Decision **PROPOSED DECISION OF ALJ FITCH AND ALJ KAO**
(Mailed 5/26/2023)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of 2024-2031 Energy Efficiency Business Plan and 2024-2027 Portfolio Plan. (U39M.)	Application 22-02-005
And Related Matters.	Application 22-03-003 Application 22-03-004 Application 22-03-005 Application 22-03-007 Application 22-03-008 Application 22-03-011 Application 22-03-012

DECISION AUTHORIZING ENERGY EFFICIENCY PORTFOLIOS FOR 2024-2027 AND BUSINESS PLANS FOR 2024-2031

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Attachment A: Program Segmentation Justification Template

DECISION AUTHORIZING ENERGY EFFICIENCY PORTFOLIOS FOR 2024-2027 AND BUSINESS PLANS FOR 2024-2031

Summary

This decision addresses the applications for energy efficiency portfolios during the period 2024-2027 and the business plans for 2024-2031 from nine portfolio administrators. The decision authorizes a total budget of $4.3 billion over the four-year period beginning in 2024, with benefits to customers of at least $3.5 billion during the same period. This decision also adopts a forecasted budget of an additional $4.6 billion in the period 2028-2031. These adopted budgets and forecasts represent a significant investment in the energy efficiency resource as a foundational element of the Commission's energy, environmental and social justice policies. The decision finds that all of the portfolio administrators have met the Commission's requirements for forecast cost-effectiveness and total system benefits.

The decision makes adjustments to the allocation of costs for statewide programs to account for changes in the mix of programs and fuels (electricity and natural gas) and also makes some changes to the statewide portfolio to eliminate some obsolete programs and introduce new ones. The Bay Area Regional Energy Network is also approved as the first non-utility administrator of a statewide program.

The decision approves a new regional energy network (REN) called Rural REN, to deliver energy efficiency benefits to underserved customers and communities in the rural areas all over California in four different regions.

The decision also includes a number of elements addressed to the equity and market support segments of the energy efficiency portfolios, including better defining underserved and hard-to-reach customers and communities, as well as

adopting success indicators and a process for identifying metrics and goals associated with the indicators to be measured.

The decision also includes several measures to improve portfolio oversight, including authorizing supplemental reimbursable funding to Commission staff for technical assistance. Guidance is also provided for continued coordination between portfolio administrators.

Finally, this decision includes guidance for continued emphasis on the market access approach, the use of normalized metered energy consumption methods for estimating energy savings, and the integration of demand-side management opportunities beyond energy efficiency into the portfolios.

This proceeding is closed. Any additional or ongoing energy efficiency policy issues related to the delivery of the portfolios approved in this decision will be addressed in the energy efficiency proceeding, Rulemaking 13-11-005.

1. Background

As directed by the Commission in Decision (D.) 21-05-031, eight portfolio administrators (PAs)[1] filed applications for their energy efficiency portfolios for the period 2024-2027 in February and March, 2022. Those PAs are: Pacific Gas and Electric Company (PG&E); Southern California Edison Company (SCE); San Diego Gas & Electric Company (SDG&E); Southern California Gas Company (SoCalGas); Marin Clean Energy (MCE); Bay Area Regional Energy Network (BayREN); Southern California Regional Energy Network (SoCalREN); and the Tri-County Regional Energy Network (3C-REN). The PAs also provided business plans and budgets for the period 2024-2031, as required by the Commission. In

[1] In the past, the Commission has used the abbreviation "PAs" to refer to "program administrators." However, as much of the portfolio has transitioned to being third-party designed and delivered, in this decision we are moving to the use of the term "portfolio administrator," but using the same "PA" abbreviation.

addition, in a separate motion in Rulemaking (R.) 13-11-005, Redwood Coast Energy Authority (RCEA) requested approval of a new Rural Regional Energy Network (R-REN). A separate decision (D.21-11-013) already authorized Inland Regional Energy Network (I-REN) for the period through the end of 2027, so I-REN is not addressed in this decision.

On March 17, 2022, a ruling of the Chief Administrative Law Judge (ALJ) consolidated the eight applications and transferred the RCEA motion from R.13-11-005 to this consolidated proceeding.

On April 15, 2022, protests were filed by the Public Advocates Office of the California Public Utilities Commission (Cal Advocates) and Sierra Club. Also on April 15, 2022, responses were filed by Small Business Utility Advocates (SBUA); Enervee; RCEA; Natural Resources Defense Council (NRDC); Sonoma Clean Power Authority (SCPA); SoCalGas; California Efficiency + Demand Management Council (CEDMC); Recurve Analytics, Inc. (Recurve); and Association of Bay Area Governments (ABAG) and County of Ventura (on behalf of BayREN and 3C-REN, respectively, jointly).

On April 25, 2022, replies were filed by SoCalREN, SoCalGas, SCE, Enervee, Sierra Club, ABAG and County of Ventura (jointly, on behalf of BayREN and 3C-REN, respectively), PG&E, SDG&E, MCE, NRDC, Recurve, and RCEA.

A prehearing conference was held on May 17, 2022, to address the issues of law and fact, determine the need for hearing, set the schedule for resolving the matter, and address other matters as necessary. The Scoping Memo and Ruling (Scoping Memo) of assigned Commissioner Shiroma was issued June 24, 2022.

On August 2, 2022, ALJ Kao issued a ruling inviting comments on a staff proposal for gas efficiency incentives and codes and standards sub-programs

and budgets. Comments and replies were filed in response to this ruling and its subject matter was addressed in a separate decision (*see* D.23-04-035) adopted on April 6, 2023.

On August 26, 2022, ALJ Kao issued an ALJ ruling seeking responses to specific questions in intervenor testimony. Direct testimony was submitted on October 21, 2022 by Cal Advocates, Google, Inc. (Google), Recurve, and SBUA. Rebuttal testimony was submitted on November 21, 2022 by BayREN, Cal Advocates, Inland Regional Energy Network (I-REN), MCE, NRDC, PG&E, SBUA, SCE, SDG&E, SoCalGas, SoCalREN, and 3C-REN.

1.1. Submission Date

This matter was submitted for decision on April 3, 2023 upon filing of the final set of comments from SBUA.

2. Statewide Programs

This section discusses the statewide program budgets, as well as the statewide portfolio composition.

2.1. Revisions to Statewide Programs Budget Allocations

A new model for administration of statewide programs was introduced in D.16-08-019. This model requires programs administered statewide to be contracted by one lead PA and implemented by one or more third parties on a statewide basis. Previously, programs referred to as "statewide" were contracted by each investor-owned utility (IOU) separately, with a goal of consistent program design and delivery. D.16-08-019 assigned an initial set of existing programs to be transitioned to the new statewide administration mode. The decision also:

- Directed that all upstream and midstream programs be delivered using the statewide administration model;

- Required that the PAs add new downstream programs (of their own choosing) to the statewide portfolio;
- Required statewide administration minimum allocations (*i.e.*, that each IOU direct at least 25 percent of its energy efficiency portfolio budget to statewide programs, with the exception of SoCalGas, with a minimum of 15 percent); and
- Directed the IOUs to establish funding shares for each statewide program based on their relative load share, which would be fixed, regardless of the particular distribution of program activities across the various service territories of the IOUs. Similarly, any energy savings credit from statewide programs would be divided according to these same funding shares.

In the applications in this proceeding, PG&E proposed, and no party opposed, new statewide allocations.[2] Table 1 below presents both the original and the new allocation shares for statewide programs.

Table 1. Original and Updated Statewide Allocation Shares

IOU	Electric Load Share		Gas Load Share	
	Original	Updated	Original	Updated
PG&E	44.44%	28.71%	50.42%	42.59%
SDG&E	15.46%	9.10%	7.79%	13.20%
SCE	40.10%	62.19%	0.0%	0.0%
SoCalGas	0.0%	0.0%	41.79%	44.21%

We will update the allocations as proposed by PG&E because they better reflect the current budget contributions by utility and fuel type. We have also accepted PG&E's suggestion, in comments to the proposed decision, to add a significant digit to the percentages to ensure accuracy. These allocations were developed using the same methodology that established the original proportions

[2] *See* PG&E Application, Exhibit 1, Chapter 3, at 3-27.

established in November 2018.[3] Updated load-shares were calculated using the electric and natural gas splits for PG&E and SDG&E, as reflected in their business plan applications in this proceeding, as well as budgets and program forecasts submitted for the 2024-2027 portfolio period. This will result in changes to the statewide budgets of each of the IOUs. Table 2 below presents the changes to the total budget allocated to statewide programs by IOU PAs for the 2024-2027 period.

Table 2. Updated Statewide Budget Totals Using New Statewide Allocations, 2024-2027

IOU	Budget As Filed	Updated Budget	Change
PG&E	$305,747,274	$213,473,550	-$92,273,724
SDG&E	$91,243,638	$67,230,296	-$24,013,342
SCE	$204,137,718	$316,609,242	$112,471,524
SoCalGas	$66,116,550	$69,932,092	$3,815,542

Section 11 of this decision contains adopted budgets adjusted to reflect these new statewide allocations. The 2028-2031 adopted budget forecasts also reflect the same percentage adjustment to the budget as filed as the 2024-2027 budget.

In the future, we will update the statewide allocation percentages when we review each four-year portfolio. This schedule will provide stability during the portfolio period while also allowing the statewide allocations to adapt to changes in the portfolios and the fund collection from ratepayers.

For this eight-year business plan period, SCE and SoCalGas have requested relief from the minimum statewide allocations of 25 percent and

[3] *See* SDG&E Advice Letter 3268-E-A/2701-G-A.

15 percent respectively.[4] These IOUs argue that since the initial allocations, there has been downward pressure on the statewide program portfolio size. The most notable change is the closure of the statewide upstream lighting program, which had an initial projected annual budget of $50 million. In addition, other upstream programs are facing challenges to their cost-effectiveness outlooks and participation.

In light of these developments, a reduced target is reasonable for 2024-2027. We will reduce the minimum percentage to 20 percent for statewide programs for all of the IOUs, except for SoCalGas, which will have a minimum of 10 percent, for the 2024-2027 portfolio. We will continue to monitor the appropriate percentages with the review of the next portfolio application.

Table 3 below shows the original target minimum portfolio budget allocations to statewide programs, as well as the updated and approved values. The table also shows the percentage of portfolio budget allocated to statewide programs in the portfolios as filed, and estimates of updated percentages using budgets adjusted for the new statewide allocation percentages shown in Table 1 above.

[4] *See* SCE Application, SCE-01, at 57-60 and SoCalGas Application, Exhibit 1, at 47.

Table 3. Updated Statewide Program Budget Totals Using New Statewide Allocations Reflected Budgets as Filed and as Updated for 2024-2027

IOU	(Original) Target Portfolio Allocation to Statewide Administration	(New) Updated Target Portfolio Allocation	(Original) Statewide Budget as Percentage of Total Budget as Filed	(New) Statewide Budget as Percentage of Total Budget, Updated with New Statewide Allocations[5]
PG&E	25%	20%	34%	28%
SDG&E	25%	20%	35%	29%
SCE	25%	20%	14%	20%
SoCalGas	15%	10%	12%	12%

The changes discussed in this section should be reflected in the PAs' 2023 True-Up advice letters that are required by the terms of D.21-05-031 to be submitted in 2023.

2.2. Statewide Portfolio Composition

SCE, in its application,[6] proposed to undertake an assessment process to review the composition of the statewide program portfolio and adjust it during the 2024-2027 portfolio cycle. We do not require this assessment at this time because it would not be feasible to accomplish before the beginning of the portfolio cycle. In addition, many of the current statewide programs are still in a launch phase and generally do not have sufficient track records to undergo an assessment yet. We do, however, see value in such an assessment periodically. Thus, we defer SCE's proposal to the next portfolio cycle. In the meantime, we will require all of the PAs to coordinate among themselves and propose an assessment process that can be considered with the portfolio applications to be filed in 2026 for the program portfolio beginning in 2028. In response to

[5] Source: Budget Filing Detail Report, "BFDR Program" tab, September 2022.

[6] *See* SCE Application, SCE-01, at 57.

comments on the proposed decision from BayREN, 3C-REN, and SoCalREN, we clarify that all PAs have a stake in the statewide assessment process, so the proposals should be a joint proposal from all of the PAs, not just those administering statewide programs currently. The assessment process proposal should be filed no later than as part of the new portfolio applications, to be further considered by the Commission. If the PAs have a joint proposal ready sooner, the assessment process proposal may also be filed as a separate motion in the energy efficiency rulemaking proceeding (R.13-11-005 or its successor).

Meanwhile, during 2024-2027, the composition of the statewide portfolio need not remain static. PAs may request program closure or downsizing where a statewide resource acquisition program has declining prospects through the filing of a Tier 2 advice letter. In addition, existing programs may also be modified by updating an implementation plan.

SCE also proposed to close the statewide upstream lighting program, which provides incentives to manufacturers and distributors for producing efficient lighting solutions.[7] The other IOUs supported this proposal. Upstream lighting faces substantial cost-effectiveness challenges (because the efficient bulbs are already economically competitive on their own, and likely do not require incentives) that do not appear to make it viable in the short term. The filed budgets of the IOUs already reflect this program closure proposal and we approve it. Efficient lighting appears to have become mainstream in the past few years and we do not see a need at this time to continue to fund upstream incentives for it.

[7] *Ibid.*, at 60.

SCE's application also proposed to offer midstream and upstream measure incentives that are not offered in a corresponding statewide program as part of a local program.[8] This would involve measures which are potentially distributed or available statewide, but which are not part of a particular statewide program offering. No other parties specifically commented on this proposal. We are concerned that this proposal would create challenges in tracking and coordinating between programs. In addition, any statewide program that is re-solicited or modified would then potentially be limited by potential local program overlap, creating limitations on new designs and/or complex coordination requirements. For these reasons, we do not approve SCE's proposal to offer midstream and upstream incentives in a local program where the measures are not covered in a statewide program.

In its portfolio application, SDG&E proposed to convert the Residential Behavioral Home Energy Reports (HER) and Residential Audit Programs (Universal Audit Tool (UAT)) to statewide administration. SDG&E proposed to be the lead PA for both programs.[9] No party directly opposed this proposal, though SCE and SoCalGas were hoping to reduce the statewide expenditures overall and SCE also advocated for an assessment of the overall statewide portfolio composition.

In comments on the proposed decision, numerous parties, including Oracle as one of the implementers, opposed the conversion of these two programs to statewide administration, arguing that they have unique characteristics at the individual IOU level and are not appropriate for statewide

[8] *See* SCE Application, SCE-01, at 60.

[9] *See* SDG&E Application, Exhibit 2, at 235.

implementation. In light of these comments, we will defer on converting these programs to statewide at this time. Once a statewide assessment process has been proposed and approved, then we will use the process to evaluate whether these programs should be converted to statewide during the next portfolio application cycle.

SDG&E also proposed to study the residential multi-family program and the strategic energy management programs for possible transition to statewide administration.[10] In comments on the proposed decision, SoCalGas volunteered to lead this study instead of SDG&E. However, in response to comments from several other parties, this specific study is being removed from the decision. Similar to the HER and UAT programs above, we will defer converting these programs to statewide until after we have received and approved a process for statewide assessment overall. After that process is in place, we can further determine how the SEM and Multifamily programs should be assessed for their suitability for conversion to statewide implementation, during the next application cycle.

BayREN, in its application, proposed a new statewide Home Energy Score program, which audits and assesses individual homes for their efficiency attributes.[11] No party opposed this proposal, and SDG&E indirectly supported it by suggesting the statewide administrator pool could be expanded beyond IOUs.

We agree that BayREN's proposal is a good idea as it provides more competition and options for each statewide lead PA assignment. Currently, however, we do not have a method to allocate budget or savings beyond IOU

[10] SDG&E Application, Exhibit 2, at 235.

[11] BayREN Application, Exhibit 2, at 180.

funding allocations by load share. In the meantime, we will approve a budget limit for BayREN contingent upon their submission of a Tier 2 advice letter requesting authorization to develop and implement the statewide Home Energy Score Program. If approved, additional program funding will be made available as follows: PG&E $3.1 million, SDG&E $1.0 million, SCE $4.9 million, and SoCalGas $0.9 million, for a total of $9.9 million above and beyond the statewide totals and overall four-year budget totals reflected in Table 2 above and Tables 7 and 9 below, respectively.

3. Overall Portfolio Budget Issues

This section discusses overall portfolio issues related to budget, including portfolio segmentation proposals of the PAs, the role of the IOUs on behalf of Community Choice Aggregators (CCAs) and RENs, as well as the 8-year business plan budget proposals of the PAs.

3.1. Portfolio Segmentation

D.21-05-031 directed the energy efficiency PAs to segment their portfolios into programs that are primarily designed for three purposes: resource acquisition, market support, and equity. The combined budgets of each non-REN PA for the equity and market support programs are limited to 30 percent of their total portfolio budget.

There is also a fourth distinct segment that has been treated separately for some time, containing the codes and standards programs from the PAs. The codes and standards segment generally has the following primary purposes:

- Influencing standards and code-setting bodies (such as the California Energy Commission (CEC)) to strengthen energy efficiency regulations;
- Improving compliance with existing codes and standards;

- Assisting local governments to develop ordinances that exceed statewide minimum requirements; and
- Coordinating with the other programs and entities to support the state's policy goals.

Evaluation, measurement, and verification budgets are also considered separately from the other segments.

In general, all of the IOUs and MCE segmented their portfolios appropriately and limited their market support and equity segment budgets to 30 percent overall. We therefore approve the portfolios.

In addition, most proposed equity programs for all IOUs will be third-party solicited. Therefore, the equity programs will have the additional oversight of the energy efficiency procurement review groups (PRGs) and independent evaluators (IEs), and most will also be submitted for our explicit approval in advice letters. No party raised concerns about the equity programs proposed by RENs and CCAs. We have reviewed them and approve them. There is additional discussion about the market support and equity segments in Section 7 below.

We also have additional plans for general portfolio oversight that are discussed below in Section 5.

3.2. Role of IOUs on Behalf of CCAs and RENs

In its application, PG&E made a proposal regarding the budgets for any new PAs (such as new RENs) or new CCAs who submit an Elect-to-Administer (ETA) request on behalf of their own customers.[12] PG&E proposes that those budgets for the new PAs or ETA CCAs be incremental to the IOU eight-year budget caps and allow the IOUs to collect additional funds to cover the costs for these PAs or ETA CCAs. PG&E argued that when new CCAs or RENs are

[12] *See* PG&E application, Exhibit 1, at 3-16 through 3-18.

approved in the middle of a portfolio cycle, the IOU cannot adjust their budget cap and must fund the new administrators' budget out of unspent funds or funds earmarked for other programs.

Separately, PG&E also proposed to have the IOUs relieved from their budgetary monitoring and compliance oversight role as the fiscal manager for CCAs and RENs.[13] PG&E argued that since the Commission separately considers and approves the budgets of these non-IOU administrators, the IOUs should not be in the position of monitoring and compliance, but rather the Commission should play this role. The IOUs would then simply maintain their role of collecting and disbursing funds on behalf of the CCAs and RENs.

No party opposed these proposals, except SoCalGas appears to prefer to retain the monitoring and compliance role for CCAs and RENs.

On the first proposal to allow the IOUs to collect additional budget for new administrators or ETA CCAs approved mid-cycle, we agree with PG&E, because it is impossible for the IOU (or the Commission) to predict exactly when new proposals for RENs, CCAs, or ETA CCAs will be submitted and/or approved. Thus, the IOUs should not be required to rearrange their own portfolio budgets when this occurs. Therefore, we will allow the IOUs to collect additional funds beyond the budget caps authorized in this decision or any subsequent one, for a new administrator or CCA established and approved by the Commission in between portfolio application cycles. The additional collection will be limited by the amount approved by the Commission for the new PA. The collections should be tracked in each IOU's existing energy efficiency balancing account.

[13] *Ibid*.

On PG&E's second proposal, we also agree that because the Commission has the role of considering and approving the portfolios of the non-IOU administrators, the appropriate role for the IOUs is one of collecting and disbursing funds. The IOUs need not take on a compliance and monitoring role, since the Commission itself should be receiving periodic reporting in order to conduct our own oversight. The established RENs and CCAs, including BayREN, SoCalREN, and MCE, have been administering their own portfolios for a decade. RENs started as pilots but are now established, full PAs, on par with the IOUs, from a Commission oversight perspective. Therefore, the additional IOU monitoring and compliance role is no longer required.

In addition, all of the PAs, as well as the ETA CCAs, are subject to auditing by the Commission. Thus, Commission oversight should be sufficient. This should result in some administrative budget savings for the IOUs. So we will make this change and remove the IOUs from the role of auditing, compliance, and oversight. The IOUs will remain in the role of collecting and disbursing funds to the other PAs and ETA CCAs within their service territories. This may require changes to the Energy Efficiency Policy Manual and Commission staff will make the appropriate alterations.

3.3. Business Plans and Budgeting Rules

In addition to the detailed proposals submitted in applications by the PAs for energy efficiency portfolios for the four-year period 2024-2027, the applicants also submitted Business Plans covering eight years through 2031. These plans were intended as a strategic guide to the longer-term approaches within which the first four-year portfolio will operate. Along with these long-term plans, the administrators forecasted budgets for the eight-year period. The PAs all took different approaches to forecasting their budgets beyond the initial four-year

period. Some escalated their budgets substantially, while others stayed flat beyond year four.

In general, we appreciate the considerable efforts that all applicants expended to put the 2024-2027 activities into a larger context. We continue to believe it is important to urge the administrators to think beyond just the portfolio cycle and toward more long-term strategies. We find the strategies articulated to be reasonable and will approve them at the highest level.

On the eight-year budgets, we do not have adequate information to assess which approach (escalation or straight-line projection) may be appropriate. It is possible that both are reasonable, depending on the circumstances and plans of the particular administrator.

At this stage, we will approve the 8-year budgets as forecasts as submitted with the new statewide allocation adjustment as discussed in Section 2.1, to be used as an indicator of our commitment to continue funding energy efficiency strategies and portfolios through the period, and the projected revenue collections that will be required beyond 2027. This does not constitute approval of the individual program budgets at this time. Several aspects of this decision will impact the future revenue needs for 2024-2027 and beyond.

We also know that when the applications are submitted for the next four-year portfolio cycle (submission in 2026 for program years 2028-2031), we will reassess appropriate budgets at that time.

In the meantime, we clarify the manner in which the PAs should treat unspent and uncommitted funds. There are three aspects of this clarification:

- After each four-year cycle, the PAs are required to apply unspent and uncommitted funds from any prior portfolio cycles to offset budgets and fund collections for the subsequent portfolio cycle. This means that any unspent

and uncommitted funds from prior to 2024 shall be applied toward the budgets and collections in the 2024-2027 period, with the exception of funds that were required to be sent to the CEC according to Assembly Bill (AB) 841 (Stats. 2020, Ch. 372).

- Unspent and uncommitted funds should be reported in each PA's annual report. The reporting should include funds collected and spent over the four-year portfolio cycle, annually and cumulatively, and at the end of a portfolio cycle, unspent funds that can be applied to offset collections in subsequent portfolio cycles.

4. Rural REN

4.1. Motion of RCEA

RCEA filed the motion to establish R-REN in R.13-11-005, in accordance with Commission direction to file the proposal at the same time as the other PAs submitted their applications. The R-REN proposal was consolidated with the applications in this proceeding by Chief ALJ ruling, allowing us to consider it in this decision.

As required by the Commission, the R-REN proposal had been presented and discussed at a California Energy Efficiency Coordinating Committee (CAEECC) meeting, and included a "letter of commitment to cooperate" from each existing PA with whom the R-REN proposed activities will overlap.

RCEA argues that R-REN will provide a new and unique contribution to current efforts to achieve California's energy, climate, and equity goals. According to the motion, R-REN will be an equity-focused REN that addresses the specific needs of rural communities, by offering energy efficiency programs that "fill the gaps" left when existing energy efficiency programs do not fully

reach rural communities or are not tailored to meet the specific needs of those communities.[14]

R-REN will divide its efforts into four regions of the state: North Coast, Central Coast, San Joaquin Valley, and Sierra. Table 4 shows the R-REN regions, partner organizations, and counties and population proposed to be served.

Table 4. Rural REN Regions

Region	Partner Organizations	Counties Served	Land Area, in sq. miles	Population
North Coast	RCEA	Humboldt, Lake, Mendocino	8,331	296,227
Central Coast	Association of Monterey Bay Area Governments	Monterey, San Benito, Santa Cruz	5,114	774,105
	County of San Luis Obispo	San Luis Obispo	3,299	282,424
San Joaquin Valley	San Joaquin Valley Clean Energy Organization	Fresno, Kern, Kings, Madera, Merced, San Joaquin, Stanislaus, Tulare	27,262	4,313,060
Sierra	High Sierra Energy Foundation	Inyo, Mono	13,230	32,211
	Sierra Business Council	Alpine, Amador, Butte, Calaveras, El Dorado, Lassen, Mariposa, Nevada, Placer, Plumas, Sierra, Sutter, Tuolumne, Yuba	21,013	1,306,482
Total			**78,249**	**7,004,509**

The R-REN proposal states that each region's offerings will be determined by the region's partner organizations based on the region's specific needs and priorities. The focus of the R-REN will be on equity, with 80 percent of the proposed budget focused on programs in the equity segment of the portfolio.[15]

[14] RCEA Motion on behalf of R-REN in R.13-11-005, March 4, 2022, at 4.

[15] RCEA Motion, March 4, 2022, at 10.

The R-REN proposal also states that, in addition to discussion and outreach to the CAEECC, the R-REN partners also conducted significant outreach to communities in the R-REN areas, receiving broad support.[16]

RCEA proposes that R-REN offer the following equity programs:

- *Finance* – A rurally focused finance offering will equitably support the residential, small business, and public sectors through zero-interest loans, including bridge loans and micro-loans, that will encourage and accelerate the implementation of energy efficiency. The program addresses first-cost and access-to-capital barriers in rural California.
- *Workforce Education and Training (WE&T)* – R-REN's WE&T pilot program will accelerate training (upskilling of existing workers and training for new workers) and increase new opportunities for employment. The pilot will include two main efforts:
  - Climate Careers: providing at-risk, low-income youth ages 16-22 with training to conduct Green House Calls.
  - Clean Energy Academy: providing community members with energy efficiency and electrification training, as well as career readiness support and job placement.
- *Residential Equity* – R-REN will provide hard-to-reach, disadvantaged, and underserved residents with Green House calls and installation of energy efficiency measures. This program will also provide zero net energy online virtual home energy audits, which will use data and energy modeling through an online dashboard to present to homeowners.
- *Public Equity* – this program is proposed to be available to a subset of counties that went unassigned in PG&E's non-resource solicitation for local government programs. The

[16] *Ibid*., at 11.

program will offer technical assistance to public agencies and track and report energy efficiency benefits.

In addition to the equity offerings, RCEA proposes that R-REN offer two resource acquisition programs in the most remote regions (North Coast and Southern Sierra):

- *Commercial* – this program will focus on filling the needs of commercial customers that have been unmet by other utility and statewide programs. The program will deliver direct-to-customer rebates for energy efficiency and electrification upgrades, as well as some direct installation options.
- *Residential* – this program will focus on filling the needs of residential customers that have been unmet by other utility and statewide programs. The program will deliver direct-to-customer rebates for energy efficiency and electrification upgrades, as well as some direct installation options.

RCEA also proposes that R-REN offer one additional Codes and Standards program:

- *Codes and Standards* – this program will provide rural building departments and building professionals with education and technical resources to increase comprehension of and compliance with Title 24 (California's Building Energy Efficiency Code) and escalate more rapid adoption of standard technologies. This program will help communities reduce energy usage through improved building design and construction and greater code compliance and enforcement.

According to the RCEA motion, these programs are all "activities that utilities cannot or do not intend to undertake" because these activities are not

part of the IOUs' current or proposed portfolios, which is one of the criteria for REN activities, according to D.12-11-015 guidance.[17]

R-REN's proposed budget is given in Table 5 below.[18]

Table 5. R-REN Portfolio Budget Request

Program	2024	2025	2026	2027	Total
Resource Acquisition					
Residential	$1,147,168	$1,697,368	$2,362,202	$2,489,518	$7,696,256
Commercial	$954,842	$1,226,927	$1,450,222	$1,426,712	$5,058,703
Equity					
Residential	$6,827,849	$6,752,967	$6,861,939	$6,891,566	$27,334,321
Finance	$3,695,941	$3,889,106	$3,406,666	$3,167,551	$14,159,264
WE&T	$5,107,594	$5,138,691	$5,149,953	$5,163,377	$20,559,615
Public	$578,553	$581,413	$534,954	$534,522	$2,229,442
Codes and Standards					
Codes and Standards	$1,442,036	$1,498,271	$1,620,119	$1,736,439	$6,296,865
Evaluation, Measurement and Verification (EM&V)					
EM&V	$207,417	$218,240	$224,554	$224,802	$875,013
Total	**$19,961,400**	**$21,002,983**	**$21,610,610**	**$21,634,486**	**$84,209,480**

4.2. Discussion

No party opposed the R-REN proposal in comments or testimony. In general, we find that the programs and approaches proposed by RCEA for R-REN meet the criteria outlined in D.12-11-015, and later refined in D.19-12-021. There is no evidence that R-REN's plans duplicate the offerings of any other PA.

[17] D.12-11-015 at 17 and D.19-12-021 at 4-5.

[18] *See* RCEA Motion, March 4, 2022, at 16 (Table 3) for the summary of the request. Note that R-REN originally proposed a budget for 2023, but that is not being considered in this decision. R-REN budget authority will begin in 2024.

In addition, the rationale presented regarding the need for R-REN is compelling. R-REN is strategically designed to serve areas that have been traditionally underserved due to their rural nature and other structural barriers, such as socioeconomic factors and the high cost of providing services in rural areas. Many regions within the R-REN area have among the lowest participation rates in energy efficiency programs in the state. As pointed out by the RCEA motion,[19] communities and customers in the R-REN geographic areas have received fewer economic benefits from energy efficiency programs than their counterparts in urban areas. *See* further discussion in Section 7 of this decision related to guidance for equity programs and definitions of "hard-to-reach" and "underserved" customers.

In addition, as also pointed out in the RCEA motion,[20] some of the rural communities may be particularly vulnerable to the impacts of climate change, including weather and temperature extremes, increased wildfire risks, and drought impacts, among others.

Further, the communities to be served by R-REN face significant equity and development challenges. As pointed out in the motion, over 16 percent of the R-REN residents fall below the federal poverty level, and 27 percent of California's probation caseload falls within the R-REN geographic area (even though the area only has about 18 percent of the total population). Finally, over 90 percent of R-REN counties meet the statutory definition of "low-income communities."[21] [22]

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[19] RCEA Motion, March 4, 2022, at 4.

[20] *Ibid.*, at 5.

[21] RCEA Motion, March 4, 2022, at 5.

[22] Low-income customers are defined by Health and Safety Code Section 39713 (d)(2).

We agree with the RCEA motion that it is likely inherently more costly (and therefore less cost-effective) to serve the R-REN population, a problem that is exacerbated by the lack of qualified local expertise to execute energy efficiency projects in the rural communities. For all of these reasons, we find the proposal to launch R-REN justified and reasonable.

We also find that the R-REN portfolio, as the motion acknowledges, is likely to overlap geographically with a number of other PAs' territories, even if their programmatic offerings do not. Because of the large and diverse geography to be served by R-REN, we find it important to ensure coordination and cooperation between PAs. R-REN will serve over 78,000 square miles, (which is slightly bigger than the state of Nebraska). R-REN will also be the first REN to serve territory that is not geographically contiguous. Thus, in some ways, it may operate more like four separate RENs, but with common administrative support and oversight, which should provide some cost efficiencies.

Still, because of the diversity and size of the R-REN geography and overlap with other PAs, we will require RCEA (on behalf of R-REN) to submit three separate joint cooperation memoranda (JCMs)[23] to ensure strong coordination. RCEA should submit three separate JCMs, as follows:

- A JCM between PG&E and R-REN (North Coast);
- A JCM between PG&E, 3C-REN, and R-REN (Central Coast); and
- A JCM between PG&E, SCE, SoCalGas, SoCalREN, and R-REN (San Joaquin Valley and High Sierra).

This requirement is warranted because RCEA proposed that R-REN will offer different programs by the geographic regions to fill gaps in the other PA

[23] The JCM requirements originated in D.18-05-041, and were refined in D.21-05-031.

areas. This is intended to encourage greater collaboration with other PAs that overlap with R-REN in these three distinct regions. Section 9.2 of this decision provides further guidance, which shall apply to R-REN's JCMs, on the timing and process for submitting JCMs.

Also because of the overlap and geographic diversity, R-REN funding will come from several of the IOUs. Thus, we also must specify the revenue requirements to be collected by the IOUs. These amounts are given in Table 6 below.

While we approve the eight years of collections specified here, it is especially important for R-REN that we re-look at their budget for the 2028-2031 period during the review of the next portfolio application, expected in 2026, since R-REN will be a new administrator in this portfolio cycle. Therefore, these budgets for 2028-2031 are placeholders for the R-REN program. Nonetheless, we include the projected budgets for IOU revenue forecast purposes and R-REN program expectations, though the amounts are even more likely than other PAs' to be adjusted based on R-REN's first few years of experience.

Table 6. Collections by IOUs to Support R-REN Budgets (Dollars)

Year	PG&E		SCE	SoCalGas	Total
	Electric	Gas	Electric	Gas	
2024	$7,984,560	$1,596,912	$7,984,560	$2,395,368	$19,961,401
2025	$8,401,193	$1,680,239	$8,401,193	$2,520,358	$21,002,983
2026	$8,644,244	$1,728,849	$8,644,244	$2,593,273	$21,610,610
2027	$8,653,794	$1,730,759	$8,653,794	$2,596,138	$21,634,486
2028	$8,906,466	$1,781,293	$8,906,466	$2,671,940	$22,266,164
2029	$9,175,928	$1,835,186	$9,175,928	$2,752,778	$22,939,821
2030	$9,447,613	$1,889,523	$9,447,613	$2,834,284	$23,619,033
2031	$9,731,259	$1,946,252	$9,731,259	$2,919,378	$24,328,149
Total	**$70,945,058**	**$14,189,012**	**$70,945,058**	**$21,283,518**	**$177,362,646**

5. Portfolio Oversight

This section discusses issues related to general oversight of the portfolios of all of the PAs, as well as the adoption of and processes around objectives and indicators for the market support and equity segments of the portfolios.

This framework is designed to be the foundation for future regulatory mechanisms holding the PAs accountable for performance and results.

Currently, the majority of portfolio oversight occurs by Commission staff monitoring key aspects of design, solicitation, implementation, and evaluation of portfolios, segments, and programs. We expect these activities to be augmented, in the short- and medium-term, by the addition of impact, process, and market studies that focus on the equity and market support segments of the portfolios, as well as establishing objectives and future goals and a new stakeholder group.

5.1. General Portfolio Oversight

NRDC and CAEECC indicated support for some stakeholder involvement in portfolio oversight in a CAEECC Process Proposal offered in advance of the adoption of D.21-05-031 in the energy efficiency rulemaking (R.13-11-005).[24] Recurve, in its testimony in this proceeding,[25] focused on transparent accountability. The proposed decision included a requirement that CAEECC establish a portfolio oversight group (POG) as a sub-group of the full CAEECC. In comments on the proposed decision, all parties who commented felt that this requirement was at best premature and potentially completely unworkable. All

[24] See April 24, 2020 Motion of NRDC on the CAEECC Proposal for Improvements to the Energy Efficiency Portfolio and Budget Approval Process Working Group Report, available at the following link: https://docs.cpuc.ca.gov/SearchRes.aspx?DocFormat=ALL&DocID=336058397

[25] Recurve Prepared Testimony, at 7.

of the PAs, plus NRDC, recommended that any POG establishment await the conclusion of the work of the Evolving CAEECC Working Group, which is currently discussing recommendations for the future composition and scope of the CAEECC.[26] At a minimum, most parties preferred that process to conclude before asking CAEECC to take on a major new oversight role in the form of a POG sub-group. We agree and have eliminated the requirement for a POG at this time. However, parties should note that Commission staff see a role for stakeholder input as part of the portfolio oversight process, and we ask that the Evolving CAEECC Working Group consider this as part of its deliberations.

In the meantime, we will implement an important aspect of the April 24, 2020 CAEECC Process Proposal. Specifically, we require the following, contained in Section 4 of the April 24, 2020 CAEECC Process Proposal: Each PA will be required to post its Annual Report on the CAEECC website and provide semi-annual data-driven updates on the energy efficiency portfolio progress at the CAEECC, including:

- A high-level overview of its Annual Report near the time it is filed; and
- An update on progress, approximately 6 months after the Annual Report filing.

In addition, though most parties disliked the POG requirements in the proposed decision, most agreed that Commission staff are in need of additional resources to conduct portfolio oversight. To that end, we will repurpose and add to the funding originally included in the proposed decision to support the POG proposal, in order to enhance staff technical support. The proposed decision

[26] The prospectus for the Evolving CAEECC Working Group can be accessed at the following link: https://www.caeecc.org/evolving-caeecc-working-group

contained $1 million in budget for the CAEECC facilitation contract over the 2024-2027 period to support the POG. Instead, we will make $1 million available annually in reimbursable funding for technical support and consulting, to be added to EM&V collected funds. Commission staff may carry forward the funds from year to year. Reimbursement will be sought from the four IOUs in the same manner as for EM&V budgets.

This budget is necessary because of the level of program reporting requirements and analysis necessary to assess energy efficiency program progress, and will require consultant technical support. Commission staff anticipate technical support and consulting on tasks including, but not necessarily limited to, the following:

1. Program reporting assessment, analysis, and recommendations for process improvement: This task includes supporting Commission staff on establishing protocols and templates to review and evaluate the PAs' annual reports, certain advice letters, and other filings specified by staff. The consultant may develop recommendations to streamline existing reporting processes and create new ones. This task includes identifying, analyzing, and developing recommendations to inform energy efficiency inputs, assumptions, and analytical frameworks for the oversight processes, as well as expert support and necessary facilitation of stakeholder processes to develop and vet inputs and assumptions needed for oversight implementation.
2. Development of PA Performance Reporting Templates: This task focuses on developing templates for public dashboards maintained and refreshed by PAs on a quarterly basis using quarterly reports. The consultant will support Commission staff in seeking public feedback and developing the structure and components of the dashboard. Also included in this task is continued technical assistance to staff to review and improve the

dashboards, including their delivery to staff, stakeholders, and the public.

3. Data Visualization: The consultant will support Commission staff development of Tableau (or equivalent) instance(s) to convey reported information from PAs. The visualizations' primary objective is to facilitate staff and stakeholders' easier ability to compare and contrast PAs' progress, as well improve understanding of individual PA portfolios.
4. Study recommendations: To ensure information informs application of oversight, this task includes identifying research needs and providing expert guidance on the development of various studies' scopes of work, which can include Awareness, Knowledge, Behavior, and Attitude (AKAB) surveys, Non-Energy Benefit Studies, goal development, and others, as determined by Commission staff.

5.2. Process for Adding Clarification to Existing and Adding New Indicators for Equity and Market Support Segments

Adopted indicators, as proposed by the CAEECC Equity Metrics Working Group (EMWG) and Market Support Metrics Working Group (MSMWG), are discussed in Section 7 below. Many of the adopted indicators would benefit from clarification and further discussion about the valuation methodology. Guidance may be needed for PAs to ensure that baselines for target-setting are clear and consistently applied, to the greatest extent possible. For these reasons, we will ask the CAEECC to re-engage and update, as necessary, the EMWG and MSMWG to discuss and develop recommendations.

Furthermore, there are several common metrics adopted in D.18-05-041 that have not been used and/or may no longer be relevant or useful. We will require the PAs to submit a joint Tier 2 advice letter proposing and clarifying all of the indicators adopted in this decision, as well as identifying information that

could be used as baselines for future targets, or methodologies for how the indicator information can be used as baselines, by no later than May 1, 2024. The advice letter should also include recommendations for metric removal, suspension, or modification from those included in D.18-05-041. These recommendations on common metrics may be informed by the CAEECC metrics working groups, to the extent that they have desire and capacity to be involved.

5.3. Evaluation, Measurement and Verification (EM&V) Guidance

As part of additional guidance to ensure PAs manage their portfolios to effectively achieve TSB goals and other key objectives, this decision provides directions intended to improve confidence in PAs' EM&V information, and other related guidance.

5.3.1. EM&V Design and Data Collection

First, we direct the PAs to ensure adequate measurement and verification requirements in third-party contracts for all segments, such that source data (*e.g.*, customer names and addresses where installations occurred) can be tracked and verified. We provide this direction in order to maintain the reliability of TSB results and other key program impacts.

Second, we direct the PAs to, in consultation with partners (*e.g.*, manufacturers, distributors, retailers, permitting agencies, trade associations) and Energy Division staff, identify approaches to verifying upstream and midstream installations that are mutually beneficial for relevant partners. Such approaches may include, for example, direct exchange of data and sampling. The PAs must identify and describe these approaches in their annual reports as part of the market support content on partnerships. It has been challenging for PAs and their implementers to obtain customer information for upstream and midstream programs. However, this information is critical to program

evaluability, so we require this tracking for upstream and midstream programs unless an exception is made through a Tier 2 advice letter.

In comments to the proposed decision, SDG&E recommends requiring that market effects studies be conducted for upstream and midstream programs to determine the full contribution of upstream and midstream programs. We decline to add this requirement at this time, but we confirm the PAs may conduct their own market studies.

SDG&E also requests flexibility to increase its EM&V share up to 40 percent, in consultation with Commission staff as part of the annual EM&V Roadmap planning.D.16-08-019 already provides that portfolio administrators should discuss EM&V activities and funding as part of the collaborative EM&V planning process; we do not see good reason to modify the existing process in response to SDG&E's request.

5.3.2. Other EM&V Guidance

This decision provides the following clarifying guidance related to EM&V.

First, we confirm that evaluation funds may be carried forward to pay for any authorized evaluation activity. Because evaluations can cover multiple years and across multiple cycles, it is reasonable to grant IOUs flexibility to use evaluation funds for any authorized evaluation activity, regardless of year or program cycle.

Second, this decision updates the IOUs' percentage contributions to evaluation invoice payments. The last time these percentages were set was in 2014, by D.14-10-046, which specified that evaluation contracts are to be paid based on IOUs' contributions to the overall EM&V budget.[27] It is reasonable to

[27] D.14-10-046, Ordering Paragraph 31 and Figure 7.

update these percentages to reflect the IOUs' shares of the EM&V budget adopted in this decision.

Third, D.01-11-066 first directed the IOUs to report accounting information on a monthly basis to the assigned ALJ and Energy Division. For greater transparency and posterity, we modify this direction to specify that the IOUs must instead upload their monthly accounting reports to the California Energy Data and Reporting System (CEDARs).

Fourth, D.07-09-043 requires the IOUs to respond to recommendations on their impact evaluations. For greater transparency and accountability, this decision requires all PAs to include, as part of their mid-cycle advice letter submissions, specific descriptions of how they have incorporated or otherwise addressed impact evaluation recommendations for specific Commission studies released after 2022. We delegate to Energy Division staff to determine which studies should be addressed in the mid-cycle advice letters. In response to comments on the proposed decision, we clarify that this requirement is not intended to replace or duplicate the existing response to recommendations process. This requirement will apply only to specific recommendations, as identified by Energy Division staff.

5.4. Non-Energy Benefits Study

The Disadvantaged Communities Advisory Group's (DACAG) letter, included with the August 26, 2022 ruling and on which that ruling invited comments, asserts that the energy efficiency business plans, metrics and cost-effectiveness tests must include adequate consideration of non-energy benefits, particularly those relevant to advancing the Commission's Environmental and Social Justice (ESJ) Action Plan. The DACAG letter acknowledges earlier work as a good start but states it is "unclear how the CPUC intends to further develop the

data and metrics necessary to adequately consider [non-energy benefits]."[28] The DACAG letter specifically requests that Energy Division coordinate with relevant stakeholders and members of the public to continue work on quantifying and incorporating non-energy benefits as a metric for program evaluation and, concurrent with this work, also develop and propose for public comment a cost-effectiveness test that is capable of adequately considering non-energy benefits.

In testimony, Cal Advocates agrees with the need to develop and refine methods for assessing the impacts of non-energy benefits, and notes that valuation methods are underdeveloped for "mass market" energy efficiency (as distinct from the Energy Savings Assistance (ESA) low-income energy efficiency programs).[29] Cal Advocates supports the DACAG letter's proposal to work towards quantifying non-energy benefits as a metric for equity program evaluations. SBUA agrees with the DACAG's recommendation to develop a cost-effectiveness test that includes non-energy benefits.[30]

In rebuttal testimony, I-REN expresses agreement with the DACAG's recommendation to include non-energy benefits in cost-effectiveness tests.[31] Cal Advocates disagrees with SBUA and asserts that the Commission should not include non-energy benefits in cost-effectiveness tests for mass market energy

[28] *Administrative Law Judges' Ruling Seeking Responses to Specific Questions in Intervenor Testimony*, issued August 26, 2022, Attachment 1 at 2.

[29] Cal Advocates intervenor testimony, Exhibit CA-02, at 1-15.

[30] SBUA intervenor testimony, Exhibit SBUA-01, at 14.

[31] I-REN rebuttal testimony, Exhibit I-REN-01, at 4-5.

efficiency programs prior to its consideration of addressing non-energy benefits for all distributed energy resources (DER).[32]

The issue of quantifying and including non-energy benefits is of particular relevance to the equity segment, which has a primary purpose other than achieving cost-effective avoided cost benefits to the electric and natural gas systems. As defined by D.21-05-031, equity segment programs serve hard-to-reach or underserved customers and disadvantaged communities, and may provide increased comfort and safety, improved indoor air quality and more affordable utility bills.[33]

We agree with the need to develop specific methods/approaches for quantifying non-energy benefits for equity segment programs, to assess the success of these programs and ultimately whether they achieve their intended outcomes and provide tangible benefits to equity segment customers. Importantly, however, we do not see good reason to pursue valuation of non-energy benefits for inclusion in cost-effectiveness tests. First, we agree with Cal Advocates that this specific issue is more appropriately within the scope of the DER Data and Cost Effectiveness rulemaking (R.22-11-013). Second, in establishing the equity segment and opting not to require equity segments to achieve a given total resource cost (TRC) benefit-to-cost ratio, D.21-05-031 acknowledged that the primary purpose of equity segment programs is to achieve benefits to which a dollar value cannot readily be assigned. Indeed, our preference is to assess equity segment programs based on estimation of the

[32] Cal Advocates rebuttal testimony, Exhibit CA-06, at 2-3.

[33] D.21-05-031, at 14-15.

specific benefits and outcomes they achieve, which may reflect a monetary value, but we do not require the added step of monetizing those estimates.

This decision directs the development of a non-energy benefits study, to be led by one of the IOUs and involving all PAs and overseen by Energy Division staff, to identify or develop quantification/estimation methods for non-energy benefits for equity segment customers. The IOUs are authorized to expend up to $500,000 of EM&V funds to complete this study. The output(s) of this study should be used to update and improve quantification of non-energy benefits as an indicator for equity segment program performance, as well as for consideration by PAs, stakeholders, and Energy Division staff in the equity goals development process.

To further define the goals, priorities and scope of the study, this decision authorizes Energy Division staff to convene a working group with PAs and interested stakeholders. We provide the following questions that the working group should consider:

- What research areas, including specific types of non-energy benefits, should be considered priority for the study?
- How will stakeholders remain involved throughout the study?
- What process should the PAs follow for considering and incorporating new research for the purpose of updating or improving estimation of non-energy benefits as indicators or metrics for the equity segment?
- Should specific non-energy benefits be incorporated into PAs' equity goals (anticipated for development by 2025), and if so which non-energy benefits? Should any of the remaining non-energy benefits be incorporated into equity goals?

Within eight months after Energy Division staff provides notice to the service list of the formation of the stakeholder working group, the IOUs must submit a joint Tier 1 advice letter detailing the working group's recommendations and next steps to begin the study. Based generally on the timeline that staff estimates is needed to complete a similar study in the rulemaking for the ESA program, we set a due date of October 1, 2026 for the non-energy benefits study to be completed in order for Energy Division staff, by December 1, 2027, to gather stakeholder feedback and then develop a template identifying data points that capture non-energy benefit indicators that should be consistent among PAs. This effort of identifying non-energy benefit indicators will be in addition to the indicators adopted for the equity segment in Section 7.6 of this decision, as well as informing the development of the equity segment goals as described in Section 7.9 of this decision. PAs should then begin tracking and reporting non-energy benefit indicators for the equity segment, starting with the Quarter 1 2028 quarterly report.

In response to comments to the proposed decision, we provide that the working group may also consider the following questions:

- How will the study assess the impact of different types of benefits to different types and classes of equity segment customers?
- How could the study's results be used or applied to non-equity segments? How should non-equity segment non-energy benefits be studied?

With respect to the latter question, it is worth reiterating that the question of incorporating non-energy benefits for purposes of evaluating cost-effectiveness is more appropriate for consideration in the Commission's DER Data and Cost Effectiveness rulemaking, R.22-11-013. We will not prejudge here

whether the outcome(s) of the non-energy benefits study will inform a decision in R.22-11-003.

We also clarify, in response to comments on the proposed decision from SoCalGas, that indoor air quality should be considered as part of the potential benefits to be studied.[34]

6. Measuring and Valuing TSB

D.21-05-031 moved Commission policy in the direction of setting energy efficiency potential and goals based on TSB, which aggregates the various benefits of energy efficiency, rather than assessing and assigning separate electricity and natural gas savings goals that were used in the past. This section addresses two discrete items to clarify the use of the TSB metric going forward. In addition, we address our preference for continuing to expand the deployment of programs that use normalized metered energy consumption (NMEC) as a way to measure energy savings.

This section addresses Issues 2 and 17 from the Scoping Memo for this proceeding, which are as follows:

2. Are program proponents' forecasts of energy savings, greenhouse gas reductions, TSB, and cost-effectiveness reasonable and aligned with state policy? What guidance, if any, is needed to ensure TSB calculations are consistent and properly capture Commission-adopted TSB values?
17. What additional guidance, if any, is needed to address strategic energy management programs, normalized metered energy consumption programs, the state's decarbonization goals (including incentives for natural gas appliances), and treatment of low-global warming potential refrigerants?

[34] *See* SoCalGas comment on proposed decision at 10-12; NRDC reply comments at 3-4.

6.1. Claiming TSB

SoCalGas, in its application in this proceeding, requested the ability to be able to claim TSB from embedded electricity savings from water measures that save energy, as long as the measures also produce direct energy savings.[35] An example of an instance where SoCalGas proposes to be able to claim the embedded energy savings is where low-flow showerheads are installed, which save energy by reducing the amount of heated water needed. An example where TSB claims would not be allowed would be where a lawn was removed or a customer installs water-efficient landscaping. In these instances, no direct energy would be saved and therefore TSB claims would not be allowed.

No party opposed the SoCalGas proposal. We agree with SoCalGas' proposal to be able to claim energy savings (either electric or natural gas, as applicable) as part of the TSB from water efficiency measures, as long as there are actual energy savings and not just water savings. These embedded energy savings are real and therefore should be accounted for.

In its application, PG&E requested that we ensure that all future avoided costs adopted in the integrated DER (IDER) proceeding (R.14-10-003 or its successor) be counted for TSB.[36] In particular, PG&E suggests that locational/grid-specific avoided costs be included in TSB, as well as avoided costs for resiliency, such as eliminating all natural gas needs from an existing building (complete electrification). PG&E proposes to raise these types of issues in the IDER proceeding when it is addressing updates to avoided costs, and then have this proceeding accept any avoided costs adopted in the IDER context.

[35] *See* SoCalGas Application, Exhibit 1, at 43-44.

[36] *See* PG&E Application, Exhibit 1, Chapter 3.B.1., at page 3-2.

No party opposed this proposal. We affirm what we already stated in D.21-09-037, that "the total system benefit metric shall include additional avoided costs approved by the Commission in R.14-10-003 or a successor proceeding."[37] We continue to agree that the IDER rulemaking is the appropriate venue where these issues should be addressed.

6.2. Expanding Use of Normalized Metered Energy Consumption

Since AB 802 (Stats. 2015, Ch. 590) was codified, we have been working towards encouraging more energy efficiency programs to use NMEC as a method for estimating energy savings. The relevant portion of AB 802, codified as Public Utilities (Pub. Util.) Code Section 381.2(b), states as follows:

> (b) Recognizing the already underway 2015 commission work to adopt efficiency potential and goals, the Energy Commission work on its 2015 energy demand forecast, and the need to determine how to incorporate ***meter-based performance*** into determinations of goals, portfolio cost-effectiveness, and authorized budgets, the commission, in a separate or existing proceeding, shall, by September 1, 2016, authorize electrical corporations or gas corporations to provide financial incentives, rebates, technical assistance, and support to their customers to increase the energy efficiency of existing buildings based on all estimated energy savings and energy usage reductions, taking into consideration the ***overall reduction in normalized metered energy consumption as a measure of energy savings***. Those programs shall include energy usage reductions resulting from the adoption of a measure or installation of equipment required for modifications to existing buildings to bring them into conformity with, or exceed, the requirements of Title 24 of the California Code of Regulations, as well as operational, behavioral, and retrocommissioning activities

[37] D.21-09-037, Finding of Fact 8.

> reasonably expected to produce multiyear savings. Electrical corporations and gas corporations shall be permitted to recover in rates the reasonable costs of these programs. The commission shall authorize an electrical corporation and gas corporation to count all energy savings achieved through the authorized programs created by this subdivision, unless determined otherwise, toward overall ***energy efficiency goals or targets established by the commission. The commission may adjust the energy efficiency goals or targets of an electrical corporation and gas corporation to reflect this change*** in savings estimation consistent with this subdivision and subdivision (d). ***[emphasis added.]***

In addition, Senate Bill (SB) 350 (Stats. 2020, Ch. 27) also stated, as part of Section 25310 of the Public Resources Code: "The energy efficiency savings and demand reduction reported for purposes of achieving the targets established pursuant to paragraph (1) shall be measured taking into consideration the overall reduction in normalized metered electricity and natural gas consumption where these measurement techniques are feasible and cost effective."

No applicant or party directly addressed this direction in the applications or testimony/comments. However, the Commission has been on a path toward greater reliance on NMEC methods since 2016.[38] Numerous parties generally support increasing the use of NMEC.

As part of the requirements put in place pursuant to D.21-05-031, PAs were asked to demonstrate in their applications that the energy efficiency savings and demand reduction reported for purposes of achieving the targets shall be measured taking into consideration the overall reduction in normalized

[38] *See* the Commission's NMEC Rulebook, available at the following link: https://www.cpuc.ca.gov/-/media/cpuc-website/files/legacyfiles/n/6442463694-nmec-rulebook2-0.pdf

metered electricity and natural gas consumption where these measurement techniques are feasible and cost-effective.

In the applications, PAs generally stated their commitment to expanding the use of NMEC. Nonetheless, there were still many programs proposed that could be measured using NMEC, yet other methods were proposed instead, mostly using deemed savings.

There are many potential benefits to the NMEC approach that are in the interest of the Commission and ratepayers, including accuracy, shortened program learning cycle, pay-for-performance options to optimize for measured grid benefits, and the ability to enable the market access program pathway.

In keeping with legislative direction, some new energy efficiency programs will now be required to use NMEC, randomized control trials, strategic energy management, or another meter-based method, as appropriate, to measure and report energy savings, unless using these methods is not feasible and/or cost-effective. This requirement will apply to programs that meet all of the following characteristics:

- New programs approved by this decision launching on or after January 1, 2024, except for third-party programs for which the request for proposals or request for abstracts is issued prior to October 1, 2023;
- Uses a downstream delivery approach;
- Is a resource acquisition retrofit program;
- Is in the residential or commercial sector; and
- Is eligible to use the NMEC rules (according to the NMEC Rulebook).[39]

[39] The adopted NMEC Rulebook is available at the following link: https://www.cpuc.ca.gov/-/media/cpuc-website/files/legacyfiles/n/6442463694-nmec-rulebook2-0.pdf

In the implementation plans for new programs that meet all of the above characteristics but do not use a meter-based method, PAs will be required to include justification for not using NMEC or another meter-based method of estimating savings, and the PA must justify an exception based on feasibility or cost-effectiveness, or both.

For purposes of the feasibility test, we will deem it to be feasible to use NMEC in the following circumstances:

- The program meets the Commission's eligibility and intent for using NMEC, as expressed in Commission policy and/or the NMEC Rulebook (*i.e.*, program is for existing sites, does not use industrial processes, etc.);
- Required meter and other data is available and collection of this data does not unreasonably impede program operations; and
- Use of NMEC or another meter-based savings calculation methodology is appropriate for the program design.

For purposes of the cost-effectiveness test, NMEC measurement will be defined as cost-effective as long as the cost of the measurement and verification itself does not render the program non-cost-effective, and/or the value of using meter-based measurement (instead of other methods) is not exceeded by the cost of the measurement and verification.

If Commission staff finds, in the course of maintaining and updating the NMEC Rulebook, that the feasibility and cost-effectiveness definitions need to be modified, Commission staff will bring this issue into the energy efficiency rulemaking (R.13-11-005 or its successor) for further Commission guidance.

7. Equity and Market Support Segments

This section addresses Issues 3, 5, and 7 of the scoping memo:

> 3. Are the proposed indicators, metrics, and targets for the portfolios, segments, and programs reasonable, and do they

demonstrate growth and progress needed to meet future opportunities? What additional guidance, if any, is needed to better define target customer segments (e.g., underserved)?

5. Program Segment Classification: Are program proponents' program classifications into resource acquisition, market support, equity and codes and standards, as well as sectors, delivery streams, and measurement protocols reasonable given the programs' primary objectives/intended outcomes?

7. Energy efficiency equitability: Will program proponents' portfolios and business plans advance achievement of the Commission's Environmental and Social Justice Action Plan? What additional guidance, if any, is needed to better align portfolios and programs with the Environmental and Social Justice Action Plan? This issue may include consideration of the California Energy Efficiency Coordinating Committee purpose, governance structure, and membership.

7.1. Guidance for Equity Programs

The purpose of equity segment programs is to provide energy efficiency to hard-to-reach or underserved customers and disadvantaged communities in advancement of the ESJ Action Plan. Therefore, PAs must design their equity segment programs to reach, serve and ultimately benefit hard-to-reach and/or underserved customers and/or disadvantaged communities. Customers that may not be considered part of the equity segment will not be precluded from participating in equity segment programs, but equity programs must be designed to target (*i.e.*, market and conduct outreach to) and to primarily serve equity segment customers.

We provide the foregoing guidance and direction as a preface to addressing recommendations regarding how we define "underserved" and "hard-to-reach," recognizing a considerable amount of effort and deliberation went into parties' and the CAEECC-hosted EMWG's Final Report (EMWG Final

Report) and recommendations regarding how to define "underserved."[40] Importantly, the considerations raised in the EMWG Final Report are crucial in terms of design and implementation of equity segment programs, namely that some customers or groups may continue to be unserved even if they fit into one of the defined categories – no matter how broadly or, conversely, how specifically they are defined. The EMWG Final Report cites a number of reasons, including the following:

- ongoing systemic racism continues to influence where funding is invested and how programs are designed;
- historical exclusion from government services, and/or harm caused by government programs and policies, which has diminished trust among affected groups in such programs;
- because of historic disinvestment in some communities, homes and buildings in those communities could very likely need additional repairs prior to being able to participate in energy efficiency or electrification programs; and
- some customers who are eligible for the ESA program choose not to participate in ESA; these customers would also continue to be unserved in the absence of alternative approaches.[41]

We are generally wary of broadening the definition of "hard-to-reach" or of defining "underserved" overly broadly because a key motivation for creating

[40] *See* EMWG Final Report submitted as part of BayREN testimony, Exhibit BayREN-03, Appendices D and E.

[41] D.21-05-031 at 15: "the 'equity' category is distinct from our separate low-income energy efficiency Energy Savings Assistance (ESA) programs, which have separate goals and regulatory treatment. While there is some overlap in customers within the target segments, the 'equity' category is intended to be defined within the energy efficiency programs covered in this rulemaking that are not specifically targeting low-income populations with program offerings that low-income populations could receive at no cost from the ESA program."

the equity segment is to prioritize those who have been least served and/or hardest to reach, which requires considerable, deliberate effort and engagement to understand and address barriers specific to these communities. With the guidance provided in the following sections, we urge the PAs to set about this critical and challenging effort.

7.2. Defining "Underserved" Customers

As part of our consideration of the 2024-2027 portfolios, we consider whether and how to define "underserved" for purposes of determining whether a program is appropriately categorized in the equity segment of a PA's portfolio. Cal Advocates, with reference to the EMWG Final Report, recommends defining "underserved" in the same manner as the Commission's ESJ Action Plan, which in turn relies on the definition of "underserved communities" established for the School Energy Efficiency Stimulus Program (now referred to as CalSHAPE):[42]

- Is a disadvantaged community as defined by subdivision (g) of Section 75005 of the Public Resources Code;
- Is included within the definition of "low-income communities" as defined by paragraph (2) of subdivision (d) of Section 39713 of Health and Safety Code;
- Is within an area identified as among the most disadvantaged 25 percent in the state according to the California Environmental Protection Agency and based on the most recent California Communities Environmental Health Screening Tool, also known as CalEnviroScreen;
- Is a community in which at least 75 percent of public school students in the project area are eligible to receive free or reduced-price meals under the National School Lunch Program; or

[42] Pub. Util. Code Sections 1600 - 1640, enacted by Assembly Bill 841 (Stats. 2020, Ch. 372).

- Is a community located on lands belonging to a federally recognized California Indian tribe.

In rebuttal testimony, NRDC agrees that the Commission should specify a definition for "underserved," and urges consideration of the EMWG Final Report's discussion on this topic.[43] SBUA urges the Commission to adopt the EMWG Final Report's Option 2, which would adopt Cal Advocates' recommended definition and additionally permit PAs to propose inclusion of additional potential customers, participants, or communities.[44] SCE agrees with Cal Advocates' recommendation, except to note that the California Department of Education has expanded the National School Lunch Program to include all public school students in the 2022-2023 school year. Because, SCE asserts, all children will be eligible for free or reduced-price meals under a lunch program, SCE recommends removing this criterion from the definition of "underserved."[45]

With respect to SCE's recommendation to remove the criterion relating to students eligible for free or reduced-price meals, this decision clarifies that AB 130 (Stats. 2021, Ch. 44) requires public schools that provide instruction for kindergarten or any of grades 1 through 12 ("K-12") to provide free meals to students requesting a meal, regardless of their free or reduced-price eligibility. The statutory definition of "eligible for free or reduced-price meals" remains substantively unchanged, and this definition – not the requirement to serve any student that requests a meal -- informs whether a given area may be considered underserved based on the National School Lunch Program criterion.

[43] NRDC rebuttal testimony, Exhibit NRDC-02, at 12-15.

[44] SBUA rebuttal testimony, Exhibit SBUA-02, at 4-5.

[45] SCE rebuttal testimony, Exhibit SCE-05, at 21-22.

This decision agrees with the need to define "underserved" and adopts Cal Advocates' recommendation, while also affording an opportunity to propose inclusion of additional groups, consistent with Option 2 of the EMWG Final Report. Importantly, however, we must reconcile D.21-05-031's identification of underserved *customers* with the adopted definition of underserved *communities*. This decision provides that, for the residential and public sectors, an underserved customer is a member of an underserved community, as defined by Pub. Util. Code Section 1601(e). For the commercial, industrial and agricultural sectors, to ensure equity segment programs remain appropriately focused on underserved customers, a customer must be a member of an underserved community and must also be an "underserved business group" as defined by Government Code Section 12100.63(h)(2) for the California Small Business Development Technical Assistance Program, *i.e.*, women-, minority-, and veteran-owned businesses, and businesses in low-wealth, rural, and disaster-impacted communities included in a state or federal emergency declaration or proclamation.

We emphasize that equity segment programs should be designed to specifically serve customers (or groups of customers) meeting the criteria specified by Pub. Util. Code Section 1601(e) and, if applicable, Government Code Section 12100.63(h)(2) – for instance, a family/household with school-age children who are federally eligible for free or reduced-price meals – but customers not meeting any of these criteria should not be barred from participation.

In terms of affording PAs an opportunity to propose inclusion of additional groups, we specify that PAs may include a status update in their annual reports to provide information and data on specific groups or categories

of customers, for consideration to modify the definition of "underserved" for subsequent portfolio applications. Such updates must include (1) data (quantitative and/or qualitative) of how a group or category is being missed by the current definition, (2) a description or explanation of why this group or category should be considered underserved, and (3) how the PA proposes to integrate tracking of this group or category into new or existing indicators and metrics.

In comments to the proposed decision, SCE requests further guidance regarding the criterion on eligibility for free or reduced-price meals, specifically how to determine which schools would be used to determine a "community."[46] For this criterion, we specify that a "community" is the community served by (i.e., the households whose children attend, and the public sector customer facilities used by) a given public school. Parties may propose an alternative specification for this criterion as part of any proposal for modifying the definition of "underserved."

While the Commission agrees with the intent of SBUA's suggestion to specify that Fortune 1,000 companies are not eligible to be designated as underserved or hard-to-reach, we will not include an explicit rule at this time due to limited opportunity to comment on this recommendation. We certainly expect, however, that equity segment programs serving commercial customers will target and prioritize the most under-resourced and underserved customers.

[46] SCE comments to PD, at 7-8. SCE also states it is not aware of any data source for determining which students are eligible versus the students that participate in the program. The California Department of Education provides data on the number and percentage of public school students that are eligible for free or reduced-price meals under the National School Lunch Program: https://www.cde.ca.gov/ds/ad/filessp.asp

7.3. Modifications to "Hard-to-Reach" Definition

As part of its application, SCE recommends modifying the definition of "hard-to-reach" to include public sector customers if they are classified as a "local government" and meet the geographic criteria specified in D.18-05-041. SCE further recommends identifying K-12 schools, community colleges, tribal lands, and Catalina Island public sector customers as "hard-to-reach" regardless of geographic criteria. In support of these recommendations, SCE cites a study led by the University of California, Santa Barbara at the request of the CAEECC's Underserved Working Group (Participation Gap Analysis).[47] The Participation Gap Analysis found, among other things, that local government program participation in more rural counties and cities tend to have smaller investments and lower energy savings, and for K-12 schools, variables such as the percentage of students eligible for free or reduced-price meals and the percentage of Title 1 schools explain differences in investment and savings.

In rebuttal testimony, SBUA does not directly address SCE's recommendation, but separately recommends expanding the existing criterion relating to small business customers' business size (*i.e.*, fewer than 10 employees and/or classified as Very Small) to include commercial customers with 50 or fewer employees. In support of its recommendation, SBUA refers to CAEECC meetings and subgroup workshops and asserts the issue has been raised that small businesses are often hard to reach for energy efficiency program

[47] SCE testimony, Exhibit SCE-01A, at 63 / footnote 90, citing *Participation Gap Analysis Among Energy Efficiency Programs in California's Public Sector – Draft Report*, prepared by the Clean Energy Transportation Lab (CETLab), University of California Santa Barbara (UCSB) on behalf of the California Energy Efficiency Coordinating Committee (CAEECC) Underserved Working Group, dated July 7, 2021.

implementation, and the Commission need not adopt a restrictive definition with regard to this group.

D.18-05-041, which established the current definition of "hard-to-reach," indicated that the Commission may revisit this definition, but required that any proposal for a modified definition must include concrete data and analysis. Apart from SCE's reference to the Participation Gap Analysis, neither SCE nor SBUA offer concrete data to support their recommendations. We will nevertheless make certain limited modifications, as follows, in light of the Participation Gap Analysis and to align with a more recently adopted definition of "small business."

First, we identify Tribes as hard-to-reach regardless of geography, given the historic disenfranchisement and dispossession of Tribes, which has created barriers to advancement of energy efficiency programs and services in tribal communities.[48] We define Tribes consistent with the Commission's Tribal Consultation Policy definition for California Native American Tribe, and any subsequent modification(s).[49]

Second, we include public sector customers classified as "local government" that meet the geographic criterion specified by D.18-05-041. We recognize and accept the Participation Gap Analysis's finding of lower

[48] On June 18, 2019, Governor Newsom signed Executive Order N-15-19, acknowledging California's history as "fraught with violence, exploitation, dispossession and the attempted destruction of tribal communities" and issuing a formal apology to all California Native Americans "for the many instances of violence, maltreatment and neglect California inflicted on tribes." Url: https://www.gov.ca.gov/wp-content/uploads/2019/06/6.18.19-Executive-Order.pdf?emrc=b13680

[49] Tribal Consultation Policy of the California Public Utilities Commission, adopted April 26, 2018. Url: https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/bco/tribal/tribal-consultation-policy-approved.pdf

participation and investments in energy efficiency among more rural local governments, in comparison to more urban local governments, as reasonable basis to consider rural local governments as hard-to-reach.

Third, we modify the small business size criterion to align the maximum number of employees with Resolution E-4939's definition of "small business customer." As previously discussed, SBUA did not offer any concrete data or analysis to support its recommendation to increase the maximum number of employees to 50. However, we find it reasonable to modify the small business size criterion to specify 25 or fewer employees, consistent with Resolution E-4939 and that resolution's reference to Government Code Section 14837.[50]

Fourth, for the residential income criterion, the current definition uses the California Alternative Rates for Energy (CARE) and Family Electric Rate Assistance (FERA) bill discount programs as eligibility criteria to identify residential hard-to-reach customers. This existing definition creates a gap that omits (1) gas customers between 200 and 250 percent of Federal Poverty Guidelines (FPG) (because FERA is only offered to electric households of three or more people), and (2) electric households of one or two persons between 200 and 250 percent of FPG from the current residential income criteria. SB 756 (Stats. 2021, Ch. 248) modified the ESA program income guidelines to 250 percent or below FPG (for both electric and gas customers), thereby making ESA income eligibility criteria, which previously aligned with CARE income eligibility criteria, distinct. Therefore, it is reasonable and necessary to explicitly identify

[50] Government Code Section 14837(d)(2): "Microbusiness" is a small business which, together with affiliates, has average annual gross receipts of two million five hundred thousand dollars ($2,500,000) or less over the previous three years, or is a manufacturer, as defined in subdivision (c), with 25 or fewer employees. Commencing January 1, 2019, the average annual gross receipts threshold shall be five million dollars ($5,000,000).

ESA program eligibility as a third possible way to meet the residential income criterion for the "hard-to-reach" definition. While we recognize this change maintains an overlap between equity segment customers and customers eligible for the ESA program, we reiterate D.21-05-031's guidance that equity programs must avoid "specifically targeting low-income populations with program offerings that low-income populations could receive at no cost from the ESA program."[51]

We decline to fully adopt SCE's or SBUA's recommendations due to their lack of concrete supporting data and analysis. We note, however, that our adoption of "underserved," which includes communities in which at least 75 percent of students are eligible for free or reduced-price meals under the National School Lunch Program, aligns with the Participation Gap Analysis's finding related to lower participation of K-12 schools.

The modified definition of "hard-to-reach" adopted by this decision is:

> California Native American Tribes are hard to reach; our state's historical dispossession of Tribes now requires deliberate effort to overcome persistent barriers to providing energy efficiency programs and services to Tribes. California Native American Tribes are defined consistent with the Commission's Tribal Consultation Policy, and any subsequent modification(s).
>
> Specific criteria were developed by staff to be used in classifying a customer as hard-to-reach. Two criteria are considered sufficient if one of the criteria met is the geographic criterion defined below. If the geographic criterion is not met, then at least three (other) criteria must be met. The exception is for California Native American Tribes, who do not need to meet any additional criteria.

[51] D.21-05-031, at 15.

There are common as well as separate criteria when defining hard-to-reach for residential versus small business customers. The barriers common to both include:

> Customers who do not have easy access to program information or generally do not participate in energy efficiency programs due to a combination of language, business size, geographic, and lease (split incentive) barriers. The common barriers to consider include:
>
> - Geographic criterion –
>   - Customers or customer premises in areas other than the United States Office of Management and Budget Combined Statistical Areas of the San Francisco Bay Area, the Greater Los Angeles Area and the Greater Sacramento Area or the Office of Management and Budget metropolitan statistical areas of San Diego County, or
>   - Customers or customer premises in disadvantaged communities, as identified by the California Environmental Protection Agency pursuant to Health and Safety Code Section 39711.
> - Language criterion – Primary language spoken is other than English.
>
> For small business added criteria to the above to consider:
>
> - Business Size – 25 or fewer employees and/or classified as Very Small (Customers whose annual electric demand is less than 20 kilowatt (kW), or whose annual gas consumption is less than 10,000 therm, or both), and/or
> - Leased or Rented Facilities – Investments in improvements to a facility rented or leased by a participating business customer.

For residential added criteria to the above to consider:

- Income – Those customers who qualify for the California Alternative Rates for Energy, Energy Savings Assistance, or the Family Electric Rate Assistance Programs, and/or
- Housing Type – Multi-family and Mobile Home Tenants (rent and lease).

For the public sector, customers classified as "local government" that meet the geographic criterion above may also be considered hard-to-reach.

In comments to the proposed decision, I-REN expresses concern that, combined with the guidance for REN programs in Section 9.1 of this decision, requiring public sector customers to meet the geographic criterion is overly limiting; specifically, I-REN notes that many geographically hard-to-reach local governments are technically included in the San Francisco Bay Area, Greater Los Angeles Area, Greater Sacramento Area and San Diego County areas. The Commission recognizes that including public sector customers in the "hard-to-reach" definition warrants a corresponding modification to the geographic criterion, to specify "customers or customer premises" instead of "businesses or homes" to be inclusive of public sector customers. Further, we confirm that a customer need only be located outside of the San Francisco Bay Area, Greater Los Angeles Area, Greater Sacramento Area and San Diego County areas, or be located in a disadvantaged community (not both) in order to meet the geographic criterion. We recognize this may not fully address I-REN's stated concern, but maintain our preference that proposals to modify the definition include concrete data and analysis.

7.4. Guidance for Segmentation of Programs

Cal Advocates' testimony recommends that the Commission direct PAs to segment all financing programs under market support, reasoning that financing programs typically support measures incentivized through other energy efficiency programs, and should therefore not claim TSB to avoid double counting. In the event that a financing program does not use other programs' incentives and claims TSB, Cal Advocates recommends such a program be segmented as resource acquisition; Cal Advocates points to PG&E's On-Bill Financing Alternative Pathway as a financing program that is "appropriately segmented within Resource Acquisition."[52] Cal Advocates further recommends the Commission direct PAs to segment WE&T programs under market support, asserting the primary purpose of these programs is "educating customers" and "training contractors" and therefore fits within D.21-05-031's definition for market support.[53]

In rebuttal testimony, PG&E disagrees with Cal Advocates' assertion regarding its On-Bill Financing Alternative Pathway program, asserting the program's primary purpose is to provide customers with affordable access to capital and is therefore appropriately segmented under market support. PG&E further refers to one of the sub-objectives of the market support segment identified by the CAEECC's MSMWG, which is to "build, enable, and maintain greater, broader, and/or more equitable access to capital."[54]

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[52] Cal Advocates testimony, Exhibit CA-03, at 2-3 through 2-4.

[53] Cal Advocates testimony, Exhibit CA-03, at 2-4.

[54] PG&E rebuttal testimony, Exhibit PG&E-04, at 1-9, with reference to Market Support Metrics Working Group Final Report, *see* url: https://4930400d-24b5-474c-9a16-0109dd2d06d3.filesusr.com/ugd/849f65_ac55d665e5dc4ec3bd99746a4520f590.docx?dn=MSMWG%20Final%20Report%2010.6.21.docx

We decline to adopt Cal Advocates' recommendations with respect to directing specific segmentation of Financing and WE&T programs. It is conceivable that either of these types of programs could be segmented under Equity, if their primary purpose is to provide energy efficiency to hard-to-reach or underserved customers and disadvantaged communities.

PAs bear responsibility to properly segment, or classify, programs, and PAs should re-classify programs for the 2024-2027 portfolios if needed. To facilitate transparency, we direct PAs to provide clarified explanation of program segmentation by using the Program Segmentation Justification template included with this decision as Attachment A. The template requires PAs to (1) clearly specify which programs' progress will be measured by which segment metrics or indicators, and (2) add a clear rationale for the segmentation of each program. PAs should utilize the existing definitions articulated in D.21-05-031, as well as the objectives, sub-objectives, and indicators adopted in this decision for the resource acquisition, equity, market support, and codes & standards (described in Section 3.1) segments. PAs should submit the template as a functional Excel spreadsheet in the CEDARS "Documents" page alongside their Quarter 2 2024 Quarterly Claims report.

In comments to the proposed decision, MCE recommends elimination of this requirement, suggesting the portfolio administrators have already provided this justification as part of their applications. We will maintain this requirement, for transparency and ease of reference; it is not unreasonably burdensome to provide this information, especially if it has already been produced, in a standardized format to be stored in a centralized repository.

7.5. Objectives for the Equity and Market Support Segments

In support of the Commission's approval of the segmentation of the energy efficiency portfolio in D.21-05-031, and at the request of the Commission, CAEECC convened the EMWG and MSMWG to develop metrics for the equity and market support segments of the portfolio. As part of its application, BayREN submitted the results of the working group deliberations.[55] Over the course of developing the recommendations, the CAEECC working groups felt that identifying objectives for the equity and market support segments was critical to developing metrics and indicators. Parties generally supporting the working group proposals included BayREN, CEDMC, MCE, NRDC, PG&E, RCEA, SBUA, SDG&E, SoCalGas, SoCalREN, SCE, and 3C-REN.

We will adopt the objectives for both the equity and market support segments as proposed by the CAEECC EMWG and MSMWG, with a few edits for clarity, as follows:

Equity Segment Objective: For hard-to-reach, disadvantaged, and/or underserved communities (as defined earlier in this section):

- Address disparities in access to energy efficiency programs;
- Promote resilience, health, comfort, safety, energy affordability,[56] and/or energy savings;
- Reduce energy-related greenhouse gas and criteria pollutant emissions;[57] and

[55] *See* BayREN testimony, March 4, 2022, Appendices D and E.

[56] Energy affordability pertains to bill savings achieved through increased efficiency in energy use, delivering the same or improved level of service with a lower cost to the customer.

[57] The term "criteria pollutant" refers to: ground-level ozone, particulate matter, carbon monoxide, lead, sulfur dioxide, and nitrogen dioxide. *See* the following link: https://www.epa.gov/criteria-air-pollutants

- Provide workforce opportunities.[58]

Market Support Segment Objective: Supporting the long-term success of the energy efficiency market.

- Sub-Objective #1: Demand: Build, enable, and maintain demand for energy efficient products and services in all sectors and industries to ensure interest in, knowledge of benefits of, or awareness of how to obtain energy efficiency products and/or services. [Activity example: educating customers]
- Sub-Objective #2: Supply: Build, enable, and maintain supply chains to increase the capability and motivation of market actors to supply energy efficient products and/or services, and to increase the ability, capability, and motivation of market actors to perform/ensure quality installations that optimize energy efficiency savings. [Activity example: training contractors]
- Sub-Objective #3: Partnerships: Build, enable, and maintain partnerships with consumers, governments, advocates, contractors, suppliers, manufacturers, community-based organizations and/or other entities to obtain delivery and/or funding efficiencies for energy efficiency products and/or services and added value for partners. [Activity example: building partnerships]
- Sub-Objective #4: Innovation and Accessibility: Build, enable, and maintain innovation and accessibility in technologies, approaches, and services development to increase value, decrease costs, increase energy efficiency, and/or increase scale of and/or access to emerging or existing energy efficient products and/or services. [Activity example: moving beneficial technologies towards greater cost-effectiveness or declining costs.]

[58] The term "workforce opportunities" includes, but is not limited to, work opportunities in the energy efficiency supply chain and with companies/non-profits that deliver energy efficiency services, as well as the workers who implement the work within equity segment programs.

- Sub-Objective #5: Access to Capital: Build, enable, and maintain greater, broader, and/or more equitable access to capital and program coordination to increase affordability of and investment in energy efficient projects, products, or services. [Activity example: financing.]

The CAEECC metrics working groups also developed some guiding principles for the equity and market support segments, but we do not adopt those principles formally. Nonetheless they may be used and/or modified to focus and guide the work of the working group in the future.

If the CAEECC working groups desire to change or add objectives or sub-objectives in the future, the modifications can be considered with the next portfolio application in 2026.

7.6. Adopted Indicators for the Equity and Market Support Segments

The CAEECC metrics working groups also developed, along with the objectives discussed in the last section, both proposed metrics and indicators for both the equity and market support segments of the portfolio.[59] The DACAG also submitted a formal letter into the record of the proceeding recommending certain metrics and indicators for the equity segment.

The number of metrics and indicators recommended is large and will require collection of a great deal of information. In evaluating the proposed metrics, we are concerned that some of the metrics may be premature and rather should be considered along with the development of goals for the particular purposes. Thus, for this decision, we are adopting a set of indicators for both the

[59] In defining metrics and indicators for purposes of this proceeding, D.18-05-041 stated that generally, a metric is a measure of progress towards achieving desired market effect(s) and includes a baseline and a target or targets (short, medium, or long term). An indicator does not include baselines or targets, but progress is still tracked.

equity and market support segments. Then below we discuss further process to develop longer term goals with metrics and annual targets.

In general, the indicators we adopt here are based on the CAEECC metrics working groups' and DACAG's recommendations and will provide a strong starting point from which to assess progress and impacts of the equity and market support segments of the portfolio.

For the equity segment, the indicators will provide additional insight into how well the equity segment programs are reaching customers, as well as the depth of impact. The term "equity market participants" means an equity program participant that is identified by at least one of the equity segment flags in CEDARS (*e.g.*, hard-to-reach, disadvantaged, or underserved). The term "all equity segment participants" means all of the participants that participated in an equity segment program, regardless of whether they are an equity target participant or not.

The indicators below are adopted for the equity segment. Indicators marked with "Q" should be reported quarterly. Those marked with "A" should be reported annually. An "S" means reporting for just the segment, whereas a "P" means reporting for the whole portfolio.

Equity Segment Indicators

1. Count of equity target participants in equity segment, by sector (Q, S);
2. Sum of equity target participants' expected first-year bill savings in equity segment, by sector (Q, S);
3. Count of equity target participants in market support segment, by sector (Q, S);
4. Count of equity target participants in resource acquisition segment, by sector (Q, S);

5. Sum of all equity segment participants' greenhouse gas reductions (in tons of carbon dioxide equivalent) in equity segment (Q, S);

6. Sum of all equity segment participants' kilowatt hour (kWh) savings in equity segment (Q, S);

7. Sum of all equity segment participants' kW savings in equity segment (Q, S);

8. Sum of all equity segment participants' therm savings in equity segment (Q, S);

9. Sum of all equity segment participants' TSB in equity segment (Q, S);

10. Median of equity target participants' expected first-year bill savings in equity segment, by sector (Q, S);

11. Percent of hard-to-reach customer participants in portfolio, by residential single family / multi-family and commercial sector (A, P);

12. Percent of disadvantaged community customer participants in portfolio, by residential single-family / multi-family and commercial sector (A, P);

13. Percent of equity target participants in equity segment, by sector (Q, S);

Market Support Segment Indicators

1. Number of partners by type and purposes (Q, P);
2. Dollar value of non-ratepayer in-kind funds/contributions utilized via partnerships (A, P);
3. Percent of participation relative to eligible target population for curriculum (Q, S);
4. Percent of total WE&T program participants that meet the definition of disadvantaged worker (Q, S);
5. Number of career and workforce readiness participants who have been employed for 12 months after receiving the training (A, S);

6. Prior year percentage of new measures added to the portfolio that were previously emerging technology program (ETP) technologies (A, P);
7. Prior year number of new measures added to the portfolio that were previously ETP technologies (A, P);
8. Prior year percentage of new codes or standards that were previously ETP technologies (A, P);
9. Prior year number of new codes and standards that were previously ETP technologies (A, P);
10. Savings (lifecycle net kWh, kWh, and therms) of measures currently in the portfolio that were supported by ETP, added since 2009. Ex ante with gross and net for all measures, with ex post where available (A, P);
11. Number of new, validated technologies recommended to the California Technical Forum (A, P);
12. Cost-effectiveness of a technology prior to market support program relative to cost-effectiveness of a technology after intervention by the market support programs (percentage change in cost-effectiveness) (A, S);
13. Number of collaborations, with a contextual descriptions, by business plan sector to jointly develop or share training materials or resources (A, P);
14. Number of unique participants by sector that complete training (Q, S);
15. Number of projects (outside of ETP) that validate the technical performance, market and market barrier knowledge, and/or effective program interventions of an emerging/under-utilized or existing energy efficient technology (A, P);
16. Total projects completed/measures installed and dollar value of consolidated programs by sector (Q, P);
17. Ratio of ratepayer funds expended to private capital leveraged by sector (Q, P);

18. Percentage of partners that have taken action supporting energy efficiency by type (Q, P);
19. Number of contractors (that serve in the portfolio administrator service areas) with knowledge and trained by relevant market support programs to provide quality installations that optimize energy efficiency (Q, S);
20. Assessed value of the partnership by partners (A, P);
21. Percent of market penetration of emerging/under-utilized or existing energy efficiency products or services (A, P);
22. Percent of market participant awareness of emerging/under-utilized or existing energy efficiency products or services (A, P);
23. Aggregated confidence level in performance verification by production, project, and service (for relevant programs) (A, P);
24. Differential of cost defrayed from customers (*e.g.*, difference between comparable market rate products and program products) (A, P);
25. Comparisons between market-rate capital vs. capital accessed via energy efficiency programs (*e.g.*, interest rate, monthly payment) (A, P);

In addition, as discussed further below in Section 7.9, we will direct the PAs to track additional market support segment indicators structured around annual surveys focused on awareness, knowledge, attitude, and behavior (AKAB), after the survey process is further developed. Those indicators are as follows:

1. Percent of customer sample aware of energy efficiency product/service (awareness) (A, P);
2. Percent of customer sample that is knowledgeable of energy efficiency product/service benefits (Knowledge) (A, P);
3. Percent of customer sample that is interested in obtaining an energy efficiency product/service (attitude) (A, P);

4. Percent of customer sample that has taken action towards obtaining energy efficiency product/service (behavior A) (A, P);
5. Percent of customer sample that has obtained energy efficiency products/services (behavior B) (A, P);
6. Percent of market actors aware of energy efficiency products and/or services that can be supplied to customers (awareness) (A, P);
7. Percent of market actors knowledgeable of energy efficient products and/or services that can be supplied to customers (knowledge) (A, P);
8. Percent of market actors that are interested in supplying energy efficient products and/or services to customers (attitude) (A, P);
9. Percent of market actors that have supplied energy efficiency products and/or services to customers (behavior) (A, P);
10. Percent of market actors aware of what is required to perform/ensure quality installation of energy efficient products and/or services that optimizes energy efficiency savings (awareness) (A, P);
11. Percent of market actors knowledgeable of how to perform/ensure quality installation of energy efficiency products and/or services that optimize energy efficiency savings (knowledge) (A, P);
12. Percent of market actors that are interested in performing/ensuring quality installation of energy efficiency products and/or services that optimize energy efficiency savings (attitude) (A, P);
13. Percent of market actors that have performed/ensured quality installation of energy efficiency products and/or services that optimize energy efficiency savings (behavior) (A, P);

14. Percent of market participants aware of capital access opportunities for investments in energy efficient projects, products, and/or services (awareness) (A, P);
15. Percent of market participants knowledgeable about capital access opportunities for investments in energy efficient projects, products, and/or services (knowledge) (A, P);
16. Percent of market participants interested in leveraging capital access opportunities for investments in energy efficient projects, products, and/or services (attitude) (A, P); and
17. Percent of market participants that were unable to take action due to access to capital or affordability of energy efficient projects, products, or services (behavior) (A, P).

7.7. Reporting Demographic Participation Data

As part of our development of the equity segment of the portfolio, we aim to develop a better understanding of energy efficiency program participation among different demographic groups (*e.g.*, by region, language, ethnicity/race, disability participants, tribal participants). This type of demographic data will help illuminate how the portfolio is reaching different demographic groups and which ones may be underserved or left behind. Further, if disparities are found, PAs can tailor program design to address them, as these programs are not state government programs where tailoring is restricted,[60] nor do they deal with public employment, public education, or public contracting.

In support of collection and reporting of this information, we will direct the PAs to work with the Reporting Program Coordination Group, and they may

[60] California's Proposition 209 passed by voters states: "The state shall not discriminate against, or grant preferential treatment to, any individual or group on the basis of race, sex, color, ethnicity, or national origin in the operation of public employment, public education, or public contracting."

consult any other relevant stakeholders including the CAEECC metrics working groups, if they are amenable, to develop a report that addresses the following questions:

1. What are the most feasible options to accurately assess energy efficiency program participation by different demographic groups? Are there more efficient or less costly methods (*i.e.*, using geographic, census, survey, or other data) of regularly assessing demographic participation in energy efficiency programs compared to collecting information from each program participant?
2. What, if any, demographic data is already being collected (and for which programs)?
3. What types of demographic data could be collected for energy efficiency program participation?
4. For which segments, sectors, and programs should this data be collected?
5. Where should this data be reported and stored?
6. What should be the timeline for PAs to begin reporting participation by demographic group?
7. What should the frequency be for reporting demographic participation data?

The report addressing these questions should be submitted by the mid-cycle advice letter filing date (September 1, 2025). Based on the analysis included in the report, the PAs should propose, in their next portfolio filings due in 2026, their preferred approaches to reporting regularly demographic participation information.

7.8. Developing Community Engagement Indicators for the Equity Segment

The CAEECC EMWG Report also included discussion of indicators for community engagement.[61] The report includes discussion of community engagement with reference to the Commission's ESJ Action Plan. The report suggests that equity segment programs should also seek to enhance outreach and public participation opportunities for ESJ communities to meaningfully participate in both the program development process and benefit from the programs.

The CAEECC EMWG did not reach consensus on whether indicators for community engagement should be adopted, or whether, in the alternative, community engagement should remain a principle from which indicators are further discussed and developed.

Parties favoring adopting indicators now included MCE, NRDC, SBUA, and SoCalREN. Parties interested in further developing the principle prior to adopting indicators included 3C-REN, BayREN, Cal Advocates, CEDMC, PG&E, RCEA, SCE, SoCalGas, and SDG&E.

For the parties that proposed a community engagement indicator, it would be defined as follows: PAs should track and report the counts and types of community engagement activities targeted at disadvantaged, hard-to-reach, and undeserved communities as the following three sub-indicators:

1. Community engagement activities during program design and to identify community needs and solutions;
2. Community engagement activities during program implementation; and

[61] *See* BayREN testimony, Appendix D, at 33-34.

3. Community engagement activities during program assessment.

Parties who favor continuing with community engagement as a principle are concerned that there was not sufficient time for discussion of these proposed indicators and more thought and time should be put into how to measure community engagement as an indicator or metric.

Since the majority of parties felt that these indicators were not sufficiently developed to be reported on immediately, we will allow more time for the EMWG to discuss and come to consensus. However, we make clear that we expect community engagement indicators to be developed that are both quantitative and qualitative. We also offer the following additional guidance. The indicators should be designed by engaging ESJ communities and CBOs directly. The indicators should be designed to gauge the quantity and quality of engagement with the ESJ communities and CBOs, as well as outreach activities, to ensure accountability of the equity segment of the portfolio.

In designing both quantitative and qualitative indicators, we expect that the indicators should track both activity and outcome-based results. The indicators should also track the quality and relevance of community engagements, and not only quantity of engagements. Finally, the indicators should not be oversimplified to allow summation across different engagement methods for different target audiences, since an indicator should provide context of who was engaged and how they were engaged.

With this guidance in mind, and once recommendations are developed through the CAEECC metrics working group, we will require that the PAs include agreed-upon community engagement indicators in their mid-cycle advice letters due September 1, 2025. Indicators which received widespread

support but may not have reached consensus should also be reflected in the advice letters. Thereafter, the administrators should report on each of the agreed-upon indicators in their annual reports.

7.9. Developing Market Support and Equity Goals

As discussed earlier, in this decision we adopt certain indicators for the equity and market support segments of the portfolios, but there is more work to be done to adopt metrics and goals. The purpose of these goals will be to define overall portfolio success in increasing equitable access and opportunity to access energy efficiency programs, and ensuring the long-term success of the energy efficiency market. The DACAG letter emphasized such goals, recommending that "the PAs identify a meaningful long-term goal and then ensure that their annual targets will achieve that goal."[62]

Because the equity and market support segments do not have as much in the way of quantifiable objectives as the resource acquisition segment, it is all the more crucial that we carefully develop goals to assess their success. The CAEECC metrics working groups developed segment-level indicators that are very detailed; goals are designed to convey the bigger picture and serve as a focal point on which to base setting targets for metrics demonstrating overall progress.

In testimony, Cal Advocates[63] proposed that there be a mandatory 20 percent increase over baseline for all equity segment metrics. Cal Advocates also suggested there should be parity of savings achievement between the equity segment and non-equity segment customers and programs. We are not prepared

[62] August 19, 2023 ruling, Attachment 1 (DACAG letter), at 4.

[63] Cal Advocates Testimony at 1-4.

to adopt these recommendations at this stage, and prefer to spend additional effort developing the goals. Adoption of across-the-board goals is premature at this point, especially since some programs have not yet launched, and baseline information is not available yet to enable setting these goals based on current information.

In support of this effort, we will direct the IOUs collectively to set aside up to $1 million total from the EM&V budgets for future market support and equity goal studies, to be conducted by a vendor hired by one of the IOUs. The IOUs may decide by mutual agreement which IOU will hire the vendor.

This process is intended to follow a timeline that will align goals adoption with the next energy efficiency portfolio cycle beginning January 2028. To that end, by no later than the end of March 1, 2025, a Tier 3 advice letter should be submitted jointly by all PAs that:

- Defines the process for proposing and adopting long-term market support and equity goals.
- Defines options for 2-3 goal constructs each for market support and equity segments, where a construct describes how to recognize success by:
    - Demonstrating alignment with objectives;
    - Identifying which metric(s) or indicator(s) should be used for goals;
    - Whether goals should be set statewide, by territory, or by portfolio administrator;
    - Anticipated timeline for goal achievement; and
    - Necessary baseline information.
- Defines what study or studies process is necessary to quantify goals, and proposes a budget for each study that is capped by the $1 million set aside from the IOU EM&V budgets, as directed above.

In general, goals should have the following general characteristics:

- Include a medium to long term (i.e., 12-24 years) timeframe, and be broken into four-year increments;
- Be based on known baselines;
- Be high priority metric(s), a score or ratio, or single monetary value (or equivalent);
- Count total progress toward market support and equity goals from all programs in the portfolio, irrespective of which segment the program is within; and
- Facilitate setting targets for metrics demonstrating incremental progress toward meeting goals.

The goals should also apply to all PAs, including RENs and CCAs. In particular, because the majority of the REN portfolios is dedicated to equity and market support offerings, new goals covering these primary purposes should be important accountability mechanisms for RENs. Further, the IOUs and MCE are responsible for spending up to 30 percent of their portfolio budgets on market support and equity programs and should be held similarly accountable for their progress.

It is our intention that a goals development process for the market support and equity segments will follow a timeline that aligns goals adoption to the next portfolio cycle beginning in 2028. The Tier 3 advice letter will address the process for setting the goals, including annual targets, goal metrics, and forecast values. Market support and equity goals are ultimately expected to be long-term, broken into four-year increments, and will begin in 2028.

This approach is also intended to allow the RENs to continue to work on their proposed Total Community Benefit metric, included in rebuttal testimony, if they so choose.

In addition to goal setting, a similar process is warranted for hiring a vendor or vendors to conduct the AKAB surveys, discussed in Section 7.6 of this decision, to inform baselines and PA progress, as well as setting of targets and goals for the market support segment. We direct that one IOU hire the vendor and submit a Tier 2 advice letter by August 1, 2024 describing the additional clarification and specificity recommended by the CAEECC metrics working groups, as well as the plan and budget for procuring services and completing the studies, using EM&V funding. The lead IOU should consult with all PAs in the development and vetting of the plan to conduct the AKAB surveys.

The surveys should be administered on a statewide basis, including areas of California that are not covered by Commission authorized programs. However, results should be able to be disaggregated, to the greatest extent practical, to see individual portfolio administrator impacts. The surveys should assess differences in AKAB to equity populations.

The vendor selected to conduct the surveys should have expertise related to the market support sub-objective and audience on which the surveys are focused.

These AKAB surveys will inform the existence of gaps and opportunities in the efficiency market, as well as contribute to the programs' effectiveness in ensuring the long-term growth of the energy efficiency market. Further, they will provide more insight into progress improving equity. Finally, they should also provide findings that help stakeholders understand the impact of the California energy efficiency market in the Western U.S. overall.

8. Innovating and Expanding Delivery

In this section we address issues around opportunities for flexibility and innovation in the segments of the energy efficiency portfolios. In addition, we

address leveraging of other federal, state, or private funding. Finally, we address the manner in which the energy efficiency portfolio can support our DER Action Plan,[64] summer reliability,[65] and resiliency goals. This involves ensuring alignment, but no duplication, of funding authorized in other proceedings, including SCE's building electrification application.[66]

This section addresses, broadly, issues 8, 12, and 14 from the Scoping Memo, which are as follows:

> 8. Is there sufficient opportunity and flexibility for innovation in the resource acquisition, market support, and equity segments?
>
> 12. What guidance, if any, is needed or reasonable regarding whether or how portfolios or programs should be positioned (e.g., in terms of program delivery protocols) to leverage other federal, state, or private funding for energy efficiency?
>
> 14. Should energy efficiency budgets be allowed or directed to support the Distributed Energy Resources Action Plan, summer reliability, and resiliency goals? This issue may include consideration of how energy efficiency funds are aligned with but not duplicate of funding authorized in other proceedings, including SCE's building electrification application.

8.1. Market Access Programs (MAPs) and Approaches

The MAP model that was authorized in D.21-12-011 and piloted for summer reliability purposes on a broad scale represents an approach that we would like to see expanded in the main energy efficiency portfolio. The market

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[64] *See* the following link: https://www.cpuc.ca.gov/about-cpuc/divisions/energy-division/der-action-plan

[65] Including the programs and funding authorized in D.21-12-011.

[66] *See* SCE's Building Electrification Application A.21-12-009.

access approach describes a set of programs that are generally characterized by uniform rules for aggregator eligibility and project qualifications, as well as uniform payment terms for aggregators based on the TSB value of their savings, as measured using population-level NMEC methods.

The market access approach represents a particular opportunity in the residential and commercial downstream retrofit markets because those markets include project types targeted by the federal Inflation Reduction Act (IRA) of 2022, making it possible to leverage federal funds. If IRA funding becomes available directly to PAs, the PAs may be able to use both IRA and ratepayer funding in a market access-style program, without impacting the cost-effectiveness calculations of the program. Instead, the PAs may be able to simply add extra funds to the budgets seamlessly.

The market access approach also allows for incorporating innovative measures into energy efficiency programs, since this approach allows experimentation with measures and customer offerings without going through lengthy solicitation processes. Also, the market access approach can be used to enable integrated demand side management (IDSM) opportunities.

Other benefits to the energy efficiency portfolio of the market access approach include:

- Providing a streamlined pathway for energy efficiency aggregators to participate in energy efficiency portfolios and deliver projects, especially enabling smaller aggregators to participate more easily;
- Allowing for market innovation that can be fast-paced and implemented quickly by aggregators;
- Rewarding aggregators based on the benefits their projects delivery to the grid (based on TSB), thus encouraging aggregators to maximize the TSB of their projects;

- Encouraging market competition, because aggregators compete for customers, which will result in continuous improvements to the program delivery and customer experience;
- Minimizing ratepayer risk because aggregators are only paid based on measured savings; and
- Minimizing risk of portfolio underperformance, acting as a hedge against underperformance by programs and implementers outside of MAP.

Recurve and SBUA, in their testimony, generally support expansion of the market access approach in the portfolio.

The market access approach also offers flexibility to the IOU PAs, because an IOU may choose to run a MAP as a core program (and not count it toward its third-party solicitation percentage) or an IOU may issue market-specific market access solicitations for third-party implementers, as recently discussed and authorized in D.23-02-002.[67]

We will require all of the non-REN PAs (IOUs plus MCE) to make available programs using the market access approach to address both residential and commercial downstream retrofit opportunities in their territories, with start dates no later than July 1, 2024. In the MCE territory, MCE (as the originator of this program approach) should administer the MAP and not PG&E. These PAs should use existing processes (the true-up advice letter, third-party program advice letters, fund-shifting notifications, implementation plan submissions, etc.), as needed, to incorporate market access plans into their portfolios. In response to comments on the proposed decision from PG&E, we clarify that payment terms to aggregators should be primarily based on the TSB value of the savings their

[67] *See* D.23-02-002, Finding of Fact 6.

projects generate, as measured using population-level NMEC methods, adjusted for administrative and program delivery costs. Other aggregator payment terms may also be included alongside TSB.

To better understand approaches to improve coordination and efficiency, limit possible duplication, and have insights into portfolio efficacy, we will also require the IOUs and MCE to describe, in their MAP Implementation Plans, how their MAP offerings will interact with the rest of their portfolios, such that third-party program implementers operating downstream retrofit programs are aware of the possible impacts of customers participating in MAP offerings. If applicable, the description of the role of the MAP in the portfolio should also be included in any third-party advice letter filings.

In addition, PAs running a MAP offering will be required to include a list of external funding sources (if applicable), beyond the energy efficiency portfolio funding, in their annual reports. This list should include details such as budget, implementation strategy, relevant dates, and other critical information that may help us develop future policy. The PAs should work with Energy Division staff to finalize the information to be included in the annual reports related to the MAP offerings.

Finally, in response to comments from Cal Advocates on the proposed decision, we clarify that MAP approaches are part of the overall energy efficiency portfolio and, as such, are no longer exempt from the cost-effectiveness requirements. This was implicit in the fact that the program will now reside within the regular energy efficiency portfolio. Thus, it is subject to the same rules. We make it explicit that the cost-effectiveness exemption that was included in D.21-12-011 does not apply for the authorization contained herein.

8.2. IDSM Integration

For many years, since D.12-11-015 and even before, the Commission has encouraged the PAs to incorporate other demand-side management measures besides energy efficiency in their portfolios in an integrated fashion. Historically, the focus had been mostly on integration of energy efficiency and demand response approaches, but could also include fuel substitution, self-generation, and storage as well.

PG&E, in its business plan application, proposed to update IDSM rules to support comprehensive load management and enable greater program interaction, because, as PG&E states:

> Under current rules it is difficult for PAs to offer programs that combine funding or interventions authorized in multiple CPUC proceedings or recognize benefits that accrue across multiple proceedings. To address this issue, PG&E proposes a mechanism for PAs to propose, and for the Commission to delegate to its staff to assess on a case-by-case basis, programs that integrate demand-side management approaches including EE, demand response (DR), distributed generation, managed electric vehicle charging, and time-varying or dynamic pricing. New programs could integrate interventions and funding from different proceedings, as EE-DR IDSM funds do. New program proposals would address any needs for rule flexibility within involved proceedings, and the Commission or its staff could consider them on a case-by-case basis. This approach would offer more flexibility than creating a pot of specific IDSM funds from specific sources.[68]

Recurve, Google, and SBUA all have generally supported this proposal.

The concept would be to use an energy efficiency program delivery channel to integrate a comprehensive program strategy and allow a customer to

[68] PG&E Testimony, Exhibit 1, at pages 3-5 through 3-7.

install a multi-DER project, receiving incentives through one process, as depicted in the following table:

DER Type	Rules Applied	Source of Funds
Energy efficiency equipment upgrades	Energy efficiency	Energy efficiency
Battery equipment	Self-Generation Incentive Program	Self-Generation Incentive Program
Vehicle make ready charger	Transportation Electrification / Low Carbon Fuel Standards	Transportation Electrification / Low Carbon Fuel Standards
Load shifting from ongoing programmed battery/vehicle charger	Energy Efficiency	Energy efficiency

To be clear, this decision does not change any rules, budgets, or other policies for non-efficiency resources. Non-energy-efficiency funding used for this purpose will be required to abide by the rules and budgets set forth in their relevant proceedings or decisions. SCE, PG&E and SoCalGas have had recent successes in the integrated delivery, financial accounting and savings attributions of multiple demand-side program offerings in the San Joaquin Valley proceeding (R.15-03-010). The results of these coordinated program delivery efforts are documented in the IOUs' Quarterly Progress Report on San Joaquin Valley Pilot Projects (directed by Ordering Paragraph 15 of D.18-12-015).

We also clarify that each PA may, but is not required to, expend up to 2.5 percent, or $4 million, whichever is great, of its energy efficiency budget for the portfolio period, up to a maximum of $15 million, on a pilot basis for ongoing load shifting that reduces peak consumption. This funding shall not be spent on

event-based demand response because it does not necessarily result in ongoing or permanent load shifting or load reduction. This is consistent with some behavioral, retrocommissioning, and operational approaches already being used through energy efficiency programs. One example would be a battery that is programmed to engage in ongoing charging and discharging to reduce consumption at peak times, similar to how a smart thermostat may be programmed. Longer-term plans for encouraging load shifting may be taken up in other Commission proceedings. As those plans are solidified, we will re-examine the use of energy efficiency funds in the energy efficiency rulemaking (R.13-11-005 or its successor) or another relevant proceeding, as appropriate.

To facilitate flexibility for portfolio administrators designing innovative approaches, we will allow IDSM programs to be proposed through the submission of Tier 3 advice letters no later than March 15, 2024, for programs to be launched during the portfolio period (2024-2027).

In response to comments from MCE on the proposed decision, we specify that this funding is part of the total energy efficiency portfolio cap, and is not in addition to it. PAs have the ability to shift funds within their portfolios to make funds available for IDSM purposes, within the parameters outlined in this section.

The programs may use multiple funding streams from a range of IDSM sources, used together within the same program and within individual projects, as long as there is an energy efficiency component. In this manner, the IDSM programs will be allowed to offer incentives from non-energy-efficiency sources.

The IOUs, in their Tier 3 advice letters, should include establishing balancing accounts with sub-accounts, or utilizing new sub-accounts within existing balancing account, if appropriate, for each non-energy efficiency funding

source, to track the relevant costs to be recovered from non-energy efficiency sources. The balancing accounts would be reimbursed based on rebates and incentives from other programs and proceedings, based on the rules for those other resources.

Any limits on the amount of funding from non-energy efficiency sources, such as a maximum number of rebates, should be included in the advice letter proposal.

We also require that the proposals include the details of the measurement approaches in the advice letter submissions, including measurement methods used to disaggregate savings impacts between energy efficiency and other resources. The advice letter should reference applicable rules from non-energy efficiency resource areas that will be used to govern the distribution of funds for non-energy efficiency measures. Effective useful life, baselines, and other assumptions should also be included in the proposals in the advice letters. Energy Division staff will assess interest in this approach and will provide guidance for what is to be included and how it should be presented in the advice letter by January 1, 2024.

Finally, we make it explicit that energy efficiency funding should not be used for rebating capital costs of non-efficiency technologies (*e.g.*, purchase of a battery or self-generation technology). Instead, the energy efficiency funding is intended as an operational complement to potential capital funding from other sources. In response to comments from Cal Advocates on the proposed decision, we clarify that electric panel upgrades are an eligible technology, according to existing policy on fuel substitution energy efficiency measures, contained in D.19-08-009 and D.23-04-035. PAs must document the cost categories these funds have been used for in their annual reports.

8.3. Community-Based Program Design and Pilot

As discussed earlier with respect to setting metrics and indicators for the market support and equity segments of the portfolio, we are interested in encouraging more community involvement in energy efficiency program design and delivery.

NRDC proposed an approach to this issue in its testimony, which reflects principles from numerous organizations. SBUA is generally in support of community-based approaches, and SoCalREN and BayREN both offered support in the CAEECC EMWG context.

Because of their nature of being more locally-focused, we expect that RENs are uniquely positioned to make progress on this issue. Therefore, we will direct one of our original RENs, SoCalREN, to establish a Community-Based Design Collaborative (Collaborative) to recommend, via a Tier 2 advice letter, a process for funding community programs and to pilot the approach in 2026 and 2027 for potential rollout in the future as a statewide initiative. BayREN is an equally capable REN with similar experience; both RENs have capabilities and demonstrated interest in coordinating with communities in their regions. However, we select SoCalREN because of the wider diversity and greater number of underserved communities in its geographic area.

The concept of the Collaborative is to allow community leaders to participate in development and recommendation of a process for community-designed programs to be incubated, received, selected, connected with necessary partners, and funded. Establishing the Collaborative will involve:

- Forming a preliminary Collaborative and facilitating additional membership by:
    - Identifying expertise and skillsets required to deliver on goals; and

    - Recruiting and filling positions on the Collaborative with CBOs, policy staff from organizations that bring identified expertise and skills, and others, as appropriate.
- Supporting completion of initial activities to establish a framework and governance for the Collaborative's decision-making, including:
    - Develop the framework itself (*e.g.*, meetings, participants, governance) with which the Collaborative will gather and discuss ideas, and develop the advice letter with the recommended process;
    - Plan for providing resources for training in cultural competency and other engagement strategies, such as conflict resolution;
    - Define the Collaborative and community-based program objectives;
    - Outline learning opportunities available to Collaborative members to inform their decision making; and
    - A workplan for additional roles/activities the Collaborative and/or REN shall have for successful implementation of the process delivered by the Collaborative (*e.g.*, how necessary educational resources may be provided to communities interested in proposing a community-based program design to incubate those designs).

Staff of other portfolio administrators are encouraged, but not required, to participate in the Collaborative in order to support its needs and fill gaps.

We will direct SoCalREN to submit a Tier 2 advice letter and serve it on the energy efficiency rulemaking service list by no later than September 30, 2025, containing a recommended process and plans for continuation of the Collaborative, if any. This advice letter should contain the following information:

- A recommended process for the community-designed programs to be incubated, received, selected, connected with necessary partners, and funded;
- A description of how the Collaborative was structured and successful in delivering its recommendations in a manner consistent with the ESJ Action Plan Goal 5 objectives;
- A description of the objectives or measures of success for the community-based programs that the process is set up to fund;
- A selected administrator (either SoCalREN, or an entity hired by SoCalREN) for the process and the community-based programs;
- A description of how the community-designed pilot program administrator(s) will oversee progress for the pilot, including reporting, metrics, and accountability;
- Recommended minimum and maximum budget size, anticipated project types, and estimation of volume for 2028-2031 initiatives to receive and fund community-based programs through the process;
- Criteria for community-based program designs, such as:
    - Whether community-designed programs should achieve/address a metric for energy efficiency and equity or a single metric that encapsulates both; and
    - How the communities' involvement in designing the proposed program adheres to the Collaborative's recommendations and the ESJ Action Plan;
- A discussion of the continued activity of the Collaborative, if any, including:
    - The future of the Collaborative (if the concept should ensure into the future) and how the compensation structure for participating community members should work or change; and

- Whether, why, and how, the Collaborative should continue after the completed delivery of the process, and what activities and objectives should continue.

SoCalREN should plan to launch a community-designed pilot program by the end of 2025 for implementation in 2026 and 2027, using an additional $1.5 million that we will add in this decision to SoCalREN's proposed budget, in the market support segment. SoCalREN shall submit, using the existing process for program changes,[69] a Tier 2 advice letter for the community-designed programs selected for funding through the pilot.

We will also direct SoCalREN to coordinate with the collaborative and with the other PAs for their portfolio applications for 2028-2031 (to be filed in 2026) to structure a process for community-based programs for all areas covered by the Commission's energy efficiency programs. This proposal will need to recommend whether a community-based approach should be administered statewide or regionally, and by which PAs. The proposal should reflect experience between now and then in the SoCalREN area.

We also note that this proposal is distinct from normal REN activities, which often involve community engagement, because:

- It is a focused effort on engaging communities to help design the process and policy for the overall initiative, and
- Through this process, communities will have a direct opportunity to design energy efficiency programs, rather than simply be a recipient of programs designed by the RENs.

[69] *See* D.21-05-031, Section 5.2.8, at 46: "we will maintain the Tier 2 advice letter filing requirement for the opening of new programs or the closure of programs."

9. Coordination Between PAs

This section addresses Issue #18 of the scoping memo, which asked "[w]hat additional guidance, if any, is needed on program administrator roles and coordination, including geographic areas, design of complementary portfolios, and avoiding customer confusion?"

9.1. Clarification of Roles for IOU and non-IOU Implementation of Programs

Cal Advocates' testimony recommends the Commission eliminate duplication between statewide, PA-implemented, and third party-implemented programs so that programs are not in competition with each other. Cal Advocates asserts further that programs designed and implemented by third parties should be adopted over those designed and implemented by PAs, suggesting third party programs are the most prudent use of ratepayer-funded energy efficiency initiatives because they encourage competition, facilitate innovation and reduce performance risk.[70] Cal Advocates recommends disapproving or requiring a Tier 3 advice letter for specific programs in program proponents' proposed portfolios, based in part on its assessment of duplication and program prioritization.

In rebuttal testimony, BayREN, MCE, PG&E, SCE, SDG&E, SoCalREN, and 3C-REN disagree with Cal Advocates' recommendations and/or identification of specific programs as duplicative.[71] BayREN, citing D.19-12-021, asserts the Commission has already addressed program duplication through

[70] Cal Advocates testimony, Exhibit CA-01, at 2-5

[71] SCE rebuttal testimony, Exhibit SCE-05, at 16-18; MCE rebuttal testimony, Exhibit MCE-04, at 5-6; SoCalREN rebuttal testimony, Exhibit SoCalREN-05, at 19-28; SDG&E rebuttal testimony, Exhibit SDG&E-04, at JT-8 through JT-10 and HKB-9; PG&E rebuttal testimony, Exhibit PG&E-04, at 1-11 through 1-13.

guidance on letters of commitment to cooperate and JCMs among PAs operating in the same geographic areas.[72] Similarly, 3C-REN asserts a further prioritization policy beyond the JCMs is unnecessary, and MCE notes that plans to address double counting could be included in advice letters, implementation plans and JCMs.[73] While BayREN opposes any type of program prioritization, it suggests that only programs proposed for resource acquisition may be given priority to IOU or CCA resource acquisition programs. Although SCE counters Cal Advocates' identification of some of SCE's programs as duplicative, SCE does agree that further Commission guidance regarding PA roles is needed. SCE recommends program prioritization, or precedence, in the following order: statewide programs, IOU third-party programs, IOU-administered programs, REN/CCA programs; that duplication be defined as "programs whereby the majority of the program savings result from the same measures or a program whereby the delivery channel is substantially similar;" and Commission clarification of how and under what circumstances it is appropriate for RENs to duplicate IOU programs when focusing on hard-to-reach customers or customer segments.[74]

The proposed decision agreed with providing limited additional guidance regarding program precedence, that "[i]n cases of overlap involving a statewide program in the resource acquisition segment, the statewide program should take precedence over other programs." The proposed decision reasoned that "[a] key purpose of the statewide programs is to achieve efficiencies by having one lead

[72] BayREN rebuttal testimony, Exhibit BayREN-04, at 12-15.

[73] 3C-REN rebuttal testimony, Exhibit 3C-REN-04, at 3; and MCE rebuttal testimony, Exhibit MCE-04, at 13-14.

[74] SCE rebuttal testimony, Exhibit SCE-05, at 10-18.

PA responsible for program delivery across the state. Failure to afford precedence to statewide programs would undercut this objective."

Nearly every party that addressed this aspect of the proposed decision asserts that further, more specific guidance is required for portfolio administrators to effectively implement it. CEDMC and SoCalREN recommend removing this guidance and instead relying on the JCM process to resolve issues of program overlap or duplication. The Commission agrees that more specific guidance is warranted if we are to establish any sort of program precedence; further, any such guidance should be informed by specific examples or scenarios that illustrate the risk to ratepayer funds of duplicative or overlapping programs. At the same time, we are not wedded to establishing formal guidance if the PAs demonstrate they have a process or protocol to, among themselves, effectively mitigate or minimize ratepayer risks associated with duplicative or overlapping programs. Therefore, we will direct the PAs to submit a joint Tier 2 advice letter to provide information on substantively similar programs, and steps they have taken and will take to mitigate or minimize ratepayer risk of program overlap or duplication. The joint advice letter must provide:

1. A comprehensive list of any substantively similar ratepayer-funded energy efficiency programs among the PAs that results in some issue or problem.
2. A clear statement of the issues or problems that result from program offerings identified in Item 1.
3. Definitions or clarifications of any jargon that PAs suggest specifying, in order to have a shared understanding of the issues or problems associated with substantively similar ratepayer-funded energy efficiency programs among different PAs. For example, the joint advice letter should propose definitions for "overlap," "duplication," and "precedence."

4. Description of the risk to ratepayers of ratepayer-funded energy efficiency programs that "overlap" or are otherwise "duplicative" (as defined in response to Item 3, above) in some substantive way. What is the estimated dollar value of the risk? Describe how the value was calculated or assessed.
5. Description of the actions, measures, etc. that PAs have taken thus far to identify and mitigate or minimize risks to ratepayers of substantively similar ratepayer-funded energy efficiency programs among different PAs, and any other issues identified in response to Item 2. Include, for instance, any agreed-upon criteria for determining program "overlap," "duplication," and/or "precedence," and what steps have been taken by each PA in cases where "overlap" or "duplication" was identified. Explain the effectiveness of each of these measures, actions, etc. in mitigating ratepayer risks, and identify and describe what issues remain unresolved.
6. Description of how the PAs will effectively mitigate or minimize ratepayer risks associated with similar ratepayer-funded energy efficiency programs among different PAs through the JCM or any other agreed-upon process or protocol.

The Commission also agrees with providing further direction regarding REN programs that only meet the criterion of serving hard-to-reach customers (and not the gap filling or pilot criteria confirmed by D.19-12-021). Such programs must be designed to target, and must market exclusively to, hard-to-reach customers or specific hard-to-reach customer segments. REN whole building multifamily residential programs that only meet the hard-to-reach criterion should target their marketing efforts to properties in which they can reasonably infer the majority of tenants are hard-to-reach customers; to facilitate coordination, we will require RENs to describe in their JCMs how they will identify customers or buildings to target marketing. IOUs should convey this

information to third-party bidders during the solicitation process of buildings with a potential to be served by both IOUs' third-party implementers and RENs. This direction addresses SCE's concern regarding the fact that REN programs and portfolios are not required to meet a given TRC benefit to cost ratio, as is the case with the resource acquisition segment of IOUs' portfolios, and could therefore negatively impact IOUs' resource acquisition programs by offering more generous incentives.

In comments to the proposed decision, BayREN/3C-REN recommend changing "exclusively" to "primarily," with reference to the guidance provided for all equity segment programs in Section 7.1 of this decision, which suggests that BayREN/3C-REN interpret the above guidance as applying to all REN programs. We clarify and confirm that the above guidance applies only to REN programs that only meet the criterion of serving hard-to-reach customers (not necessarily to all REN programs). I-REN expresses concern that this guidance is overly limiting with respect to public sector customers; we have modified the definition of "hard-to-reach" in response to this stated concern, as discussed in Section 7.3 of this decision.

With the foregoing guidance, we expect programs offered by different PAs will not significantly overlap, except for programs intended to serve hard-to-reach customers. We maintain a preference for PAs to work collaboratively not only to minimize duplication in non-hard-to-reach customer populations but importantly to strive toward effective regional strategies and complementary program offerings; to be clear, PAs should communicate regularly in the course of administering their portfolios and preparing applications for future cycles; this regular communication is particularly important in light of the IOUs' solicitations, which could result in the launch of new programs at any time and

potentially implicate existing programs offered by other PAs. We do not find it necessary or reasonable to adopt SCE's recommended order of program precedence or its proposed definition for duplication, either of which could effectively exclude non-IOU PAs from sectors in which they have designed and implemented programs, perhaps even longer than the IOUs in some cases. We are not persuaded that such limitation is warranted. Further, SCE's proposal of a definition for duplication, which it included in rebuttal testimony, did not afford parties an opportunity to respond. If parties agree that defining duplication is a priority for the Commission to address, the Commission may consider a stakeholder proposal in the future.

9.2. Process and Timing for JCMs

Regarding program coordination, PG&E's and SCE's rebuttal testimonies include specific recommendations related to JCMs. Both PG&E and SCE observe that the JCMs are non-binding, specifically that PAs do not oversee each other's work and lack the ability to modify each other's programs or budgets. SCE recommends limiting the purpose of the JCMs to determination of how best to coordinate portfolios after Commission approval of the current (2024-2027) cycle and the timing to submit JCMs should change to after the mid-cycle advice letters have been approved.[75] PG&E similarly recommends that JCMs focus on plans and mechanisms for coordination following Commission approval of portfolios, and therefore PAs should submit JCMs every two years after Commission approval of true-up advice letters and mid-cycle advice letters. PG&E reiterates its recommendations that new PAs be permitted to apply or elect to administer only when existing PAs file applications or submit true-up

[75] SCE rebuttal testimony, Exhibit SCE-05, at 17.

advice letters or mid-cycle advice letters, and further that CCAs that elect to administer energy efficiency programs must also submit a JCM.[76]

The Commission agrees with PG&E's and SCE's recommendation to modify the timing of JCMs, based on the understanding that JCMs will detail PAs' plans and mechanisms for coordination 60 days after Commission approval of the last of each JCM's portfolio administrators' true-up and mid-cycle advice letters.[77] This change in timing affords more certainty about what programs will be offered by all PAs. Because the timing to submit JCMs will no longer correspond with the due date for Energy Efficiency annual reports, we further direct that PAs must submit the JCMs to CEDARS, with notice to the service list of R.13-11-005 or a successor proceeding.

We do not adopt PG&E's recommendations related to new PAs or CCAs that elect to administer. For the most part, the elect-to-administer CCAs' budgets are small (from under one million dollars annually to up to five million annually for East Bay Community Energy, with most around one million to three million annually), they are only approved for up to three years and generally have little impact on the broader energy efficiency portfolio offerings.

10. Summary of Public Comment

Rule 1.18 of the Commission's Rules of Practice and Procedure allows any member of the public to submit written comment in any Commission proceeding using the "Public Comment" tab of the online Docket Card for that proceeding on the Commission's website. Rule 1.18(b) requires that relevant written

[76] PG&E rebuttal testimony, Exhibit PG&E-04, at 3-10 through 3-14.

[77] On April 5, 2023, the Commission's executive director granted BayREN's extension request, for portfolio administrators to submit Joint Cooperation Memoranda for programs operating in 2024, from June 15, 2023 to 90 days after Commission approval of the instant applications.

comment submitted in a proceeding be summarized in the final decision issued in that proceeding.

Nine public comments were received in this proceeding. Most were generally concerned about any rate increases by PG&E, and did not comment specifically about anything related to energy efficiency. One commenter suggested that energy efficiency should already be a primary concern of PG&E and should not require additional funding.

11. Total Budget and Collections Authorization and Next Steps

This section summarizes the approved portfolio, as discussed in the prior sections of this decision. Table 7 below includes the original budget request by PA, along with the adjustments made in this decision, with the final approved 2024-2027 budget cap for each administrator presented in the final column.

Table 7. Authorized Budgets by PA

PA	4-year Budget in Original Application	2024-2027 Statewide Allocation Adjustment	Decision Adjustment	Approved 2024-2027 Budget Cap
IOUs				
PG&E	$1,095,155,478	-$92,273,724	$1,259,200	$1,004,140,954
SCE	$1,560,350,284	$112,471,524	$1,990,400	$1,674,812,208
SDG&E	$332,159,706	-$24,013,342	$396,800	$308,543,164
SoCalGas	$611,704,003	$3,815,542	$353,600	$615,873,145
IOU Total	**$3,599,369,471**	**$0**	**$4,000,000**[78]	**$3,603,369,471**

[78] *See* discussion of Commission staff portfolio oversight needs in Section 5.1 of this decision.

PA	4-year Budget in Original Application	2024-2027 Statewide Allocation Adjustment	Decision Adjustment	Approved 2024-2027 Budget Cap
Non-IOUs				
MCE	$78,217,316			$78,217,316
BayREN	$161,776,637		$9,900,000[79]	$171,676,637
I-REN[80]	$45,271,191			$45,271,191
R-REN[81]	$84,209,480			$84,209,480
3C-REN	$71,367,489			$71,367,489
SoCalREN	$226,097,351		$1,500,000[82]	$227,597,351
Non-IOU Total	**$666,939,464**	**$0**	**$11,400,000**	**$678,339,464**
GRAND TOTAL	**$4,266,308,935**	**$0**	**$15,400,000**	**$4,281,708,935**

Table 8 below includes the budget forecast approved for the period 2028-2031. These forecasts were included in the applications filed by the PAs and reviewed in this proceeding. These figures form the basis for a revenue requirement forecast, but will be revised in the next four-year application cycle for the period 2028-2031 in applications filed in 2026.

[79] *See* discussion of the BayREN statewide program in Section 2.2 of this decision.

[80] I-REN did not file an application as part of this proceeding because its 2022-2027 budget was already approved in D.21-11-013. I-REN's budget is included here for completeness only, as I-REN's total authorized budget cap is $65,577,932 over the funding period of 2022-2027.

[81] *See* discussion and approval of R-REN's portfolio and budget in Section of 4.2 of this decision.

[82] *See* discussion of community-designed pilot in Section 8.3 of this decision.

Table 8. Approved 2028-2031 Budget Forecasts by PA

	PA	Approved 2028-2031 Budget Forecast
IOU	PG&E	$1,032,170,128
	SCE	$1,783,094,039
	SDG&E	$318,911,289
	SoCalGas	$673,776,756
	Total	**$3,807,952,212**
Non-IOU	MCE	$80,063,445
	BayREN	$176,819,577
	I-REN	[not applicable]
	R-REN	$93,153,166
	3C-REN	$84,000,166
	SoCalREN	$356,187,290
	Total	**$835,494,836**
GRAND TOTAL		**$4,643,447,048**

Table 9 presents the forecasted budgets for the 2024-2027 and 2028-2031 period by IOU area, so that IOUs may include these forecasts in their total revenue requirements to be collected during these years. The budgets reflect only PA budgets. In the case a new CCA or REN is approved, per Section 3.2 above, the budgets would increase by the budget amount approved for the new PA or elect-to-administer CCA. Also note that the PAs are to use prior cycle unspent and uncommitted funds to offset revenue recovery between cycles (*i.e.*, apply pre-2024 unspent and uncommitted to this 2024-2027 cycle collection) so the actual revenue recovery for 2024-2027 must account for prior year unspent and uncommitted funds, as well as other related collections authorized in the IOU's General Rate Case.

Table 9. Revenue Requirements/Collections by IOU Area

PA	REN and CCA Budget by IOU, 2024-2027	REN and CCA Budget by IOU, 2028-2031
PG&E Revenue Requirement (Collections)		
PG&E	$1,004,140,954	$1,032,170,128
MCE	$78,217,316	$80,063,445
BayREN	$164,876,637	$176,819,577
3C-REN	$32,543,575	$38,304,076
R-REN	$40,420,550	$44,713,520
Total PG&E	**$1,320,199,032**	**$1,372,070,746**
SCE Revenue Requirement (Collections)		
SCE	$1,674,812,208	$1,783,094,039
BayREN	$4,900,000	$0
R-REN	$33,683,792	$37,261,266
3C-REN	$24,550,416	$28,896,057
SoCalREN	$194,766,940	$306,793,250
Total SCE	**$1,932,713,356**	**$2,156,044,613**
SDG&E Revenue Requirement (Collections)		
SDG&E	$308,543,164	$318,911,289
BayREN	$1,000,000	$0
Total SDG&E	**$309,543,164**	**$318,911,289**
SoCalGas Revenue Requirement (Collections)		
SoCalGas	$615,873,145	$673,776,756
BayREN	$900,000	$0
R-REN	$10,105,138	$11,178,380
3C-REN	$14,273,498	$16,800,033
SoCalREN	$32,830,405	$49,394,040
Total SoCalGas	**$673,982,186**	**$751,149,209**
Grand Total	**$4,236,437,738**	**$4,598,175,857**

Table 10 below presents the forecasted TSB of the portfolios by administrator. In addition, the forecasted total resource cost and program administrator cost test results are summarized. All of the PAs have met the threshold requirements for approval of the portfolios on a forecast basis. We will

evaluate the portfolios for the resulting TSB and cost-effectiveness at the end of the portfolio cycle.

Table 10. Forecast Portfolio TSB, RA TRC, and Program Administrator Cost (PAC) by PA

PA	4-Year Portfolio TSB Forecast	4 Year RA TRC Forecast	4 Year RA PAC Forecast
IOUs			
PG&E	$932,023,005	1.04	1.24
SCE	$1,374,610,894	1.09	1.21
SDG&E	$307,457,992	1.06	1.29
SoCalGas	$628,471,085	1.10	1.46
IOU Total	**$3,242,562,976**	**NA**	**NA**
Non-IOUs			
MCE	$66,864,140	1.08	1.26
BayREN	$28,855,305	0.82	1.09
I-REN	TBD	NA	NA
R-REN	$5,221,619	0.43	0.44
3C-REN	$39,271,824	NA	NA
SoCalREN	$108,693,300	0.55	1.45
Non-IOU Total	**$248,906,188**	**NA**	**NA**
Grand Total	**$3,491,469,164**	**NA**	**NA**

In addition, all PAs are required to submit a True-Up advice letter this year, which should include modifications to the TSB forecasts, cost-effectiveness forecasts, annual budgets (within the authorized four-year cap), and program segmentation. According to D.21-05-031, the True-Up advice letter is due September 1, 2023. However, we are anticipating an upcoming decision in the energy efficiency rulemaking (R.13-11-005) addressing updated potential and goals for energy efficiency. That decision will likely impact the True-Up advice letter. Therefore, by the terms of this decision, we will require the True-Up

advice letter for 2023 to be submitted no later than 60 days after the adoption of a decision with new energy efficiency potential and goals.

The True-Up advice letter should include updates based on the following:

- Guidance in D.21-05-031, such as adjustments to forecasts stemming from updated input, including TSB goals, avoided cost calculator updates, new database for energy efficiency (DEER) values, etc.;
- Updated statewide allocations and resulting budgets (within the authorized cap) and savings forecasts; and
- Updates or corrections to program segmentation.

Commission staff will work with the PAs to establish a True-Up Advice letter template to facilitate easier and more consistent delivery of necessary information in the advice letter submissions.

The adoption of this decision and the approval of the True-Up advice letters should result in the PAs being able to launch the new portfolio in early 2024.

12. Comments on Proposed Decision

The proposed decision of ALJs Julie A. Fitch and Valerie U. Kao in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were timely filed on or before June 15, 2023 by the following parties: ABAG and County of Ventura, on behalf of BayREN and 3C-REN, respectively, jointly; Cal Advocates; CEDMC; WRCOG on behalf of I-REN; MCE; NRDC; Oracle Utilities (Oracle); PG&E; RCEA on behalf of R-REN; Recurve; SBUA; SCE; County of Los Angeles on behalf of SoCalREN; SDG&E; and SoCalGas.

Reply comments were timely filed on or before June 22, 2023 by the following parties: BayREN and 3C-REN, jointly; Cal Advocates; CEDMC; I-REN;

MCE; NRDC; Oracle; PG&E; Recurve; SBUA; SCE; SDG&E; SBUA; SoCalGas; and SoCalREN.

In this section, we summarize the major comments received from parties in a thematic fashion, as well as the revisions made as a result of the comments. Specific changes conforming to the issues summarized in this section are then also made throughout the decision.

Numerous parties comment that it is premature and/or ill-advised to convert certain programs to statewide administration in this decision. CEDMC comments that converting many individual programs to statewide will not create benefits from consolidation, including for the HER, UAT, multifamily, and SEM programs.

Oracle, as the implementer of the HER and UAT programs, argues that these programs currently have unique features in each region, and should not be converted to statewide. Oracle argues that conversion to statewide would actually increase administrative complexity, and would also likely result in diminished outcomes and customer experiences, compared to the status quo. Oracle also points out that the issues with data sharing are complex and could present significant barriers. PG&E, SCE, and SoCal Gas agree that HER and UAT programs should remain local or regional.

BayREN and 3C-REN argue that multifamily programs are inherently not well suited to statewide administration and should remain regional. MCE agrees, and also argues that SEM is also inappropriate for statewide administration. SoCalGas volunteers to lead the study to determine whether SEM and multifamily programs should be converted to statewide, rather than SDG&E.

The proposed decision already required that a process be designed by all of the statewide PAs, to assess the suitability of programs for conversation to

statewide implementation. We have clarified that all PAs, regardless of whether they are currently administering statewide programs, should contribute to the proposal to assess suitability of programs for conversion to statewide implementation. We have also revised this decision to await the approval of that process, and the subsequent assessment of the HER, UAT, SEM, and multifamily programs using the new assessment process, prior to converting those programs to statewide.

In addition, in response to PG&E's comments, we have made a small change to include an additional significant digit in the percentages for the statewide budget sharing allocations, to ensure accuracy.

Nearly all parties commenting on the proposed POG subgroup for CAEECC, including the IOUs, NRDC, BayREN/3C-REN, I-REN, and SoCalREN, suggest that the POG should be removed, or at least significantly scaled back from its scope in the proposed decision. NRDC's comments focus almost exclusively on this issue, and point out that there was an April 2020 CAEECC "Proposal for Improvements to the Energy Efficiency Portfolio and Budget Approval and Implementation Process." In that proposal, CAEECC had, according to NRDC, intentionally limited the stakeholder participation scope to ensure manageable participation focused on high-importance issues. NRDC and several other parties also suggest that the "Evolving CAEECC Working Group" is already working to consider the future scope and role of CAEECC.

In light of the numerous negative comments on the POG proposal, it is clear that there is a lack of stakeholder enthusiasm for this concept as framed in the proposed decision, which would not produce the intended results regardless of the proposed decision's intentions. Therefore, we have amended this decision to remove the POG requirements at this time. From the inclusion of the concept

in the proposed decision, parties should note the interest of Commission staff in adding a stakeholder dimension to the portfolio oversight function. We hope that the Evolving CAEECC Working Group will consider this in its discussions.

We also note that NRDC's comments include support for additional resources for portfolio oversight for Commission staff, including technical assistance. We agree, and have adjusted the funding that was targeted for the POG effort to provide additional funding for technical support for Commission staff in their oversight role.

In addition, in an effort to make the CAEECC's tasks more manageable, we have removed any requirement for consultation with CAEECC on the AKAB surveys, identification of existing common metrics that should be removed from tracking, and development of methods for measuring demographic participation. The PAs are free to consult with CAEECC on these items if desirable and time permits, but it is no longer required.

SDG&E comments that corrections are needed to ordering paragraph 6 to ensure that the IOU budgets can be augmented by the budgets approved by the Commission for any new CCA or REN program during a portfolio cycle. We have made these corrections and corresponding changes in Section 11 of the decision.

In response to comments from R-REN, we have added a finding of fact and a conclusion of law to further support their strategies to serve traditionally underserved rural areas of the state, due to socioeconomic actors and the high cost of serving those rural areas.

Several parties comment on the proposed decision's requirement that NMEC be used as the default savings method for certain types of programs, unless the PA can justify that use of NMEC is not feasible or cost-effective.

Recurve is fully supportive of this direction, while CEDMC and SDG&E find the direction too restrictive. PG&E proposed a middle ground where the feasibility test would include a provision allowing deviating from NMEC methods where they are not aligned with the program design. We have made this modification suggested by PG&E, and have also provided for Commission staff to bring back any necessary modifications to the feasibility or cost-effective criteria into the energy efficiency rulemaking (R.13-11-005 or its successor), if needed, in the course of maintaining and updating the NMEC Rulebook.

BayREN and 3C-REN comment that Ordering Paragraph 9b of the proposed decision, concerning use of unspent and uncommitted funds, appeared inconsistent with the text of the decision. SoCalREN's comments contain a similar concern. BayREN and 3C-REN are correct, and we have deleted this portion of the ordering paragraph.

BayREN and 3C-REN also suggest softening the scope of equity segment programs slightly to ensure that, while equity programs target equity customers, the programs are not exclusive of other potential customers. We have made several changes to the findings and order to make them consistent with the text of the decision. We maintain that for the REN programs, which currently have the potential to overlap with IOU programs due to the express purpose of serving hard-to-reach customers, the RENs should not be broadly notifying customers across all of their territory with their marketing and outreach for such programs, as not all of their customers are hard-to-reach. Instead, REN programs that only meet the criterion of serving hard-to-reach customers should be designed to target hard-to-reach customers or specific hard-to-reach customer segments.

PG&E's comments suggest changing the name of MAP. While we have not changed the name exactly as PG&E suggests, we have broadened the way the market access approach is described in the decision, making it clear that the PAs may go beyond offering a MAP similar to that authorized in D.21-12-011. In addition, Cal Advocates comments that we should clarify that the exemption from cost-effectiveness requirements included in D.21-12-011 should not apply in the authorizations for programs using the market access approach provided in this decision. We also agree and have provided this clarification. The market access approach is now subject to the same cost-effectiveness rules as the rest of the energy efficiency portfolio approved in this decision.

MCE supports the provisions in the proposed decision for IDSM budgets, and suggests that in addition to the $15 million maximum for each PA, there also be a minimum budget set for PAs where 2.5 percent of their budgets would result in an IDSM budget that is too small to be practical or influential. We agree and have added a total $4 million budget floor for smaller PAs.

MCE also requests that we remove the prohibition on IDSM funds being used for event-based demand response. While we generally support integrated approaches, there are other venues available for funding for event-based demand response, and we find it important to maintain, for purposes of the use of energy efficiency funding, that there be some kind of ongoing or permanent load shift or load reduction to utilize energy efficiency funds. MCE, in its comments, and supported by CEDMC in reply comments, also suggests that the IDSM funds should be in addition to the energy efficiency portfolio funding authorized. We disagree, and have clarified that the IDSM funding is available within the overall energy efficiency portfolio funding cap for the 2024-2027 period.

Several PAs also commented on the proposed decision with respect to specific requests in their applications that were not addressed. In response, we clarify that in general, if a policy proposal in the application was not addressed in this decision, it is denied. If a program proposal was not discussed, it is approved, since program offerings already may change during the course of a portfolio period, and there are other established rules for introduction of new programs or closure of existing ones. PAs should continue to follow those existing requirements. This decision generally does not discuss the program level proposals. There are certain exceptions to these general rules. The specific requests of several of the PAs are discussed further below, to ensure no confusion.

SDG&E's comments request that we explicitly approve its IDSM budget of $4.75 million for the 2024-2027 portfolio cycle.[83] While this amount is reasonable and within the IDSM budgets otherwise authorized in this decision, SDG&E is still required to provide the advice letters for IDSM programs specified in Section 8.2 of this decision.

SDG&E also seeks affirmation of its proposed modifications to its balancing accounts as follows:

- To transfer the remaining balance of its Electric Procurement Energy Efficiency Balancing Account (EPEEBA) to the Post-1997 Electric Energy Efficiency Balancing Account (PEEEBA) and to close the EPEEBA.[84]

[83] *See* SDG&E Application, Exhibit 2, at 240 and 251.

[84] *Ibid*., at 252-253.

- To close all PEEEBA and Post-2005 Gas Energy Efficiency Balancing Account (PGEEBA) subaccounts and consolidate to minimize efforts in managing separate subaccounts.[85]
- To modify how SDG&E currently records expenses incurred by SDG&E for the administration of statewide EE programs as the Lead PA. SDG&E requests to modify both Statewide Energy Efficiency Balancing Account (SWEEBA) and the Statewide Energy Efficiency Gas Balancing Account (SWEEGBA) preliminary statements by transferring the recording of expenses incurred by SDG&E for the administration of statewide EE programs as the Lead PA to PEEEBA and PGEEBA.[86]

We agree that the balancing account changes requested by SDG&E should be made and have added those findings in this decision.

MCE, in its comments, also asks that this decision approve continued funding of $26.3 million in 2024-2027 for its Peak FLEXmarket program to support grid reliability, arguing that grid reliability changes were not unique to 2022 and 2023, and therefore funding should be continued. While we did fund MCE's Peak FLEXmarket program in D.21-12-011 and we generally support integrated demand response and energy efficiency approaches, we note that D.21-12-011 was explicitly for emergency purposes and was funded outside of the energy efficiency portfolio. In addition, the Peak FLEXmarket program is an event-based demand response program and does not result in permanent load shifting or reduction. In Section 8.2 of this decision, we state our requirement that IDSM funding not be used on event-based demand response approaches, and this applies to MCE's request. Therefore, the funding for Peak FLEXmarket is denied in this venue, but this does not prevent, and is not intended to

[85] *Ibid.,* at 253.

[86] SDG&E Application, Exhibit 2, at 253.

discourage, MCE from proposing it in other appropriate venues for demand response funding.

SCE requests that we explicitly approve its proposal to modify some compliance requirements to remove outdated references to annual budget advice letters, as well as other requirements no longer applicable because of the transition to third-party programs.[87] SCE also proposed a Contractor Demand Building Program and a New Program Design Pilots Program (aimed at fuel substation and workforce training objectives) and seeks confirmation that these new programs and their approaches are approved. We confirm our approval of these specific proposals, and note that, as discussed above, we did not discuss specific program proposals in this decision. Most program-level approvals should follow the extensive set of existing rules, including, but not limited to, those related to posting of implementation plans.

SoCalGas seeks approval of some specific proposals contained in its application that were not discussed in the proposed decision. These are policy proposals and not program-specific proposals, including making mitigation of behind-the-meter fugitive methane leakage an eligible energy efficiency measure, making the use of utility employees in energy efficiency program delivery exempt from third-party requirements, and modifications to the fuel substitution test. These policy proposals were not discussed in the proposed decision, and as such, are not approved herein.

The remainder of this section summarizes comments in response to which we are not making changes, and explains why.

[87] The specific proposals are contained in SCE's Application Exhibit SCE-03, Attachment C at 117-118.

Cal Advocates asks that we add any California Energy Commission and federal energy efficiency programs to the hierarchy and have those programs take precedence over those approved in our energy efficiency portfolio, prioritizing utilization of federal and other state funds. Cal Advocates argues this will save ratepayer funds. While we agree with the goal of saving ratepayer funds, our strategy is more one of leveraging external funds to support our energy efficiency goals. We already have considerable policies in place to ensure that benefits of energy efficiency programs are incremental. We also do not have control over the outside programs, including their applicability to certain customers, but note that many of the programs cited by Cal Advocates are intended primarily to serve lower-income customers, whereas our energy efficiency portfolio is designed to serve all customers. For these reasons, we will not make the change recommended by Cal Advocates.

Cal Advocates also recommends we list electric panel upgrades as a technology they may not be covered by energy efficiency incentive funding. SDG&E, PG&E, and NRDC, in reply comments, disagree, stating that if an energy efficiency measure accompanies a panel upgrade, the panel upgrade should be eligible for energy efficiency incentives. SDG&E and PG&E's characterization is consistent with existing policy in D.19-08-009, and reaffirmed in D.23-04-035. We do not modify these determinations here.

CEDMC proposes to have the California Technical Forum (CalTF) be granted authority for site-level NMEC and custom review processes. NRDC and PG&E support this idea in reply comments, while SCE opposes on the grounds that the Commission should first address necessary improvements to the custom review process overall before adopting any centralized custom oversight process. Here we agree with SCE that deferring to CalTF on site-level NMEC is

premature. However, this idea may be further explored by interested parties in the future.

Recurve proposes an ordering paragraph to require utilities to provide all data necessary to implement, measure, and verify programs. SCE opposes this in reply comments as overly broad. We agree and note that D.23-02-002 already addresses similar issues.

On the topic of equity and market support indicators and metrics, BayREN and 3C-REN suggest that we defer all of these matters to the CAEECC working groups for this purpose. They also suggest that the proposed decision is inconsistent with the work of the CAEECC working groups to date. BayREN, 3C-REN, and PG&E also recommend that certain indicators and metrics be removed because they are hard to track or duplicative. SCE agrees in reply comments. Our intent in this decision is to remain faithful to the CAEECC working groups' recommendations, except in some instances where we are adopting indicators instead of metrics at this time. On that front, Cal Advocates is concerned that we not delay collection of baseline data for the metrics and indicators, and we agree. The PAs may and should begin collecting tracking information in parallel with the development of goals or targets. However, we do not yet order these types in this decision, pending further work with the PAs through their required advice letter filings, as well as with the CAEECC working groups to refine these efforts. We also note that this decision also contains process steps designed to remove any metrics or indicators that are duplicative or no longer needed. Finally, nothing in this decision prevents PAs from collecting baseline data to support the indicators and metrics approved herein.

SoCalGas comments that indoor air quality (IAQ) should not be included in non-energy benefits because "there is no scientific basis for concluding that the

type of fuel service meaningfully impacts IAQ in terms of health." NRDC, in reply comments, disagrees. We agree with NRDC that IAQ should remain as a potential non-energy benefit for consideration by the study ordered herein.

13. Assignment of Proceeding

Genevieve Shiroma is the assigned Commissioner and Julie A. Fitch and Valerie U. Kao are the assigned Administrative Law Judges in this proceeding.

Findings of Fact

1. D.16-08-019 set a new approach to the delivery of statewide programs in the energy efficiency portfolio and also fixed the funding contribution requirements from each IOU based on load share and the mix of electricity and natural gas funding.
2. Load share and funding mix between electricity and natural gas have changed since 2016.
3. D.16-08-019 required a minimum of 25 percent of the IOUs' budgets (15 percent for SoCalGas) to go toward statewide programs.
4. The closure of the statewide upstream lighting program and other program cost-effectiveness challenges have reduced the statewide budget recently.
5. It would not be feasible to conduct a full assessment of the statewide programs before the start of this portfolio cycle in 2024.
6. Because CCAs can elect to administer energy efficiency programs at any time, and new RENs and CCAs can apply for funding in the middle of a portfolio cycle, if the IOUs are not given relief from their budget caps, they would have to fund the CCA or REN programs out of their own budgets or unspent funds.
7. The IOUs do not select or approve the programs of the CCAs or RENs operating within their service territories.

8. The communities served by the R-REN proposal face significant equity and development challenges compared to the rest of the state. They are also geographically diverse and overlap with areas covered by several other PAs.

9. R-REN is strategically designed to serve areas that have been traditionally underserved due to their rural nature and other structural barriers such as socioeconomic factors and the high cost of providing services in rural areas.

10. The majority of energy efficiency portfolio oversight occurs by Commission staff monitoring key aspects of design, solicitation, implementation, and evaluation of portfolios, segments, and programs. Stakeholder input would improve this oversight function.

11. The IOUs' percentage contributions to evaluation invoice payments were last set in 2014, by D.14-10-046.

12. Some water efficiency measures also save electricity and/or natural gas.

13. Commission policy has been transitioning toward greater use of normalized metered energy consumption measurement techniques since at least 2015, as required by AB 802 and SB 350.

14. The state's historic disenfranchisement and dispossession of California Tribes, recognized by Executive Order N-15-19, has created barriers to providing programs services to Tribes, including energy efficiency programs.

15. SCE's testimony indicates that more rural local governments have lower participation and investments in energy efficiency than more urban local governments.

16. Resolution E-4939, with reference to Government Code Section 144837, specifies a small business size criterion of 25 or fewer employees.

17. SB 756 (Stats. 2021, Chap. 248) modified the ESA program income guidelines to 250 percent or below federal poverty guidelines, thereby making

ESA income eligibility criteria, which previously aligned with CARE income eligibility criteria, distinct.

18. The Commission lacks sufficient data on energy efficiency program participation by certain demographic groups (*e.g.*, region, language, ethnicity/race, disability participants, tribal participants).

19. The Commission currently lacks indicators of community engagement on energy efficiency.

20. The CAEECC EMWG included indicators for community engagement, but the group did not reach consensus on whether and which indicators should be required.

21. Goals for the indicators in the market support and equity segments of the portfolio are important as these segments have broader and more society-focused objectives than the resource acquisition segment.

22. The market access approach provides numerous benefits to the energy efficiency portfolios, including flexibility.

23. Integrated demand-side management approaches are attractive to customers and offer opportunities for successful customer installation of multiple preferred technologies for energy savings and/or grid improvements.

24. Because of their local focus, RENs are uniquely positioned to focus on community-based program design.

25. The upcoming reassessment of the energy efficiency potential and goals in R.13-11-005 will have an impact on the TSB forecasts, cost-effectiveness forecasts, annual budgets, and program segmentation of the portfolio.

Conclusions of Law

1. The statewide funding allocation should be updated as recommended by PG&E in its application and as shown in Table 1 of this decision.

2. The statewide funding contributions proposed in the IOU applications should be revised as indicated in Table 2 of this decision.

3. The statewide funding allocation should be revisited during each four-year portfolio application proceeding.

4. The required minimum statewide funding contribution for the IOUs should be reduced to 20 percent of their total portfolio funding for 2024-2027, and 10 percent for SoCalGas.

5. The required minimum statewide funding contribution for the IOUs should be revisited in the next four-year portfolio application.

6. The IOUs should reflect the updated statewide funding contributions in their 2023 True-Up advice letters.

7. All of the PAs should coordinate among themselves and propose an assessment process for the statewide programs in their next portfolio applications due in 2026.

8. The statewide upstream lighting program should be closed.

9. SCE's proposal to offer midstream and upstream incentives in a local program where the measures are not covered in a statewide program should be rejected because it could limit new statewide program designs and/or create complex coordination problems.

10. BayREN's proposal to administer the Home Energy Score program statewide should be approved and BayREN should be required to submit a Tier 2 advice letter with the details of the program. The program should be funded with an additional $9.9 million added to BayREN's budget.

11. All of the PAs segmented their portfolios appropriately, according to the direction of D.21-05-031 and the segmentation should be approved.

12. The IOUs' funding caps should be increased if a new CCA or REN is approved by the Commission after the four-year budgets are approved. The IOU caps should be augmented by the amounts approved for the CCAs and RENs.

13. The IOU role as a fiscal agent for the CCAs and RENs operating within its territory should be limited to collecting and disbursing funds under the direction of the Commission and should not include a compliance and monitoring function.

14. The budgets submitted by the PAs for 2028-2031 are reasonable forecasts of the revenue collections necessary for the energy efficiency portfolios in those years and should be approved, as adjusted in this decision.

15. PAs should continue to apply unspent and uncommitted funds from any prior portfolio cycles to offset budgets and collection for the subsequent portfolio cycle. Unspent and uncommitted funds should also be reported in the Energy Efficiency annual reports.

16. RCEA's proposal for R-REN meets the criteria outlined in D.12-11-015 and D.19-12-021 and should be approved. R-REN's program proposals, budgets, and funding authorizations in Table 6 are reasonable, in the public interest, and make a unique contribution to the state's energy efficiency goals.

17. R-REN should be required to submit three separate JCMs because of its geographic diversity and overlap with other PAs.

18. Commission staff require additional consulting and technical support resources in order to perform adequate portfolio oversight. $1 million annually in reimbursable funding from IOUs should be made available to Commission staff for this purpose.

19. For simplicity, it is reasonable to update the proportions for funding the CAEECC using the new statewide funding proportions, as shown in Table 1 of this decision.

20. It is reasonable for the CAEECC equity and market support metrics working groups to be re-engaged when new indicators, goals, or baselines, are needed for these segments of the portfolio.

21. It is reasonable to require the PAs to ensure adequate measurement and verification requirements in third party contracts to maintain the reliability of TSB results and other key program impacts.

22. It is reasonable to require the PAs to consult with partners to identify mutually beneficial approaches to verifying upstream and midstream installations to ensure key information is documented and tracked for upstream and midstream programs.

23. Because evaluations can cover multiple years and/or multiple cycles, it is reasonable for evaluation funds to be carried forward to pay for any authorized evaluation activity, to provide flexibility to use evaluation funds.

24. It is reasonable to update the IOUs' percentage contributions to evaluation invoice payments to reflect the IOUs' shares of the EM&V budget adopted by this decision.

25. It is reasonable to direct the IOUs to submit their monthly accounting information, as required by D.01-11-066, to CEDARS instead of to the assigned ALJ(s) and Energy Division, for greater transparency and posterity of this information.

26. It is reasonable to direct the PAs to describe how they have incorporated or otherwise addressed impact evaluation recommendations, for greater transparency and accountability to these recommendations.

27. It is reasonable to provide for and direct the completion of a non-energy benefits study to develop quantification/estimation methods for non-energy benefits from equity segment and non-equity segment programs for equity segment customers and for consideration in the equity goals development process.

28. PAs should be able to include energy savings from the installation of water efficiency measures in their TSB calculations.

29. PAs should be required to use NMEC, randomized control trials, SEM, or another meter-based method unless they are not feasible (including appropriateness for the program design) or cost-effective, in which case they should be required to explain why.

30. Because the primary purpose of equity segment programs is to serve hard-to-reach or underserved customers or disadvantaged communities, it is reasonable that equity segment programs must be designed and targeted to reach, serve and ultimately benefit hard-to-reach or underserved customers or disadvantaged communities.

31. In order to provide guidance for designing equity segment programs, it is reasonable to define an underserved customer, as follows:

- For the residential and public sectors, an underserved customer is a member of an underserved community, as defined by Pub. Util. Code Section 1601(e).
- For the commercial, industrial and agricultural sectors, a customer must be a member of an underserved community as defined by Pub. Util. Code Section 1601(e), and must also be an underserved business group as defined by Government Code Section 12100.63(h)(2) to be considered an underserved customer.

32. It is reasonable for PAs to propose inclusion of additional groups in the definition of underserved customers. Such proposals should be included in annual reports and must include (1) data (quantitative and/or qualitative) of how a group or category is being missed by the current definition, (2) a description or explanation of why this group or category should be considered underserved, and (3) how the PA proposes to integrate tracking of this group or category into new or existing indicators and metrics.

33. It is reasonable to modify the definition of "hard-to-reach" customers as follows:

> California Native American Tribes are hard to reach; California has a history of disenfranchisement and dispossession of California Tribes that has created barriers to providing programs and services, including energy efficiency programs to California Tribal communities. California Native American Tribes are defined consistent with the Commission's Tribal Consultation Policy, and any subsequent modification(s).
>
> Specific criteria were developed by staff to be used in classifying a customer as hard-to-reach. Two criteria are considered sufficient if one of the criteria met is the geographic criterion defined below. If the geographic criterion is not met, then at least three (other) criteria must be met. The exception is for California Native American Tribes, who do not need to meet any additional criteria.
>
> There are common as well as separate criteria when defining hard-to-reach for residential versus small business customers. The barriers common to both include:
>
> > Customers who do not have easy access to program information or generally do not participate in energy efficiency programs due to a combination of language, business size, geographic, and lease (split incentive) barriers. The common barriers to consider include:

- Geographic criterion –
  - Customers or customer premises in areas other than the United States Office of Management and Budget Combined Statistical Areas of the San Francisco Bay Area, the Greater Los Angeles Area and the Greater Sacramento Area or the Office of Management and Budget metropolitan statistical areas of San Diego County, or
  - Customers or customer premises in disadvantaged communities, as identified by the California Environmental Protection Agency pursuant to Health and Safety Code Section 39711.
- Language criterion – Primary language spoken is other than English.

For small business added criteria to the above to consider:

- Business Size – 25 or fewer employees and/or classified as Very Small (Customers whose annual electric demand is less than 20 kilowatts (kW), or whose annual gas consumption is less than 10,000 therm, or both), and/or
- Leased or Rented Facilities – Investments in improvements to a facility rented or leased by a participating business customer.

For residential added criteria to the above to consider:

- Income – Those customers who qualify for the California Alternative Rates for Energy, Energy Savings Assistance, or the Family Electric Rate Assistance Programs, and/or
- Housing Type – Multi-family and Mobile Home Tenants (rent and lease).

For the public sector, customers classified as "local government" that meet the geographic criterion above should also be considered hard-to-reach.

34. It is reasonable to direct PAs to provide explanation of program segmentation for their 2024-2027 portfolios.

35. The equity and market support segment objectives submitted by the CAEECC metrics working groups, as modified by this decision, are reasonable and should be approved.

36. The equity and market support segment indicators submitted by the CAEECC metrics working groups that are included in Section 7.6 of this decision are reasonable and should be approved.

37. The PAs should work with the Reporting PCG to develop a report addressing the questions in Section 7.7 of this decision related to demographic data.

38. The PAs should be required to set aside $1 million from the EM&V budgets for the market support and equity goal studies to be conducted by a vendor hired by one of the PAs by mutual agreement among them, with input from all PAs.

39. The PAs should set aside EM&V budget for one PA, by mutual agreement among them, to hire a vendor or vendors to conduct the AKAB surveys, in consultation with all of the PAs.

40. The IOU PAs, as well as MCE, should be required to make programs using market access approaches available to address residential and commercial downstream retrofit opportunities in their territories.

41. It is reasonable to permit each PA to set aside up to 2.5 percent, or $4 million, whichever is great, of its energy efficiency budget for the portfolio period, up to a maximum of $15 million, for ongoing load shifting that reduces peak consumption and is not event-based. IDSM programs that use NMEC

Rulebook guidelines should be proposed through Tier 3 advice letters submitted no later than March 15, 2024 for programs to be launched during 2024-2027.

42. Because SoCalREN represents a diverse area with a large number of underserved communities in its geographic area, it should establish a community-based design collaborative.

43. It is reasonable to direct the PAs to identify substantively similar programs among different PAs, and to describe the actions they have taken and will take to mitigate or minimize risks associated with program overlap or duplication.

44. REN programs that only meet the criterion of serving hard-to-reach customers should be designed to target, and market exclusively to, hard-to-reach customers or specific hard-to-reach customer segments.

45. IOUs should convey information of RENs' efforts to identify hard-to-reach customers or buildings to target marketing for overlapping REN programs to third-party bidders during the solicitation process of buildings with a potential to be served by both IOUs' third-party implementers and RENs.

46. To advance effective regional strategies and complementary program offerings, PAs should communicate with each other regularly in the course of administering their portfolios and preparing applications for future cycles; this regular communication is particularly important in light of the IOUs' solicitations, which could result in the launch of new programs at any time and potentially implicate existing programs offered by other PAs.

47. It is reasonable to modify the timing and submission of JCMs to more accurately reflect Commission approval of portfolios.

48. It is reasonable to require JCMs to be filed 60 days after the Commission's approval of the last of the JCM PA's true-up and mid-cycle advice letters.

49. The True-Up advice letter, required by the terms of D.21-05-031, will be impacted by the reassessment of energy efficiency potential and goals that is underway in R.13-11-005. Therefore, the due date for the True-Up advice letter in 2023 should be revised to be 60 days after the issuance of the decision by the Commission on energy efficiency potential and goals.

50. SDG&E's changes to its energy efficiency balancing accounts contained in its Application, Exhibit 2, pages 240 and 251-253, should be approved.

51. The proposals contained in SCE's Application Exhibit SCE-03, Attachment C at 117-118, to modify some compliance requirements to remove outdated references to annual budget advice letters, as well as other requirements no longer applicable because of the transition to third-party programs, should be approved.

O R D E R

IT IS ORDERED that:

1. This decision establishes ten approved energy efficiency portfolio administrators, in two categories, as follows:

   (a) Investor-Owned Utilities (IOUs): Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company; and

   (b) Non-IOUs: Marin Clean Energy, the Bay Area Regional Energy Network (REN), Inland REN, Rural REN, Tri-County REN, and Southern California REN.

The investor-owned utility portfolio administrators shall reflect the statewide contribution changes included in Tables 1, 2, and 3 of this decision in their True-Up advice letters due in 2023 according to Decision 21-05-031.

2. The portfolio administrators (PAs) must coordinate among themselves and propose a statewide program portfolio assessment process to review and

recommend changes to the portfolio of statewide programs. This proposed assessment process shall be included in the PAs' portfolio applications to be filed in 2026 or may be filed as a motion in Rulemaking 13-11-005 or its successor, if the proposal is ready before the next portfolio application filing.

3. The Bay Area Regional Energy Network (BayREN) shall be the statewide administrator of a new Home Energy Score program to be funded by an additional $9.9 million between 2024 and 2027, as included in the budgets approved in Tables 7 and 9 of this decision. By no later than July 1, 2026, BayREN shall submit a Tier 2 advice letter with details of the statewide plan.

4. If a new community choice aggregator (CCA) elects or applies and is approved to administer energy efficiency funding (pursuant to Public Utilities Code Section 381.1), or a new regional energy network (REN) is approved, after the investor-owned utilities' (IOUs') budgets are established for the four-year portfolio period, the impacted IOUs' budget caps shall be increased commensurate with the budget approved by the Commission for the CCA or REN. The IOUs shall record the additional collections in their existing energy efficiency balancing accounts.

5. The budgets for the energy efficiency program portfolio period 2024-2027 are approved in Table 7 of this decision. The electric/gas splits for 2024-2027 are approved as filed by the dual fuel utilities. The investor-owned utility portfolio administrators may collect and distribute the four-year total included in Table 9 of this decision for the portfolio period 2024-2027, after accounting for unspent and uncommitted funds and other authorized collections from their approved General Rate Cases.

6. The portfolio administrators may use the budget forecasts in Table 8 of this decision for planning purposes and revenue requirements for 2028-2031.

7. In general, unspent and uncommitted funds from one portfolio cycle shall offset budgets and collections in the subsequent portfolio cycle for all portfolio administrators. For any unspent and uncommitted funds, portfolio administrators shall:

   (a) use any unspent and uncommitted funds from prior approved portfolio periods, with the exception of funds required to be sent to the California Energy Commission according to Assembly Bill 841 (Stats. 2020, Ch. 372), to offset budget and collection needs during the 2024-2027 portfolio period approved in this decision; and

   (b) report any funds collected and spent over the four-year portfolio cycle, annually and cumulatively, and any unspent funds applied to offset collections in subsequent years in the annual reports.

8. The proposal for a Rural Regional Energy Network (R-REN) filed by the Redwood Coast Energy Authority is approved and funded as detailed in Tables 5 and 6 of this decision. R-REN shall submit three separate joint cooperation memos (JCMs):

   (a) A JCM with Pacific Gas and Electric Company (PG&E) (for the North Coast);

   (b) A JCM with PG&E and Tri-County Regional Energy Network (for the Central Coast); and

   (c) A JCM with PG&E, Southern California Edison Company, Southern California Gas Company, and Southern California Regional Energy Network (for the San Joaquin Valley and High Sierra).

9. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall make available to Commission staff $1 million annually in reimbursable funding for purposes of portfolio oversight consulting and technical support, in the same manner as evaluation, measurement, and verification funding is currently

budgeted. The funding shall be used for the purposes described in Section 5.1 of this decision.

10. This decision supersedes Decision 15-10-028 with respect to funding allocations for the California Energy Efficiency Coordinating Committee (CAEECC): Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Edison Company, and Southern California Gas Company shall apply the new statewide funding allocations as shown in Table 1 of this decision, with 80 percent of funds based on electric load share and 20 percent of funds based on gas load share percentages. CAEECC's funding source shares shall be adjusted based on updates to the statewide program allocations in future decisions.

11. The portfolio administrators shall jointly submit a Tier 2 advice letter by no later than May 1, 2024 clarifying all of the indicators adopted in this decision, including any modifications from metrics and indicators adopted in Decision 18-05-041, and identifying information that could be used as baselines for future targets or methodologies for how the indicator information can be used as baselines.

12. Within 90 days after the issuance of this decision, the portfolio administrators shall modify existing contracts and their standard contract terms to ensure adequate measurement and verification requirements, such that source data can be tracked and verified per Section 5.3.1 of this decision.

13. Portfolio administrators shall ensure adequate measurement and verification requirements in third-party contracts for all segments, such that source data can be tracked and verified. Each portfolio administrator shall identify and describe the approaches they will take to verify upstream and midstream installations, beginning with the annual reports due in 2025; such

description shall also document the consultation conducted with partners and Commission staff to identify these approaches.

14. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company's percentage contribution to evaluation invoice payments shall be updated to their respective percentage of the evaluation, measurement and verification budget adopted by this decision.

15. This decision supersedes Decision 01-11-066 with respect to submission of monthly accounting information by Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company, (collectively the IOUs). In lieu of submitting the required monthly accounting information to the assigned Administrative Law Judge(s) and Energy Division, the IOUs shall submit their monthly accounting information to the California Energy Data and Reporting System.

16. Beginning with the mid-cycle budget advice letter submissions due in 2025, all portfolio administrators shall include specific descriptions of how they have incorporated or otherwise addressed impact evaluation recommendations.

17. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company (collectively, the IOUs) shall select a study lead to, with input from a stakeholder working group including all portfolio administrators and oversight by Energy Division staff, conduct a non-energy benefits study to update and improve quantification of non-energy benefits as an indicator for equity segment program performance. The IOUs may expend up to $500,000 of evaluation, measurement and verification funds for this study.

18. Within 240 days after Energy Division staff provides notice to the service list of the formation of a stakeholder working group to inform the non-energy benefits study, Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall submit a joint Tier 1 advice letter detailing the non-energy benefits study's working group recommendations and next steps to begin the study.

19. Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall complete the non-energy benefits study by no later than October 1, 2026. Beginning with the Quarter 1 2028 quarterly report, the portfolio administrators must track and report non-energy benefit indicators for the equity segment.

20. For programs that meet all of the below characteristics, portfolio administrators shall now be required to use, as described in Section 6.2 of this decision, normalized metered energy consumption (NMEC), randomized control trials, strategic energy management, or another meter-based savings evaluation method, or otherwise the justify in the implementation plan why meter-based methods are not used for feasibility or cost-effectiveness reasons. These characteristics include:

(a) New programs approved by this decision launching on or after January 1, 2024, except for third-party programs for which the request for proposals or request for abstracts is issued prior to October 1, 2023;

(b) Uses a downstream (at the customer site) delivery approach;

(c) Is a resource acquisition retrofit program;

(d) Is in the residential or commercial sector; and

(e) Is eligible to use the NMEC rules (according to the NMEC Rulebook).

Feasibility is defined as the ability to use NMEC or another meter-based method in the following circumstances:

- The program meets the Commission's eligibility and intent for using NMEC, as expressed in Commission policy and/or the NMEC Rulebook (*i.e.*, program is for existing sites, does not use industrial processes, etc.);
- Required meter and other data is available and collection of this data does not unreasonably impede program operations; and
- Use of NMEC or another meter-based savings calculation methodology is appropriate for the program design.

NMEC measurement will be defined as cost-effective as long as the cost of the measurement and verification itself does not render the program non-cost-effective, and/or the value of using meter-based measurement (instead of other methods) is not exceeded by the cost of the measurement and verification.

If Commission staff finds, in the course of maintaining and updating the NMEC Rulebook, that the feasibility and cost-effectiveness definitions need to be modified, Commission staff will bring this issue into the energy efficiency rulemaking (R.13-11-005 or its successor) for further Commission guidance.

21. Portfolio administrators shall complete and submit the Program Segmentation Justification, included in Attachment A, as a functional Excel spreadsheet in the California Energy Data and Reporting System "Documents" page alongside their Quarter 2 2024 Quarterly Claims reports.

22. The objectives and indicators for the equity and market support segments of the portfolios, as listed in Sections 7.5 and 7.6 of this decision are adopted.

23. Portfolio administrators shall work with the Reporting Policy Coordination Group to jointly submit a report addressing the demographic

questions in Section 7.7 of this decision by no later than September 1, 2025. Based on analysis included in the report, the portfolio administrators shall propose, in their next portfolio proposals due in 2026, their preferred approaches to regular reporting of demographic energy efficiency program participation information.

24. Portfolio administrators shall develop indicators to measure community engagement, and should include them in their Mid-Cycle advice letters in 2025. After the advice letters are addressed by the Commission, the portfolio administrators shall report on the adopted community engagement indicators in their annual reports.

25. The portfolio administrators (PAs) shall set aside at least $1 million from their collective evaluation, measurement, and verification (EM&V) budgets and shall select one PA from among them to hire a vendor or vendors to conduct a study to set goals for the market support and equity segment indicators. By no later than March 1, 2025, the PAs must submit a joint Tier 3 advice letter that:

(a) Defines the process for proposing and adopting long-term market support and equity goals;

(b) Defines options for two or three goal constructs each for market support and equity segments, where a construct describes how to recognize success by:

  i. Demonstrating alignment with objectives;

  ii. Identifying which metric(s) or indicator(s) should be used for goals;

  iii. Whether goals should be set statewide, by territory, or by portfolio administrator;

  iv. Anticipated timeline for goal achievement; and

  v. Necessary baseline information.

(c) Defines what study or studies process is necessary to quantify goals, and propose a budget for each study from

the funding set aside from the EM&V budgets, as directed above.

The PAs shall propose a plan and budget to select one PA from among them to hire a vendor or vendors to conduct awareness, knowledge, attitude, and behavior surveys to inform baselines and progress by the portfolio administrators, as well as setting of targets and goals for the market support and equity segments of the portfolio. Funding for surveys shall come from the PAs' collective evaluation, measurement, and verification budgets. The selected PA shall submit a Tier 2 advice letter by August 1, 2024 describing the detailed plans for the study and conducting the surveys.

26. By no later than July 1, 2024, the investor-owned utility portfolio administrators (PAs) and Marin Clean Energy shall make available solicitations using market access approaches for residential and commercial downstream opportunities in their territories. These PAs shall also describe, in their market access Implementation Plans, how their market access offerings interact with the rest of their portfolios, such that third-party program implementers operating downstream retrofit programs are aware of the possible impacts of customers participating in market access offerings. If applicable, the description of the role of the market access approach in the portfolio shall also be included in any third-party advice letter submissions.

27. Portfolio administrators offering a market access approach or solicitation shall include a list of external funding sources beyond the energy efficiency portfolio funding, if any, in their energy efficiency annual reports.

28. Portfolio administrators may propose processes for customers to implement multi-distributed energy resource projects and receive rebates or incentives for non-energy efficiency integrated demand-side management

measures through their energy efficiency programs, by submitting Tier 3 advice letters no later than March 15, 2024. The advice letters shall include details of the use of non-energy efficiency funding, measurement approaches including any methods that will be used to ensure that impacts on consumption are not double-counted, and references to applicable rules and approved budgets from non-energy efficiency resource areas that will govern the distribution of those funds.

29. Portfolio administrators (PAs) may set aside up to 2.5 percent, or $4 million, whichever is greater, up to a maximum of $15 million, from within their total budgets during 2024-2027 approved in this decision to fund innovative integrated demand-side management projects, including ongoing load-shifting that is not event-based. Energy efficiency funding shall not be used for rebating capital costs of non-efficiency technologies, except as already provided for electric panel upgrades in Decisions 19-08-009 and 23-04-035.

30. Southern California Regional Energy Network shall submit a Tier 2 advice letter by September 30, 2025 containing the Community-Based Design Collaborative's developed process for funding community programs, and a plan for piloting the approach in 2026 and 2027 for potential statewide rollout later, and a process and plans for continuation of the community-based design collaborative if necessary. The advice letter shall address the factors discussed in Section 8.3 of this decision.

31. Southern California Regional Energy Network shall coordinate with the Community-Based Design Collaborative and with the other portfolio administrators to structure a process for community-based programs for all areas covered by the Commission's energy efficiency programs, for proposal in their 2028-2031 portfolio applications.

32. By no later than September 1, 2024, the portfolio administrators (PAs) shall submit a joint Tier 2 advice letter to provide information on substantively similar programs, and steps they have taken and will take to mitigate or minimize ratepayer risk of program overlap and duplication. The joint advice letter must provide:

(a) A comprehensive list of any substantively similar ratepayer-funded energy efficiency programs among the PAs.

(b) A clear statement of the issues or problems that result from program offerings identified in item (a).

(c) Definitions or clarifications of any jargon that PAs suggest specifying, in order to have a shared understanding of the issue or problems associated with substantively similar ratepayer-funded energy efficiency programs among different PAs. For example, the joint advice letter should propose definitions for "overlap," "duplication," and "precedence."

(d) Description of the risk to ratepayers of ratepayer-funded energy efficiency programs that "overlap" or are otherwise "duplicative" (as defined in response to Item (c), above) in some substantive way. What is the estimated dollar value of the risk? Describe how the value was calculated or assessed.

(e) Description of the actions, measures, etc. that PAs have taken thus far to identify and mitigate or minimize risks to ratepayers of substantively similar ratepayer-funded energy efficiency programs among different PAs, and any other issues identified in response to Item (b). Include, for instance, any agreed-upon criteria for determining program "overlap," "duplication," and/or "precedence," and what steps have been taken by each PA in cases where "overlap" or "duplication" was identified. Explain the effectiveness of each of these measures, actions, etc. in mitigating ratepayer risks, and identify and describe what issues remain unresolved.

(f) Description of how the PAs will effectively mitigate or minimize ratepayer risks associated with similar ratepayer-funded energy efficiency programs among different PAs through the joint cooperation memoranda or any other agreed-upon process or protocol.

33. Investor-owned utility (IOU) portfolio administrators must convey information to third-party bidders during the solicitation process, for buildings that have a potential to be served by both IOUs' third-party implementers and regional energy networks (RENs), about RENs' efforts to identify hard-to-reach customers or buildings to target for marketing of REN programs.

34. Bay Area Regional Energy Network, Southern California Regional Energy Network, Tri-County Regional Energy Network, and Rural Regional Energy Network shall, for programs that only meet the criterion of serving hard-to-reach customers, include in their Joint Cooperation Memoranda a description of how they will target (i.e., market and conduct outreach to) and to primarily serve hard-to-reach customers or specific hard-to-reach customer segments.

35. This decision supersedes Decision (D.) 18-05-041 and D.21-05-031 with respect to the timing and submission of Joint Cooperation Memoranda (JCM). Portfolio administrators must submit JCMs every two years, within 60 days after Commission approval of the last of each JCM's portfolio administrator's true-up advice letters and mid-cycle advice letters (as applicable), to the California Energy Data and Reporting System, with notice to the service list of Rulemaking 13-11-005 or a successor proceeding.

36. Application 22-02-005, et. al. is closed. Going forward, all outstanding energy efficiency portfolio oversight and policy issues shall be addressed in Rulemaking 13-11-005 or its successor.

37. The True-Up advice letter identified in Decision 21-05-031 as due on September 1, 2023 shall be due instead no later than 60 days after the Commission issues a decision updating the energy efficiency potential and goals in Rulemaking 13-11-005.

38. San Diego Gas & Electric Company is authorized to make the changes to its energy efficiency balancing accounts as described in its Application, Exhibit 2, pages 240 and 251-253.

39. Southern California Edison is authorized to make the changes contained in its Application Exhibit SCE-03, Attachment C at 117-118, to modify some compliance requirements to remove outdated references to annual budget advice letters, as well as other requirements no longer applicable because of the transition to third-party programs.

40. Any policy proposals contained in the applications of the portfolio administrators (PAs) that are not discussed in this decision are denied. Program-specific proposals in the PA applications should follow existing requirements for approval and development of implementation plans.

This order is effective today.

Dated _____, at San Francisco, California.

ATTACHMENT A

Program Segmentation Justification Template

Attachment A:

Program Segmentation Justification Template

PA	Program Name	Program ID	Market Sector	Program Segment	Brief description of rationale for program segmentation	Metric / Indicator Identification - ID each metric and indicator for which the program will contribute segment progress information (If multiple metrics/indicators, repeat line item data in full with new metric described on each line. No other cell info should change except the metric identification)

(END OF ATTACHMENT A)