CAEECC-Hosted EE Filing Process Working Group

Meeting 2 of 2 with Energy Division

November 9th, 2020, 9:30-12:00

WebEx-Based Meeting

Draft Meeting Summary

Facilitators: Dr. Jonathan Raab & Katie Abrams

On November 9th, 2020 the CAEECC hosted the second of two meetings with ED. The purpose was to review some of its recommendations to better understand how to implement them (as well as additional transition related issues0, such that they can better advise the Commission on the WG’s proposal.

Over forty people attended the meeting including MTWG Members Leads, Proxies and Ex Officio), CPUC staff and other interested stakeholders. A full list of meeting registrants is provided in Appendix A.

Meeting materials are provided on the CAEECC website at: <https://www.caeecc.org/11-09-20-ee-filing>

While CAEECC meeting summaries typically focus more on summarizing key takeaways, areas of consensus and disagreement, and next steps, this meeting summary includes more detail more like a transcript. The text in **bold** indicates questions and background provided by the CPUC to WG Members in advance of the meeting. CAEECC responses are provided in *italics*.

CAEECC Responses to Energy Division questions were developed by the Working Group at a planning meeting on November 2nd, including assignment of whom from the WG would lead the response to each question.

# **Agenda Review**

J. Raab provided an overview of the agenda, facilitation ground rules, and WebEx logistics. He explained that there are two main topics to cover in today’s meeting: 2021 and beyond portfolio cycle, and aligning goals and budgets.

# **Topic 1: 2021 and Beyond Example Questions**

**Before the meeting, the CPUC provided the following background**

**“The July 3, 2020 ruling on COVID requires that all program administrators refile their business plans/applications in September 2021. In addition, the NRDC motion envisioned a transition to the revised filing process after the current rolling portfolio process is set to expire in 2025. However, given that the COVID ruling likely means the CPUC will issue a decision on the NRDC motion in the first half of 2021 with guidance for new applications and new goals are expected to be adopted by the CPUC in mid-2021, when and how do you see the transition to a new portfolio cycle taking place? Please consider how a timeline could be structured that addresses relevant bus stops, including ACC and DEER, goals, vintages and paying attention to lead times for development and adoption of key inputs. This timeline should also include any stakeholder process envisaged regarding the “enhanced annual reports”.**

1. **When should the new cycle begin / start?**

*A. Havenar-Daughton and J. Berg responded to ED’s questions in this section on behalf of CAEECC.*

**CAEECC response to ED question:**

*The CAEECC-proposed timeline recommended a guidance decision in 2023, PA applications filed in late 2024 and application decisions near the end of 2025 with start of new portfolio in 2026. This proposal includes the following advantages:*

*o   Allows current 10 year process to play out*

*o   Provides opportunity for portfolio changes underway such as the transition to 3rd party programs to fully ramp up.*

*There is general agreement that this process can happen sooner, however the timeline proposed in the COVID ruling is too compressed for the following reasons:*

*o   The original CAEECC proposal calls for 9 months between key decisions and the filing of new applications. 9 months allows for thorough planning and stakeholder engagement*

*o   Additionally, the majority, if not all of those 9 months, should occur after relevant measurement tools (like the cost-effectiveness tool, or CET) and technical inputs are updated to reflect policy changes.*

*o   Currently, inputs tend to be finalized close to filing due dates which can undermine planning efforts and stakeholder feedback.*

*o   The 9 months should be counted from the last decision affecting the portfolios.*

*If policy changes are minor, applications could be due as soon as the end of 2021, to be litigated in 2022 or into 2023 if needed with programs implemented in 2024. However, the working group recommends that the Commission consider a contingency plan in case the scope of policy changes are more significant and the updates to tools and technical inputs requires more time. In that case, it could be closer to mid-2022 before applications are filed.*

*If the P&G ruling is any indication, CAEECC members are anticipating that the policy changes could be major. The current timeline is rushed. Applications cannot respond to policy changes if the timeline is rushed. The substance of policy changes should drive the timeline, not the other way around.*

*PAs need to know what type of changes will be proprosed. The scope and scale should drive the process, rather than creating a timeline before policy guidance is finalized. CAEECC members would like to be thoughtful and allow for adequate stakeholder input, rather than be reactive and submit applications in a reactive fashion.*

J. Raab then opened up the conversation to include questions from ED and additional comments from CAEECC members. Below is a summary of key questions and comments.

ED followup comment:

* Jen: response is clear; she reflected a sense of ‘comfort’ from group to not have applications immediately, even though some PAs haven’t met cost-effectiveness criteria, triggering new applications
1. **Should the Commission still require 2022 ABALs in September 2021? Do stakeholders see any drawbacks should the Commission eliminate the requirement for ABALs in September of 2021?**

*A. Havenar-Daughton and J. Berg responded to ED’s questions in this section on behalf of CAEECC*

**CAEECC response to ED questions:**

*PAs need ABALs in Sept 2021 to keep existing programs and budgets rolling forward during the transition period, especially given some of the significant portfolio changes. Functionally, ABALs are the process for ensuring this happens. However, the Working Group suggests that these ABALs do not go through the CAEECC review process. There is general agreement that the timing of the current CAEECC ABAL presentations does not allow for meaningful input, because CAEECC presentations are within 3-4 weeks of the filing deadline. CAEECC would still post draft ABALs to its website and allow for data requests. However, filing the ABALs at the same time as applications would be difficult for all involved and is another reason to file the Business Plan applications later.*

*These recommendations are from the WG, which includes other stakeholders in addition to PAs.*

**ED followup questions and comments:**

* **Strindberg: do members see drawbacks to eliminating ABALs in 2021? Your response emphasizes that they would be required, but doesn’t appear to mention drawbacks to eliminating them.**
	+ *A. Havenar-Daughton: Functionally, several PAs will need to make changes to programs or budgets to reflect portfolio changes (transition to 3P and ramp up for MCE); is there an alternative to ABALs like a bridge year? Need to keep moving portfolio forward, and ABALs are currently the process for that*
	+ *L. Ettenson: not aware of any other way to set rates*
	+ *B. Sanders: AB841 will impact budgets, so may need to adjust maximum authorized and change baselines; ABAL process will support these changes*
* **J. Kalafut: Recognizing that AB841 will eat into headroom for existing budgets, I want to understand criteria, which currently includes forecasting whether energy savings are on track to meet goals, detailing whether they are within budget caps, and whether they are cost-effective. Do you recommend additional triggers or criteria? What happens if criteria aren’t met? What standard of review are you recommending for ABALs, if not just a forecast for the next year?**
	+ B*. Sanders: In the absence of ABALs, PAs would still need to file non-standard disposition letters. He explained that he doesn’t know details on the current standard of review but suggested that the current standard could continue. Criteria could include, for example, staying within budget caps. He proposed less focus on goals as PAs focus on new policies and guidance on things like AB841 but emphasized that PAs will still need feedback on mechanical things.*
* **P. Gruendling: if we delay the applications and cycle, it’s challenging to reconcile freezing values and technical inputs and goals. How will the schedule actually work in practice? It doesn’t seem like detailed thought has been put into the applications, goals, cycles, what informs claims, and so on.**
	+ *J. Raab: many of these things, like technical inputs, will be addressed later in today’s agenda.*
* **J. Kalafut: for context, ED is looking at ways to be more flexible in approving program changes given extenuating circumstances while still denying ABAL. Currently, if a PAs doesn’t meet thresholds (e.g., cost-effectiveness) set by the CPUC, technically all budgets should be frozen and the ABAL denied. ED is trying to figure out the best criteria for review to be able to approve program changes in cases with extenuating circumstances.**
1. **How should the Commission address the freezing of ex-ante savings values proposal work during the transition to the new portfolio cycle?**

*C. Malotte**responded to ED’s questions in this section on behalf of CAEECC*

**CAEECC response to ED questions:**

*C. Malotte presented two gantt charts (“CAEECC 4-Year Proposal”, posted to the meeting summary page, linked above) - one showing the original proposal chart in the proposal, which had a 2026 start date, and an SCE updated chart showing a 2023 start date based on the COVID ruling. He explained that while the first chart shows a 2026 start date, it could be any even year – say January 2024. At a high-level, it shows that the engineering values and avoided costs would all flow into the goals update, so that in the 2026 timeframe you would go off the goals adopted in the previous year, say May 2025, and that would have taken into account the DEER values and avoided costs from the prior year. We may need more refinement on the engineering pieces, so I will followup with the team on that. They’ve looked at the DEER piece, which may shift a bit. But at a high-level, this shows the CAEECC proposal for an even-year start.*

*Slide 2 (which he noted is titled “Revised CAEECC Proposal” but should be named “SCE Comments”) shows what a 2023 start date would look like. This sample timeline would start in, say 2020, with DEER and avoided costs updates, feeding into goals developed in May 2021. The applications would be filed in September 2021 and litigated through 2022 for a state date of 2023. 2024 and 2025 goals would be adopted midway through program operation year 1, and then those goals would be static for years 2 and 3.*

*He stated that SCE was agnostic to the start year, there are different ways to cut it depending on whether the CPUC wanted to start in an even or odd year.*

**ED followup questions and comments:**

* **J. Kalafut: on slide 1, would the application decision update the applications with the new goals, and so year one would be using inputs to the 2026 goals? Would there be some supplemental filing from the utilities after the decision to make updates? For example, DEER resolution occurs every other year.**
	+ *C. Malotte: Yes, 2026 goals would be used for 2026 and 2027 program years. And yes, the litigation process can be used to make updates. DEER essentially projects what engineering values will be, so it’s less about freezing engineering values and more about using the assumptions to scale up or down DEER values. DEER projections are used in developing goals, so the proposal is to have DEER and avoided cost values become effective at the same time that the goals are effective. This alignment is central to the CAEECC proposal.*
* **P. Gruendling: this doesn’t have mid-cycle process, right?**
	+ *C. Malotte: There will still be a midcycle true up, which would be in the second annual report; regardless of the start year, the true up would be midway through.*
	+ *R. Bullard: in an odd-year application start date, there would be two refreshes of Potential and Goal updates, so it doesn’t perfectly line up with new goals at the start of the application and a refresh at the midcycle.*
* **A. Labonte: How does this timeline impact third party forecasts and values?**
	+ *R. Bullard: Goal setting would be the same set of avoided costs and engineering values to set goals for both IOUs and 3Ps.*
	+ *C. Malotte: This is a big advantage of this proposal: providing certainty for all parties including 3Ps and implementers, not just IOUs*
* **A. Labonte: would any part of this change existing contracts like pay for performance, for example if DEER changes savings values?**
	+ *R. Bullard: The proposal calls for using the same CPUC approved value for all contracts, to promote a more stable market environment. Third parties would use the same assumptions in followup years, and refresh values during the P&G process. Instead of IOUs or other parties setting values, this proposal provides greater certainty by providing similar values for all stakeholders.*
* **A. Labonte: I’d like the CAEECC members to think through how this process would impact contracts currently in place.**

## **Topic 2 Aligning Goals and Budgets: Technical Inputs**

Avoided Costs:

*R. Bullard responded to ED’s questions in this section on behalf of CAEECC*

1. **Energy Division has concerns that there will not be sufficient time to review the new avoided costs calculator during minor update years and issue a resolution or decision if the updates are determined “material.“ Would it be reasonable to forgo implementation of the minor avoided cost calculator updates?**

**CAEECC response to ED questions:**

*A big benefit of frequent AC updates is preventing long stretches of over or under investment in energy efficiency. In times when AC hasn’t been updated frequently, such as 2011-2016, there was a fairly significant change in AC of about 30%. ED, instead of rolling into the 2017 year, the integrated the major AC changes into the 2018 P&G study. That approach to calibration with AC integrated into P&G ensured that the portfolio wasn’t impacted until the goals saw the same adjustment. The proposal requests a similar process for aligning the P&G Study with AC, as the basis for assessing portfolio.*

*He asserted that yes, it would be reasonable to forgo implementation of minor AC updates, because that would allow for calibration to be methodological.*

*The proposal calls for CPUC intervention for material changes – because CAEECC agrees it would be challenging to include an additional process to address minor updates so that’s why we’re recommending focusing on major AC updates and tying them to the P&G ruling.*

1. **Should there be a stakeholder process for determining if avoided costs are “material”? What would this look like?**

*The proposal suggests the CPUC consider making changes if AC substantially changes pursuit of potential, goal or cost-effectivenes,s and corrective action is needed. ‘Material’ would be based on the magnitude of effect. The proposal left this intentionally vague because members believe the proposal limits the impacts of minor changes. The proposal also didn’t define corrective action. CAEECC could be used for discussion of materiality in specific instances. Perhaps having something more pre-established regarding materiality by Commission would be helpful. In summary, he explained that the proposal suggests AC should be updated only if there is a material change and then at same time, alongside Potential & Goals. If there is no update, then the values remain the same to focus on market stability.*

**ED followup questions and comments:**

* **P. Gruendling: An example would be a study for 2022 goals, using the major AC study that was recently released, then update for 2024 only if necessary.**
	+ *R. Bullard: Yes, the 2024 goals could use the next P&G. If there are changes in the off-years, we can work through it.*
1. **Would refreshing avoided costs in a minor update year require a refresh to both electric and gas avoided costs, or could they be refreshed independently?**

**CAEECC response to ED questions:**

*He summarized that this proposal works for both electric and gas, and cited a recent example where in 2020, there was a major AC update, which according to the CAEECC proposal, could be folded into the P&G process.*

**ED followup questions and comments:**

*none*

Other Technical Inputs:

*S. Berelson and G. Wikler responded to ED’s questions in this section on behalf of CAEECC*

1. **Does the proposal recommend that all technical inputs be frozen, or should exceptions be made for any of the following examples: workpaper errors, new technologies, newly available / viable measures based on CPUC decisions?**

**CAEECC response to ED questions:**

*S. Berelson began by stepping back and noted that the intent was not to never update things, but rather to focus on significant updates to ensure market stability. Any updates should be done in parallel and in batch mode as much as possible—sticking to bus stops and erring on the side of market stability.*

*He suggested that the process should allow for on-going inclusion of new measures as they become available. He clarified that an example of “actual” errors are clerical errors. This would not include market changes, newly available data, or missing a bus stop. He proposed a level of reasonableness to ensure that the market can both react and have stability. He noted that he’s not aware of an update that increased cost effectiveness. He asked G. Wikler to expand on examples of where midcycle technical updates have negatively impacted implementers.*

*G. Wikler explained that implementers base their business model off of inputs and assumptions that drive the savings that PAs project, so changes that happen midcycle or within bus stop periods are disruptive and untenable. Implementers base their entire financial position on an assumption of a stable set of inputs. Frankly, he concluded, midcycle changes could put implementers out of business, which effects savings and the market overall.*

**Is it CAEECC’s intention that technical input changes to workpapers and DEER be frozen, even if the changes would result in increased cost effectiveness and energy efficiency savings?**

**CAEECC response to ED questions:**

*S. Berelson explained that the principles are the same: market stability is critical and constantly changing input changes doesn’t foster market stability. He explained that even if the changes result in increased cost effectiveness and efficiency savings, the change is still potentially disruptive. He noted that implementer contracts are already signed at this point in the cycle, so changes would also impact implementers.*

**ED followup questions and comments:**

* **P. Gruendling: what type of bus stop changes are you referring to, and aren’t they controlled by DEER updates?**
	+ *G. Wikler: Determinations for impacts or certain measures that are considered standard practice. Sometimes changes are made outside of DEER updates.*
* **P. Gruendling: batching updates every two years could result in more drastic changes. An advantage of annual updates could be more minor changes.**
	+ *G. Wikler: there would be time to make adjustments and renegotiate contracts, but having change updates seemingly randomly is challenging from a delivery perspective.*
* **P. Gruendling: Can you go into more detail on the impact of batching?**
	+ *S. Berelson: the goal is for all updates to happen on a two-year cycle to promote market stability.*
	+ *A. Havenar-Daughton: a specific example where DEER resolutions come into play and made an impact immediately was decision E-5082 on 8/27/2020, which was made 5 days before ABALs were due. It impacted 13 MCE workpapers, including four 2021 workpapers, which ultimately impacted portfolios which were to be filed 5 days later.*
* **When would EM&V take effect?**
	+ *C. Malotte: EM&V would continue throughout; however, the key question is when do values take effect. The proposal suggests aligning when the studies take affect with the other technical updates.*
* **J. Kalafut: We’ve been moving away from workpaper updates taking effect at least 90 days out, while new measure updates take effect immediately. The proposal suggests changes to this. For the DEER resolution, I’m struggling with the long process that starts with a scoping memo outlining potential changes, stakeholder process, then formal adoption. It’s concerning to hear that DEER resolution would impact ABALs and applications. Do we need a better stakeholder process, rather than a different timeline?**
	+ *S. Berelson: To your first comment, 90 days isn’t a long time for program implementers to adjust. To your main question, changes are needed for both: stakeholder process and improved timeline. The changes lower the net amount of EE that is being done. It’s challenging to track changes and make updates based on what might happen; we don’t always know what the final resolution would be. Last year’s AC’s is a good example, where the range was minus 25% to plus 10% change. It takes tremendous resources to track evolution of draft changes*
	+ *G. Wikler: it’s a formal, rigid process, with CalTF playing a more meaningful role, there’s a great model that could be expanded on for greater stakeholder engagement, at least for deemed measures – perhaps this could replace the more formal process that the CPUC currently uses*
	+ *M. Campbell: I would characterize it slightly differently. The proposal balances risks to ratepayers by limiting exposure to underperforming programs, while similarly, providing opportunities to increase exposure to savings for higher-performing programs. The proposal also ensures market stability, and provides stability to implementers and PAs*
* **P. Gruendling: we’ve focused on DEER updates to be mostly N+2 to have 15 months to have adoption of DEER resolution and effective dates. But if we continue to do EM&V and market studies, there may be positive findings that could increase our understanding of NTG or EULs. Still believe that having annual updates may flow into portfolio more easily; maybe there are other ways to manage issues here. Also, note that code cycle updates cannot be changed**
	+ *G. Wikler: respectfully disagree; annual updates to EULs, NTG, and other inputs impacts stability and makes it challenging to deliver programs*
	+ *L. Ettenson: an important distinction is that C&S inputs are relatively well known and expected before they take effect, unlike EULs; so, we’re not concerned here about how code cycle updates fit in*
	+ *L. Morris: the primary goal is to align goals with technical inputs, so the WG may be open to considering annual updates to goals*
	+ *S. Berelson: The 3P solicitation process has taken 5 years; it’s a huge lift for implementers to stay abreast of technical input changes; the goal here is to increase stability*
* **J. Kalafut: does the proposal suggest we may be looking three program years back at EM&V values to be incorporated into portfolio?**
	+ *S. Berelson: I believe this is in the original proposal*
	+ *C. Malotte: The logic was that the EM&V process would follow the same cadence; trying to think it through but think it could be two or three years. I will take a closer look and follow up offline.*
	+ *G. Wikler: we’re mixing EM&V ex-post with DEER ex-ante process. Regardless of how far back it goes, the purpose is to update ex-ante numbers and the P&G processes going forward. Don’t use EM&V to makee after the fact corrections; use it as a tool to improve programs going forward.*
	+ **J. Kalafut confirmed the purpose was to update values.**

# **Concluding/Summary Discussion**

**CPUC question provided before the meeting:**

**Discuss any major challenges you see with transitioning to the revised EE filing processes as proposed in the NRDC filing motion?**

*L. Ettenson responded to ED’s questions in this section on behalf of CAEECC*

**CAEECC response to ED question:**

*L. Ettenson explained that the working group members do not anticipate any challenges transitioning to the revised EE filing process as proposed as long as (1) ABALs and Applications are not due near one another and (2) there is the requested minimum 9-months to prepare their applications and (3) there is odd and even year alignment. This length of time will be critical to integrate any potential large policy modifications (e.g., GHG goals or bucketed approach) and enable a stakeholder process to identify priority items to problem solve in advance of the application.*

*Other challenges that might arise would most likely be a result of the policy changes in the forthcoming policy decision and/or potential and goals decision will impact the EE filing application, such as cost-effectiveness metrics.*

*PAs design their Portfolio Applications around the metrics and C/E tests and structure directed by the Commission, and note that most 3P programs will already be in full implementation. This would not cause challenges to plan a new application as the IOUs could integrate expected contract lengths and estimated savings into their application proposal. They’ll know what the 3P components will be, and some 3P contracts may be winding down.*

*However, there may be some challenges (separate from the transition to a new portfolio application process) since many of the 3P agreements were established as P4P using currently established C/E tests and BP structure, there may be questions or challenges transitioning mid-contract cycle to align with any new direction received by the Commission. Most agreements are set for 3-years. If timing and scale up works out, rather than renegotiate based on new process, let contracts stay as they are. Because of these challenges, it may be appropriate for contracts to be renegotiated after their current contract cycle is over to better align with the new direction rather than expecting changes under their existing agreements*

# **Wrap Up & Next Steps**

J. Kalafut: ED appreciates the discussion. As we think through next year’s decision on goal processes, ED will need to understand how to implement these issues most effectively. The two sessions have been helpful in further vetting and understanding the proposal.

J. Raab summarized that the WG came back together to answer these questions, and this WG is now disbanded unless ED, upon reflection, wants the group to come back together to further flesh things out (e.g., ABAL 2021 review criteria).

J. Kalafut responded that ED needs to regroup and will be back in touch if there is additional need for the WG to flesh things out.

The main next step captured during discussion is C. Malotte offered to confirm with his team whether dates in the gannt charts, and he offered to circle back with ED once they’re confirmed.

# Appendix A: Registration

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| **EE Filing WG Members and CPUC** |
| **Company**  | **First Name**  | **Last Name**  |
| 3C-REN | Alejandra | Tellez |
| BayREN | Jenny | Berg |
| CEC | Brian | Samuelson |
| CEDMC | Serj | Berelson |
| CEDMC | Greg | Wikler |
| Code Cycle | Dan | Suyeyasu |
| CPUC | Nils | Strindberg |
| CPUC | Paula | Gruendling |
| CPUC | Alison | LaBonte |
| CPUC | Jessica | Allison |
| CPUC | Travis | Holtby |
| CPUC | Jason | Ortego |
| CPUC | Jen | Kalafut |
| CPUC | Asia | Powell |
| CSE | Stephen | Gunther |
| Don Arambula Consulting | Frank | Spasaro |
| JATC | Randy | Young |
| MCE | Qua | Vallery |
| MCE | Alice | Havenar-Daughton |
| NRDC | Lara | Ettenson |
| PG&E | Lucy | Morris |
| Public Advocates Office | Mike | Campbell |
| Public Advocates Office | Ashlyn | Kong |
| SBUA | Ted | Howard |
| SCE | Paul | Kubasek |
| SCE | Christopher | Malotte |
| SCE | Ryan | Bullard |
| SCE | Brandon | Sanders |
| SDG&E | Doug | White |
| SDG&E | Sandra | Williams |
| SJVCEO  | Courtney | Kalashian |
| SoCalGas | Benjamin | Piiru |
| The Energy Coalition | Laurel | Rothschild |
|  |  |  |
| **From a Member Organization but not a Lead or Proxy** |
| MCE | Jana | Kopyciok-Lande |
| MCE | Vicken | Kasarjian |
| SCE | Joni | Key |
| SCE | Ajay | Wadhera |
| SCE | Derek | Okada |
| SDG&E | Tina | Chase |
| SoCalGas | Kevin | Ehsani |
|  |  |  |
| **Other Interested Stakeholders** |
| California Energy Markets | David | Krause |
| DNV GL | Bob | Ramirez |
| EDC Technologies, Inc | Katrinka | Allred |
| Enovity.com | Jeffrey | Guild |
| Frontier Energy | Casey | Connorton |
| Frontier Energy | Nancy | Barba |
| James J Hirsch & Associates | Jeffrey | Hirsch |
| Lincus, Inc. | Cody | Coeckelenbergh |
| PacifiCorp | Nancy | Goddard |
|  |  |  |
| **Facilitators** |  |  |
| Raab Associates | Jonathan | Raab |
| Raab Associates | Katie | Abrams |
|  |  |  |