain in place until 2025. If this is approved, we would recommend that BPs be discontinued, or remain “evergreen”.
  + *BayREN:* Don’t want existing BPs thrown away. Past 2025, we could consider a change.
* A hybrid of Options 1 and 2 could also work, if different pieces of the budget application were treated differently (i.e., some forecast for the full period and others with a test year and attrition years only).
* *Public Advocates Office:* Administrative costs (i.e. all non-program costs – labor and infrastructural costs) are stable enough that PAs can provide a test year with attrition years. For other budget elements, PAs would need a robust reasonableness showing for the full cycle.

***In summary, after further discussion and toward the end of the meeting, the Working Group was leaning toward a hybrid approach in which “PAs non-program costs” would follow a test year/attrition approach and all the PA and 3rd Party program costs would follow a forecast approach for the full application period (e.g., 4 or 6 years.***

**Interim Filings– Key Discussion Points, Clarifying Questions, and Summary:**

Members discussed their preferences for interim filings (both Mid-Cycle Tier 1 Advice Letters and Trigger-Based Filings – Tier 3 and/or Petition for Modification); posed clarifying questions, and raised relevant concerns. Key discussion points, clarifying questions, and a summary are captured below:

* A Tier 1 AL in particular seems unnecessary, since the information contained in that AL would already be publicly available on CEDARs.
  + *Public Advocates Office*: From our point of view, a mid-cycle filing provides a moment of accountability. It’s merely a certification, so not burdensome. A Tier 1 filing says “we’re good, we’re on track”. A Tier 3 filing says “we’re not on track, and so we are going to make changes.” In the last Decision the CPUC said they would consider penalties if PAs don’t demonstrate C/E.
* Mid-Cycle Tier 1 Advice Letter filings may not be ministerial. Would it better to have only trigger-based filings?
  + *Public Advocates Office:* A Mid-Cycle Tier 1 Advice Letter is essentially a compliance device or certification that shows that the PA is on track – i.e. does not need more money, is going to meet savings goals, and can do so cost effectively. A higher Advice Letter (e.g. Tier 3) would be used only if the PA does not have sufficient budget, or doesn’t project that it will meet the C/E threshold, and therefore needs to make adjustments.
* For the trigger-based filings, Tier 3 seems like the appropriate venue for making portfolio adjustments. A PFM could take up to 2 years.
  + The Tier 3 process was incorporated into the most recent DEER period for estimating costs of the click-through process, and it works well for this approach
* A test year approach would include bandwidths for attrition years but would need ability to trigger as well. For example, any known changes to Codes and Standards would be included in the forecast application, but a change that was not yet known might trigger a Tier 3 application.
* What is the purpose of any filing, given that PA funding has already been approved? What happens if the CPUC doesn’t approve the filing – does the PA need to explain what they will do to get back on track, ask for a budget adjustment, or something else?
  + PAs might use a mid-cycle filing if they don’t have enough money to run the programs they want to run. If the Commission doesn’t make a budget adjustment, then the PA doesn’t have the budget for those programs.
  + *PG&E****:*** Right now it’s not clear what will happen if ABALs are rejected. We would rather have accountability (e.g. any penalties) elsewhere in the process.
  + *Public Advocates Office:*We’re willing to discuss whether we have those filings and what they would look like. But without a mid-cycle filing, PAs will file the next Budget Application before the end of the cycle, and if the public doesn’t have an opportunity to weigh in, the PA could get approval before anyone is aware that (e.g.) their TRC is .5. If representation is demonstrably false it gives other parties the opportunity to raise that to the CPUC.
* To the extent that we can leverage existing requirements on PAs (e.g. The Annual Report) the better.
  + Public Advocates Office: The AR is a compliance filing w/o stakeholder input. It would be fine to file a Tier 1 based on the AR, but the opportunity for stakeholder response is also needed.
* It is critical that we carefully define the trigger points for any trigger-based filing

**The following changes were made during the meeting by the WG to the original definitions/descriptions of the two interim filing options.**

**Mid-Cycle Tier 1 Advice Letter**

* Ministerial submission and on track with budgets, savings, or cost-effectiveness forecasts
* 2 years after 4-year EE Budget Application concurrent w/Annual Report

**Trigger-Based – Tier 3 Advice Letter (AL) or Petition for Modification (PFM):**

* Significant changes would trigger a Tier 3 AL or PFM filing. Triggers may be backward looking (i.e. based on past performance) and/or forward looking.[[1]](#footnote-2) Check-points at 2 years and quarterly). Triggers could include:
  + Applicant not on track to or didn’t meet threshold (e.g. significant C/E drop)
  + Applicant not on track to or didn’t meet savings goals (what level?)
  + Insufficient budget
* Type of the “trigger-based filing” (i.e. AL or PFM) and content of that filing would be determined by the type of trigger

***In summary, the group agreed that trigger based mid-cycle filings are needed, though some questioned whether a Petition for Modification is the appropriate vehicle (but agreed that a Tier 3 Advice Letter is appropriate). Some Members were unsure that a mid-cycle Tier 1 Advice Letter is necessary, though others stated that the Tier 1 Advice Letter as a purely ministerial a certification/stamp of approval that provides an opportunity for accountability and public scrutiny is also important.***

**Roles, Responsibilities, & Regulatory Processes for Proposed (new) EE Filing Process**

L. Ettenson reviewed the document developed by Sub-Working Group #2, *Roles, Responsibilities and Regulatory Processes Sub-WG #2 (11.18.19)* (see link above).

In particular, she noted that hearings are probably the most appropriate venue for application review, as budget applications will deal with facts that need to be proved or disputed. She also explained that Sub Working Group #2 suggests four potential elements of stakeholder engagement, including: A) Regular data-driven updates on how EE portfolio is doing (e.g., quarterly or every 6 months) at Full CAEECC: B) CAEECC joint problem-solving workshops on major cross-cutting issues/challenges related to upcoming applications (approximately 6 months ahead of filings) C) Pre-filing preview at CAEECC (1-2 months ahead of filing); and D) formal intervention once filed by interested stakeholders. The discussion around this subject focused primarily on regulatory processes and stakeholder engagement, so the discussion summary below is organized accordingly.

**Regulatory Processes– Key Discussion Points, Clarifying Questions, and Summary:**

Members posed clarifying questions, and discussed key regulatory processes needed in the proposed (new) EE filing process. Key discussion points, clarifying questions, and a summary are captured below:

* Hearings in fact may be more streamlined (take less time) than the current ABAL process
  + All facts are pre-filed in the CPUC hearing process, which narrows issues and often leads to settlement – there are tremendous benefits to the hearing process.
  + The CAEECC can’t bind the Commission on whether or not to hold hearings.
    - The CAEECC’s recommendation to the CPUC can state that we recommend briefs and testimony, but the need for hearings can be based on those briefs and testimony.
* The policy framework needs to be stable *before* filings – probably 6 to 9 months prior
* The regulatory process needs to include a scoping memo detailing what needs to be in the application 6 months or a year prior to the filing
* To clarify, the new EE Filing Process does not need to include a means for PAs to close programs. When PAs close programs they must file an Advice Letter to do so. Many PAs have been using ABALs to do this, because this is efficient, but we can in fact do that any time.

***In summary, Members noted the CAEECC’s recommendation to the CPUC should state that briefs and testimony are recommended, with the need for hearings determined by the content of those briefs and testimony. Members also stated that there is a need for the policy framework to be stabilized approximately 6 to 9 months prior to the application filing.***

**Roles & Responsibilities– Key Discussion Points, Clarifying Questions, and Summary:**

Members posed clarifying questions, and discussed roles and responsibilities in the proposed (new) EE filing process – particularly those of the CAEECC and/or other stakeholders (vs. PAs and CPUC). Key discussion points, clarifying questions, and a summary are captured below:

* Regarding stakeholder engagement pre-filing (under PA roles and responsibilities), can you explain more? Any additional meetings should have a clear benefit, with a specific and bounded purpose, and problem-solving (like the DEER Peak Workshop or Market Transformation Working Group) as there is a cost to them. If the purpose is to review information that can be looked up in CEDARs, then there is no clear benefit.
  + Stakeholder engagement should happen within a timeframe that allows PAs to incorporate feedback, perhaps 2-3 months before the filing (and 6 months prior policy framework stabilization)
  + The idea is to allow for a deeper dive, and meaningful conversation that leads to joint problem solving
* How does the PRG fit into this process?
  + The PRG role is very distinct. The PRG review 3P solicitations for compliance, while the CAEECC would review budget applications with a problem-solving role
* Implementer: We would like to see 3Ps included in the stakeholder process, as this would help us to make our programs better.

***In Summary, Members stated that stakeholder review should occur 2-3 months before filing (as opposed to the 1-2 month window originally suggested by Sub-Working Group #2) to allow for more substantial stakeholder feedback and PA response to stakeholder feedback.***

**Other Key Questions**

Following the discussion of the various options integrated, J. Raab introduced several remaining key questions that had not yet been covered by the two sub-working groups. He projected the questions, and recorded responses, as captured in redline below:

* When should any recommended changes be implemented (e.g., as soon as possible (2021) or once the transition/3rd party roll-out is further along (2022 or 2023)?
  + Filed in 2022 for program year 2023
* To the extent applicable, are there any improvements that should and could be made informally during the transition to new processes (e.g., in any refiling of business plans under the current regime, or any pending filings?
  + Testimony content could include zero-based budgeting etc – but would not do 4-yr or test year
* What CPUC related guidance or policies (e.g., accounting or reporting changes) might need to be addressed prior to or in conjunction with implementing any new framework (e.g., in a CPUC rulemaking)? And do any of these need to be addressed before a new framework should or can be finalized?
  + Stable policy framework 6-12 months before each application cycle including goals, DEER values, etc
  + 3P contracts on own cycles (not coincident w/budget application cycles)
  + Allowance of cumulative goals

**Support for Options and Next Steps**

Following the discussion on the integrated options, and other key questions, J. Raab held a loose straw poll to gauge initial support for a 4-year versus a 6-year cycle and sort Members into sub-working groups. About half the group favored a four-year option. The other half wanted to continue to explore a six-year option. All supported a hybrid approach to the initial budget application regardless of whether a 4 year or 6 year cycle was used (i.e., Options 1 for a Full Cycle Robust Budget Showing and Option 2 for a Test Year and Attrition Year Robust Budget Showing (Note: both options would also include trigger-based filings and potentially a mid-cycle Tier 1 compliance filing.

Those supporting a 4-year cycle formed the basis of one sub-working group, and those supporting a 6-year cycle formed the basis of another sub-working group, as follows:

**Sub-Working Group – 4-Year Cycle:** Those in favor of a 4-year budget application cycle included:

* L. Ettenson, R. Chan, D. Buch, A.Besa, J. Feinberg, E. Brooks, D. Suyeyasu, D. Dias, S. Gunther (for R. Murali)

**Sub-Working Group – 6-Year Cycle:** Those in favor of a 6-year budget application cycle included:

* L. Rothschild, S. Berelson, A. Havenar-Daughton, J. Berg

The following Next Steps were discussed:

* ***Sub-Working Group – 4-Year Cycle:*** Develop a rough draft of a proposal (in a format as needed for filing at the CPUC) by mid-January, 2020. Specifically:
  + ***Facilitation Team***: Develop an outline and compile material and hand-off by first week of December.
  + ***A. Besa and R. Chan:*** Based on the outline developed by the Facilitation Team, A. Besa and R. Chan will develop a more detailed proposal (including a timeline) by late December, which will be distributed to the rest of the sub-working group.
  + ***L.Ettenson and L.Schmidt:*** Develop a proposal for a meaningful review/stakeholder process.
  + ***Sub-Working Group – 4-Year Cycle:*** The full group will then meet via phone call/webinar in early January to provide feedback/refinements on the proposal. The proposal will be further refined by mid-January for hand-off to the 6-yr work team (so that they can utilize all the parts they agree with and have their alternative language follow similar outline)
* ***Sub-Working Group – 6-Year Cycle:*** Begin to work on alternative concept in December and early January; and then after receiving the 4-year budget application cycle write-up in mid-January develop the alternative proposal language by the end of January that explains any changes relative to the 4-yr proposal.
* ***Full EE Filing Processes Working Group:*** Review sub-working group proposals in preparation for a working group meeting February 26th, and possible sub-WG or full WG calls in early/mid-February.

**Appendix A: Meeting Registrants**

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| --- | --- | --- |
| **Company** | **First** | **Last** |
| **Working Group Lead/Alternate/Ex Officio or Resource - Seated at the Table** | | |
| BayREN | Jenny | Berg |
| CEDMC | Serj | Berelson |
| Center for Sustainable Energy | Raghav | Murali |
| CodeCycle | Dan | Suyeyasu |
| JCEEP | David | Dias |
| MCE | Alice | Havenar-Daughton |
| NRDC | Lara | Ettenson |
| PG&E | Ryan | Chan |
| Public Advocates Office | Dan | Buch |
| SCE | Jesse | Feinberg |
| SDG&E | Athena | Besa |
| SoCalGas | Erin | Brooks |
| The Energy Coalition | Laurel | Rothschild |
|  |  |  |
|  |  |  |
| **Other Participants Attending in Person** | | |
| Cascade Energy | Jesse | Monn |
| CEC | Brian | Samuelson |
| greenNet IoT | Eric | Taylor |
| PG&E | Lucy | Morris |
| Center for Sustainable Energy | Stephen | Gunther |
| **Working Group Lead/Alternate/Ex Officio or Resource – Attending Remotely** | | |
| 3C-REN/County of Ventura | Alejandra | Tellez |
| SJVCEO | Courtney | Kalashian |
| CPUC | Nils | Strindberg |
| Don Arambula Consulting | Larry | Cope |
| Don Arambula Consulting | Don | Arambula |
| SBUA | Ted | Howard |
| **Other Participants – Attending Remotely** | | |
| Southern California Edison | Cody | Taylor |
| EE PRG | Edmund | Novy |
| Energy Solution | Jim | Hanna |
| Lincus, Inc. | Hob | Issa |
| Mark Wallenrod Consulting | Mark | Wallenrod |
| NTC | Frank | Maciel |
| Raab associates | Susan | Rivo |
| San Diego Gas & Electric | Elaine | Allyn |
| United Power | Meghan | Dewey |
| Viridis Consulting | Mabell Garcia | Paine |
| Nexus Integrated Solutions | Noah | Mundt |

1. The Sub-WG#1 would like to discuss with the Working Group the merits of using forward-looking vs. (or in addition to) backward-looking triggers. [↑](#footnote-ref-2)