

PUBLIC UTILITIES COMMISSION

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Date: July 27, 2023

To: Pacific Gas and Electric Company (PG&E)

From: Rashid Mir and Peter Biermayer, California Public Utilities Commission (CPUC)

Cc: R.13-11-005 Service Lists

Subject: MID-YEAR FEEDBACK - 2023 EX ANTE REVIEW (EAR) PERFORMANCE

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Pursuant to Decision (D).13-09-023, D.15-10-028, D.16-08-019, and D.20-11-013, California Public Utilities Commission (CPUC) staff and consultants are providing the 2023 Ex Ante Review (EAR) Performance Mid-year Feedback on the investor-owned utilities (IOUs) respective activities as of June 30, 2023. D.20-11-013 placed a moratorium on EAR awards¹ but directed that ex ante review scoring and evaluation processes shall continue. The mid-year feedback focuses on specific accomplishments and issues or concerns identified as part of ongoing measure package and custom project reviews. This feedback will help the IOUs address these issues for the remaining year.

I. CPUC Staff Findings 2023 Mid-year Activities Feedback

The following sections of this memorandum provide a description of the findings, including areas of achievement and areas requiring improvement for both custom projects and measure packages review activities.

A. Custom Projects Review Overview

1. Summary of 2023 Mid-year Achievements

This feedback is based on twenty-four CPUC staff project review dispositions issued between January and June 2023. PG&E continues to demonstrate efforts to improve its performance. CPUC Staff's observations include:

- **Collaboration.** PG&E continues to proactively engage with CPUC staff on project and policy issues during its bi-monthly meetings with CPUC and at statewide custom projects collaboration meetings.

2. Summary of Areas Requiring Improvement

Areas that were most problematic, frequent, and/or need improvement include:

- **Process, Policy, and Program Rules.** In the first half of 2023 there were thirty-four issues related to Process, Policy, and Program rules which comprised 40 percent of all issues noted. The issues noted spanned many different action categories but primarily concerned errors relating to incremental measure costs, EULs/RULs, standard practice baselines, self-generation, incorrect measure application type and not following previous CPUC guidance.
- **Gross savings impacts.** In the first six months of 2023, twenty actions impacted gross savings, the majority of which were related to analysis assumptions, M&V plan or calculate methods. PG&E must make significant efforts to perform quality control on analysis assumptions and calculations to uncover issues prior to submitting for review.
- **Missing documentation.** Eleven of the twenty-four dispositions issued in the first half of 2023 had documentation issues. Six of these projects were missing required information or documentation. The missing information can make replication of results difficult. PG&E must improve their QC process to ensure all necessary documentation is included with project submittals.

¹ The EAR awards were part of the Efficiency Savings and Performance Incentive (ESPI) awards.

- **Late submissions.** In the first half of 2023, PG&E had two projects (8 percent) submitted past the 15-days required by Senate Bill (SB) 1131 and must make efforts to improve submitting documents on time to avoid a loss of EAR points at the end of the year.

B. Measure Packages Review Overview

1. Summary of 2023 Mid-Year Achievements

PG&E continues to demonstrate efforts to improve its performance. CPUC staff observed improvements in PG&E's development and management of measure package submissions in the following areas:

- **Timeliness.** PG&E is timely with their measure package submissions and promptly communicates any delays in submission or resubmission.
- **Quality Assurance (QA)/Quality Control (QC) and Development.** PG&E has improved their QC process with new submissions collaborating with CPUC staff and reviewers, particularly in the measure package development phase.

2. Summary of Areas of Improvement

CPUC staff highlights the following recommendation for improvement which is centered on the quality of measure package submissions:

- **Due diligence.** PG&E should continue to focus on QA/QC practices to avoid minor typos and inconsistent language in measure packages.

II. Discussion

The following sections of this memorandum provide a detailed description of the findings, including, areas of achievement and areas requiring improvement for both custom projects and measure packages.

A. Custom Projects Performance Review

Each year, CPUC staff reviews a selected sample of custom project energy efficiency program applications. The review findings and directions to the IOUs are presented in documents referred to as "dispositions". This feedback is based on twenty-four CPUC project review dispositions issued between January and June 2023.

The comments below are organized by the five metric areas prescribed in D.16-08-019. No scores are provided for these metrics in the mid-year memo. All feedback provided at this time is qualitative.

1. Timeliness of Submittals

PG&E has had some issues complying with SB1131 guidelines in the first half of 2023. CPUC staff

noted two out of the twenty-four projects receiving dispositions (8 percent) that were uploaded past the 15 business days requirement. The remaining twenty-two projects that were submitted were uploaded on time, with thirteen projects (54 percent of all projects receiving dispositions) being uploaded 5 or more days before the due date. Although PG&E is improving with respect to the number of projects being submitted early, they continue to struggle with meeting CPUC requirements for timeliness and must make efforts to upload project documentation before the deadline to avoid a loss of EAR points under this metric.

2. Content, Completeness, and Quality of Submissions

Out of the twenty-four project dispositions issued in the first six months of 2023, sixteen projects had issues related to process, policy, and program rules (40 percent of the actions identified fell into this category). Some of the issues identified were problems with the estimate of EUL/RUL, definition of the project measure type, and incorrect baseline assumptions. PG&E must work to prevent these issues related to program policy and rules from occurring on future project submissions to avoid a significant loss of EAR points under this metric.

PG&E also had nine projects that had documentation issues (18 percent of the actions were in this category). Most of these issues had to do with missing documents for the project, as well as requests for resubmittal of the project after installation. PG&E must take action to acquire and provide all relevant documentation to avoid a significant loss of EAR points under this metric at the end of 2023.

Eight of the twenty-four PG&E dispositions also had issues related to net impacts. These issues were primarily related to insufficient documentation or no evidence of program influence being submitted with project reviews. PG&E must ensure that future project submissions include adequate program influence documentation such as what the customer would have likely done absent the program, alternative viable options to the installed measures, resource constraints the customer faces, and factors that motivated the customer to complete the project.

Table 1 below summarizes the eighty-five action items identified across twenty-four dispositions issued between January 1, 2023, and June 30, 2023.

Table 1: Summary of Categorized Action Items for Custom Projects

Issue Area	Action Categories	Summary of CPUC Staff Required Action by the PA:	Summary of CPUC Staff Notes or Instructions:	Percent of Total Actions
Issues Related to Gross Savings Impacts	Analysis assumptions	11	6	13%
	Calculation method	4	1	5%
	Calculation tool	1	0	1%
	M&V plan	4	1	5%
	Subtotals	20	8	24%

Process, Policy, Program Rules	Baseline	5	1	6%
	CPUC Policy	4	1	5%
	Did not follow previous CPUC guidance	3	0	4%
	Eligibility	1	0	1%
	ER preponderance of evidence	2	0	2%
	EUL/RUL	4	1	5%
	Incentive calculation	0	1	0%
	Measure cost	5	1	6%
	Measure type	3	0	4%
	PA program rules	2	0	2%
	Self generation	5	0	6%
	Subtotals	34	5	40%
Documentation Issues	Continue Document Upload	6	0	7%
	Missing Documents	6	0	7%
	Missing required information	1	1	1%
	Project scope unclear	2	0	2%
	Subtotals	15	1	18%
Issues Related to Net Impacts	Program influence	10	3	12%
	Subtotals	10	3	12%
Other Issues	Other 1 - Update savings/incentives for next quarterly submission	0	2	0%
	Other 2 - Document reasons for screening out of the OBF-AP program	2	0	2%
	Other 3 - Customer will not see the savings used for the OBF loan	0	1	0%
	Other 4 - Incentives incorrect in BMU	0	1	0%
	Other 5 - Unclear why prior phase of the project was a good fit for the OBF-AP program model	1	0	1%
	Other 6 - Inadequate repair and maintenance plan based on NMEC BRO measure requirements	1	0	1%
	Other 7 -Incorrect kWh savings in BMU	1	0	1%
	Other 8 - For fractional savings, the M&V plan considers the lighting measures' savings from the "Lighting Savings Calcs OBF" spreadsheet, not the MLC.	0	1	0%
	Other 13 - Incorrect project address in BMU	1		1%
	Subtotals	6	5	7%
Grand Total	85	22	100%	

3. Proactive Initiative of Collaboration

CPUC staff found that PG&E made efforts to bring measures, projects, or studies forward for discussion prior to review. They are working closely with CPUC staff on one Early Opinion² that will expand Residential New Construction programs. In addition, they continue to take an active and engaged role in statewide collaboration efforts. PG&E worked on streamlining the small lighting EO by collaborating with the other IOUs.

4. PA's Due Diligence, Quality Assurance, and Quality Control (QA/QC)

Project and measure level disposition performance results reviewed under Metric 2 are used as a proxy for the level of QA/QC occurring by the PA. As noted above, PG&E had a significant number of deficiencies related to gross savings impacts, policies and net impacts during the first six months of 2023 showing a lack of effectiveness of their QC processes. Additionally, the number of dispositions proceeding without exception is weighed against those approved with exceptions or resulting in rejections. Out of the twenty-four dispositions issued from January to June 2023, eleven projects received advisory dispositions and one project received a prospective review disposition. Of the remaining twelve projects with issued dispositions, two projects (17 percent of remaining projects) proceeded without exception, eight projects (67 percent) were allowed to proceed with exceptions as noted, and two projects (17 percent) were rejected. With 17 percent of applications being rejected and 67 percent of applications proceeded with noted exception, PG&E must continue to improve their QC processes over the remainder of 2023 to avoid a significant loss of EAR points under this metric.

5. PA's Responsiveness

When reviewed at the portfolio level, CPUC staff assesses the time series of rejections and exceptions, the alignment of program policy and procedures with the number of actual rejections and exceptions based on eligibility and attribution, and the adaption to changes in rules over time.

For dispositions issued in the first six months of 2023, CPUC staff found that projects had a slight downward trend in terms of project performance over time (i.e. project submissions resulted in more rejections or exceptions over time). If this trend continues, PG&E's EAR performance for this metric by the end of 2023 may be scored lower than expected.

B. Measure Packages Performance Review

PG&E had one measure package disposed in the first half of 2023 and has one measure package currently under review.

The comments below are organized by the five scoring metric areas created in D.16-08-019. The narrative includes observations related to the measure package development process as well as direction for future measure packages.

² Early Opinion reviews allow the PAs to request clarification from CPUC staff of custom project related CPUC policies or rules before submitting a project.

Specific measure package feedback is provided in tables in Attachment A, at the end of this document. The first table, the Measure Package Reviews provides feedback on the submitted measure package that was reviewed and disposed of during the review period. The second table, the Measure Package Submissions lists all the measure packages submitted by PG&E during the review period and their status. The CPUC staff acknowledges that measure package development may have been supported by multiple PAs; however, at the time of this mid-year review, feedback is directed to the submitting PA, with the assumption that they have led the development.

1. Timeliness of Submittals

PG&E has been timely with measure package submissions and responses to comments through the measure log. PG&E should continue to share timeline updates with CPUC staff during monthly calls.

2. Content, Completeness, and Quality of Submissions

PG&E's measure package content and completeness has generally met standards in the first half of the year. The Lifecycle Refrigerant Management measure package (MP) was approved without any comments from CPUC staff. The Lifecycle Refrigerant Management measure package plan (MPP) review went through two reviews with many comments from CPUC staff. CPUC staff and the measure developer team scheduled a final call to walk-through the comments and confirm what comments the CPUC staff needed to see incorporated into the measure package. The MPP comments were incorporated succinctly and clearly in the final MP submission for CPUC staff review.

3. Proactive Initiative of Collaboration

PG&E reached out to collaborate with CPUC staff during the measure package plan and measure package development stage of two new measures packages: All-Electric Homes, Residential, New Construction and Lifecycle Refrigerant Management, Residential. PG&E discussed the changes during their monthly meeting with CPUC staff and made their team available for ad-hoc meetings to discuss in more detail when needed. In addition, PG&E worked closely with CPUC staff to implement the long-term water energy nexus solution for the Commercial Ice Machine measure package.

4. PA's Due Diligence, Quality Assurance, and Quality Control (QA/QC)

PG&E has shown increased attention to their due diligence, quality assurance, and quality control practices in the first half of 2023. PG&E has continued efforts to conduct an ISP study on Clean Water Pumps and VFD measures to bring into future measure package submissions.

5. PA's Responsiveness

PG&E has generally been responsive to CPUC staff comments and has met the expectations of CPUC staff guidance, especially with the collaborative effort with other IOUs to comply with CPUC Decision D. 23-04-035 for Natural Gas Incentives.

III. Attachments

Attachment A: Measure Package Feedback contains the measure package summary tables showing the qualitative components for each.

Questions or comments about the feedback should be directed to Rashid Mir (rashid.mir@cpuc.ca.gov) or Peter Biermayer (peter.biermayer@cpuc.ca.gov). Note that pursuant to D.13-09-023, CPUC staff will schedule a meeting with PG&E in August to discuss this memorandum.

Attachment A: Measure Package Feedback

The table below lists the ID numbers associated with each measure package submission or disposition. The PA may refer to the individual dispositions for more detailed descriptions of the specific actions staff required for each measure package. The qualitative feedbacks are designated as follows:

Measure Package Review – All Disposed in 2023			
SW MP ID	Rev	Title	Comments
SWSV014	1	Lifecycle Refrigerant Management, Residential	New measure package approved without any comments.

Measure Package Submittals – All Submitted in 2023		
SW MP ID	Title	Comments
SWSV014-01	Lifecycle Refrigerant Management, Residential	Interim approval.
SWWB008-01	All-Electric Homes, New Construction, Residential	Detailed review in progress.