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Efficiency + Demand Management

COUNCIL

Advancing Our Clean Economy

Monthly Member Readout

March 7, 2025

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Today's Agenda

- **Issues/Topics**
  - EM&V Forum - Survey Results
  - CPUC response to Executive Order N-5-24
  - Presentation by Public Advocates Office at Senate Utilities & Energy Oversight Hearing
  - CEDMC All Member Call - Energy Efficiency Industry at Risk in California
  - CAISO Demand & DEM Integration WG update (mPDR progress)
  - Recent Filings

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EM&V Forum Survey Results

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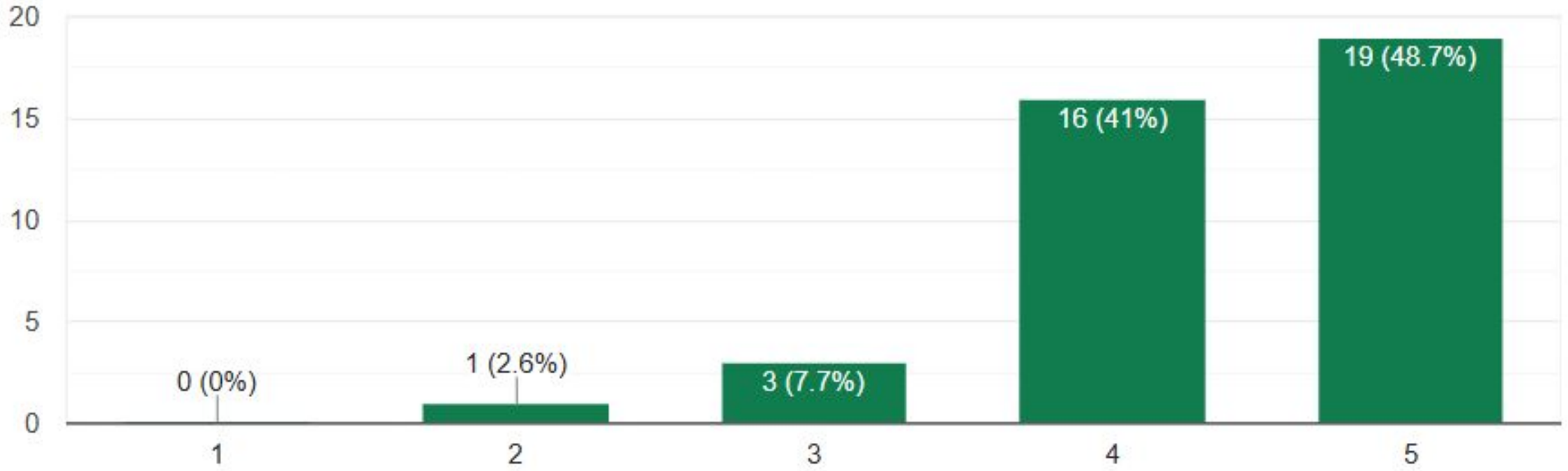
2. Using a scale of 1 to 5, how likely are you to recommend the next CEDMC event to a colleague?

Copy chart

39 responses



EM&V Forum Survey Results

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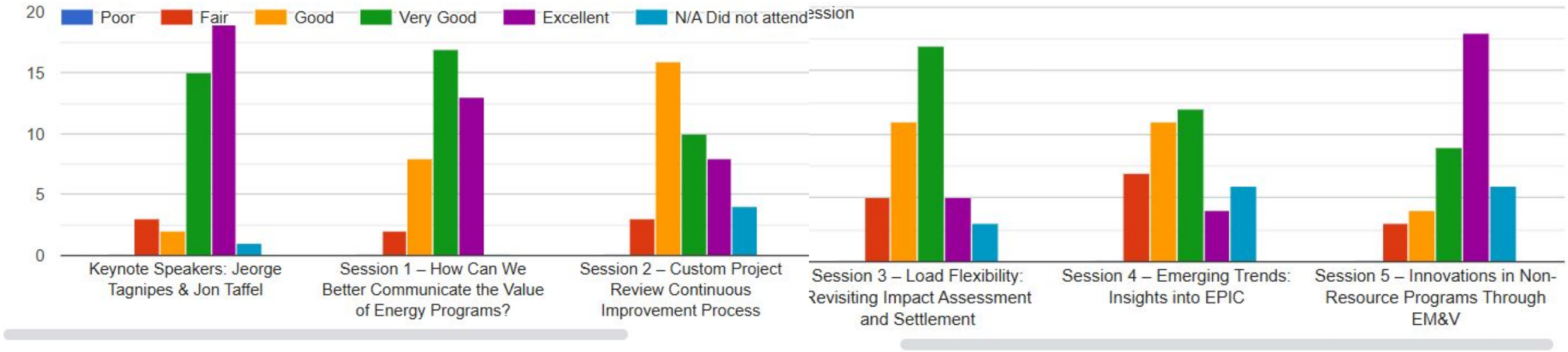
4. Please rate the following EM&V Forum Agenda Items



CPUC Releases Response to Gov. Newsom's Executive Order N-5-24.

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On February 18, the California Public Utility Commission (CPUC) released its response to Governor Newsom's Executive Order N-5-24. The Governor's Executive Order sets forth an imperative to mitigate the rising costs of electricity service in California.

The CPUC identifies three areas that present opportunities to control costs and reduce electricity bills: first, identifying opportunities to control utility spending growth; second, identifying any opportunities for cost-sharing; and third, implementing equitable rates to recover approved costs for wildfire mitigation, public purpose programs, and the fixed costs of the grid.

Section 1 - Response to Executive Order Request to Review Programs

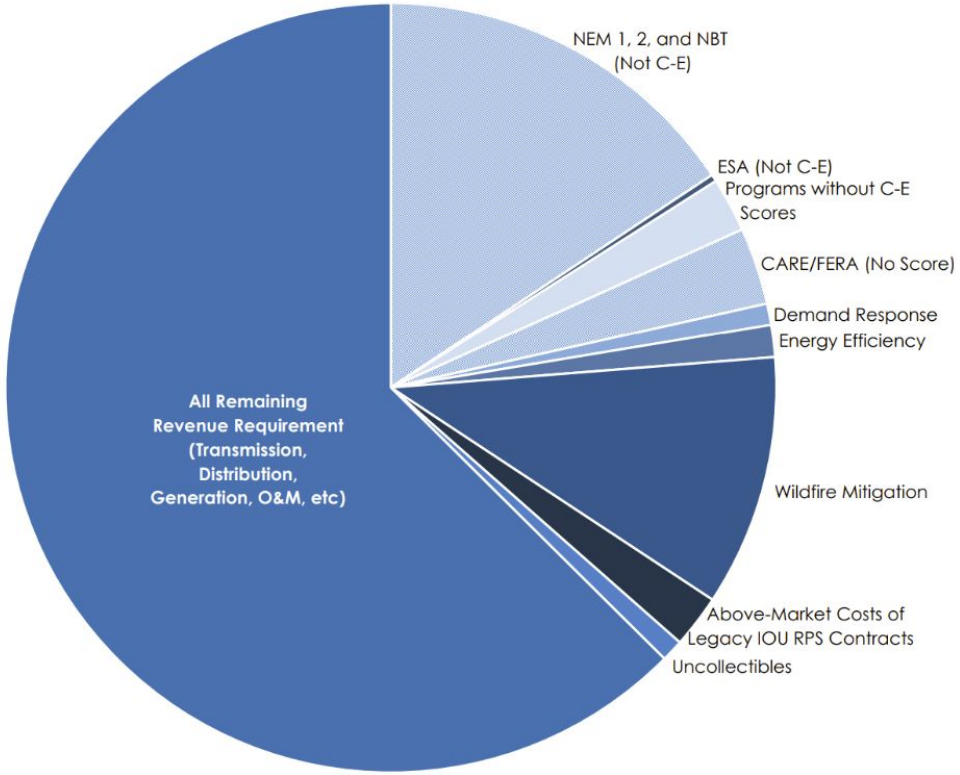

Figure 3 shows the contribution to rates of programs funded through electric IOU revenues. Note that this figure conflates the cost shifting (indicated by textured wedges) visualized in Figure 2 with direct costs like the expense of purchasing energy from biomass incinerators in the BioMAT and

CPUC response to Executive Order N-5-24

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- On 2/18, the CPUC issued its Response to Executive Order N-5-24 which was signed by Governor Newsom on 10/30/24 addressing the state's energy affordability crisis. The EO:
  - Requests CPUC identify underperforming programs and return any unused energy program funds to customers receiving electric and gas service from IOUs
  - Requests CPUC evaluate whether its rules and orders may be unduly adding to electric rates or whose funding might more appropriately come from a source other than ratepayers
  - Requests CPUC pursue, and direct IOUs to pursue, all federal funding opportunities that can help reduce electric rates
  - Directs CEC to identify underperforming programs and whether any unused funds can be returned to ratepayers
  - Directs CARB to work with the CPUC to determine ways to maximize the California Climate Credit
  - Directs Office of Energy Infrastructure Safety and requests CPUC evaluate utility wildfire safety oversight practices and ensure that utility investments and activities are focused on cost-effective wildfire mitigation measures

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CPUC response to Executive Order N-5-24 (cont.)

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- Key strategies that address costs to save ratepayers money
  - **All energy-related mandates should be assessed for overall cost-effectiveness with the goal of achieving the lowest possible rates for all customers of each utility**
  - Supplement essential wildfire mitigation programs and extreme weather-related catastrophic event response costs with other sources of funding
  - Identify cost-reduction measures by integrating wildfire mitigation strategies into the existing General Rate Case process
  - **Equitable rate structures: Refine the elements of Net Energy Metering so that all customers share wildfire mitigation, public purpose programs and system costs**
  - **Redistribute the Climate Credit to customers most impacted by increasing electricity costs**
  - **Fund today's and future cost-shifting programs from non-ratepayer sources**
  - **Ensure that programs benefitting all electric customers are supported by all customers, including customers of publicly-owned utilities**

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CPUC response to Executive Order N-5-24 (cont.)

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- Key statements and assertions
  - "Likewise, the grid is built to efficiently share electricity generation but must also be sized to meet the highest potential demand. Accordingly, **using less energy does not always result in cost savings**. While guaranteed load reduction measures are increasingly valuable at times of high usage, **at other times, more load can mean lower rates**."
  - "Broadly, **ratepayer bills are rising because of**: wildfire risk reduction surrounding utility infrastructure, **inequitable rate structures, programs that require energy procurement that is not needed or is not competitively priced**, and **programs that provide bill reductions or discounts to one group of ratepayers**, thus leaving other customers with a larger share of overall costs."
  - "The Legislature can also **take statutory action to repeal or significantly revise mandated electricity programs that result in ratepayer costs that are higher than necessary** for safe, reliable, clean electricity."
  - "Under the current cost allocation structure, **some advantaged customers pay less than their share of operational and capital costs while disadvantaged customers pay more than their share of both**, especially because more advantaged customers have benefitted from the NEM subsidies paid by all other customers."
  - "Because most operational and capital costs are fixed in advance and allocated on an annual basis, **any program that provides rate relief for one customer group results in a shift of operational and fixed costs to another**. The second group gets a rate increase, while the first group gets a rate or bill decrease."
  - "**Net Energy Metering (NEM) program costs are one of the largest contributors to rising electricity rates for customers that do not have rooftop solar.** According to the Public Advocates Office, the NEM program's and the Net Billing Tariff's (NBT) combined $8.5 billion cost shift constitutes 21-27% of the average non-participating customer's bill."
  - "**Cost effectiveness is a heavily contested concept.** Two approaches have the most direct relevance to rates: the Ratepayer Impact Measure, which identifies the extent to which savings for one customer shifts costs to another, and the Total Resource Cost test, which measures financial costs and benefits to all ratepayers and the utility."

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CPUC response to Executive Order N-5-24 (cont.)

- Detailed response summary
  - Program review
    - Fund the NEM and NBT cost shift from non-ratepayer sources
    - Reduce the NEM and NBT cost shift
      - Shorten legacy periods
      - Tie compensation for excess generation from PV systems to rates in effect when NEM customers interconnected
      - Establish a grid benefits charge for NEM and NBT customers
      - Tying legacy periods to the customer, not the system
    - Use stable non-ratepayer funds to increase the CARE and FERA discount
    - Fund other programs from a non-ratepayer source
    - Fund any future cost-shifting programs from non-ratepayer sources
    - Use existing review process of utility spending
    - In a program benefits all electric customers, all electric customers should contribute
    - Prioritize the needs of ratepayers

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CPUC response to Executive Order N-5-24 (cont.)

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- Detailed response summary (cont.)
  - Actions to be taken under CPUC authority
    - Open an energy efficiency rulemaking
    - Move toward incorporating a greater share of costs into General Rate Cases for holistic review and decision making
    - Evaluate new programs for cost-effectiveness
    - Improve risk-informed spending
    - Consider re-prioritizing transportation electrification spending by focusing on critical grid investment and pausing $1 billion in new ratepayer charges
    - Approve lower-cost wildfire risk mitigation methods where appropriate
    - Identify programs meeting the following criteria:
      - Programs that require ratepayers to purchase energy from specific generation types that are not competitive with alternative RPS-eligible resources (may require legislative action)
      - Return unused program funds to ratepayers
    - Continually improve the efficiency of the CPUC's administrative process

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CPUC response to Executive Order N-5-24 (cont.)

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- Detailed response summary (cont.)
  - Ways to improve the effectiveness of the California Climate Credit
    - Allocate the Climate Credit to all customers who receive the CARE benefit and to customers without rooftop solar who are paying for those who have it
    - Pay the Climate Credit as a volumetric electricity rate reduction
  - Ways to reduce wildfire mitigation costs
    - Fund these investments from non-ratepayer sources
    - Improve transparency and coordination of cost approval processes, undergrounding, and fuel treatment efforts
    - Amend the PUC to require utilities to integrate wildfire mitigation costs into the GRC instead of a stand-alone activity to allow greater oversight of costs
  - Pursuing Federal funding opportunities
    - Resolution E-5254 approved to support IOU efforts to pursue Federal funding opportunities
    - IOUs have received multiple letters from President Reynolds directing them to pursue all available funding opportunities

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Presentation by Public Advocates Office Testimony at Senate Utilities & Energy Oversight Hearing

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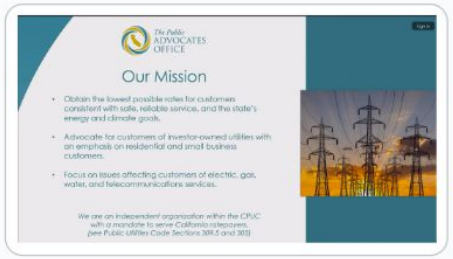

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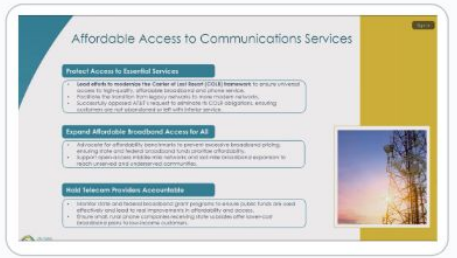

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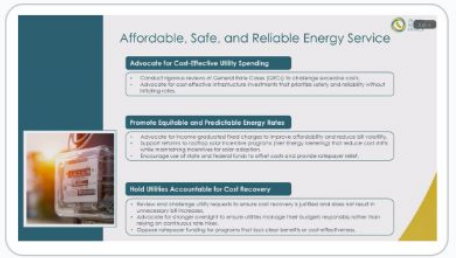

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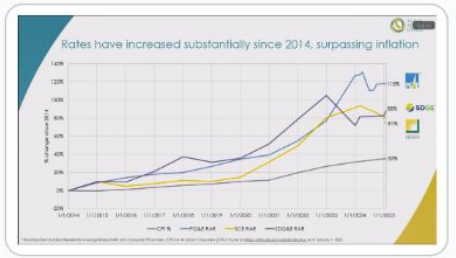

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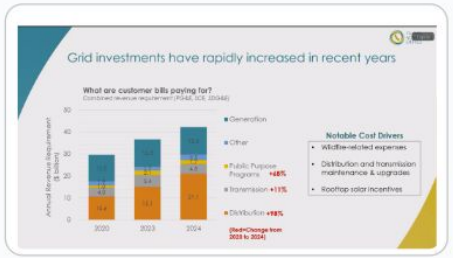

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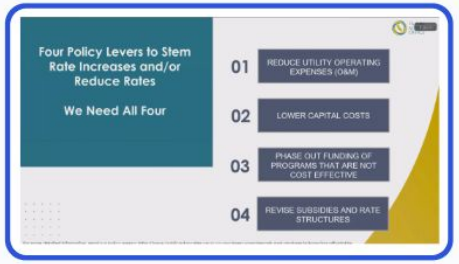

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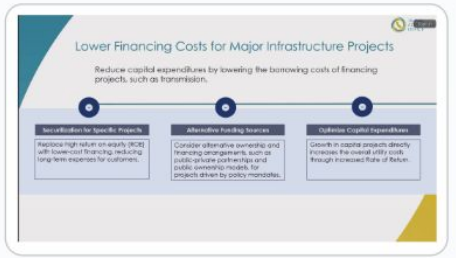

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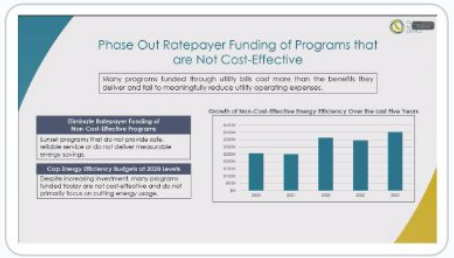

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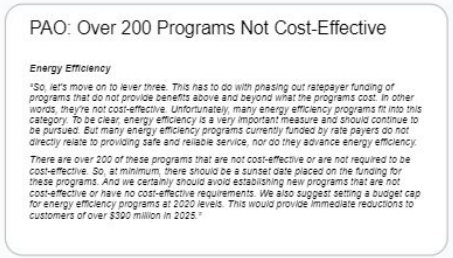

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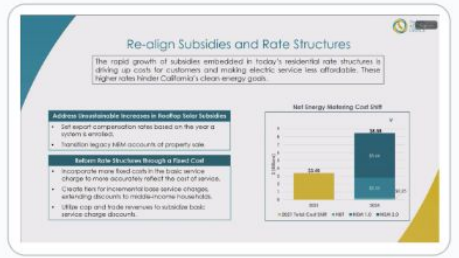

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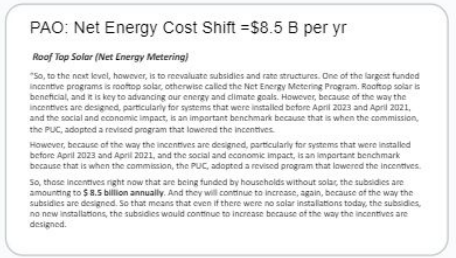

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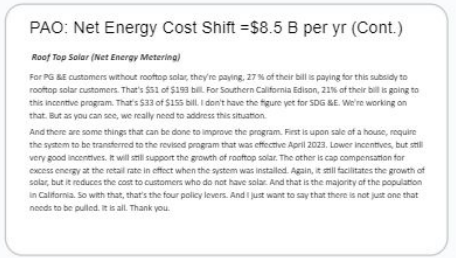

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[Link to full presentation]

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The Public Advocates Office
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Phase Out Ratepayer Funding of Programs that are Not Cost-Effective

Many programs funded through utility bills cost more than the benefits they deliver and fail to meaningfully reduce utility operating expenses.

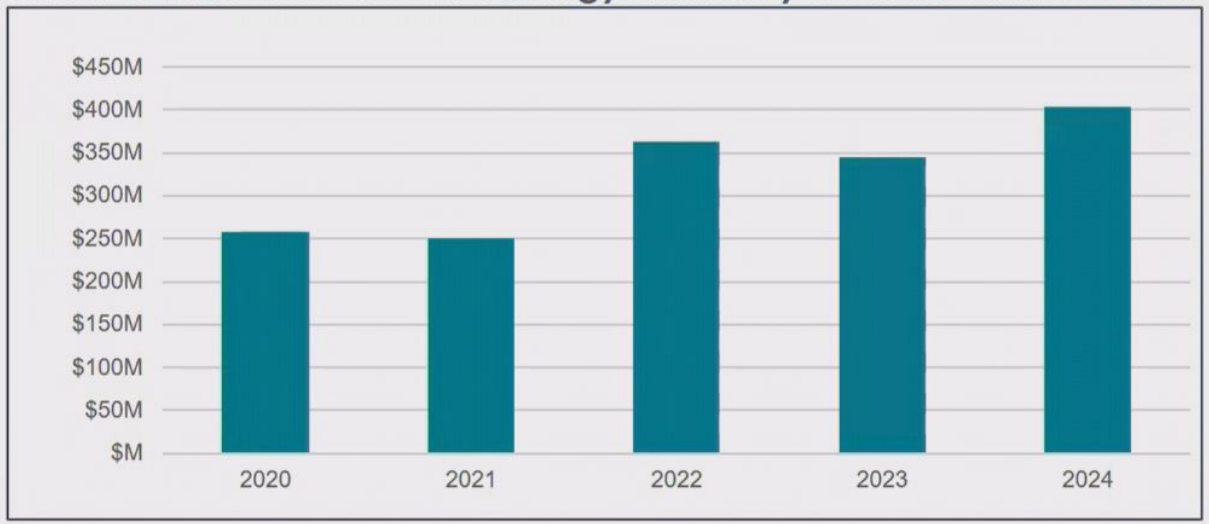
Eliminate Ratepayer Funding of Non-Cost-Effective Programs

Sunset programs that do not provide safe, reliable service or do not deliver measurable energy savings.

Cap Energy Efficiency Budgets at 2020 Levels

Despite increasing investment, many programs funded today are not cost-effective and do not primarily focus on cutting energy usage.

Growth of Non-Cost-Effective Energy Efficiency Over the Last Five Years



PAO: Over 200 Programs Not Cost-Effective

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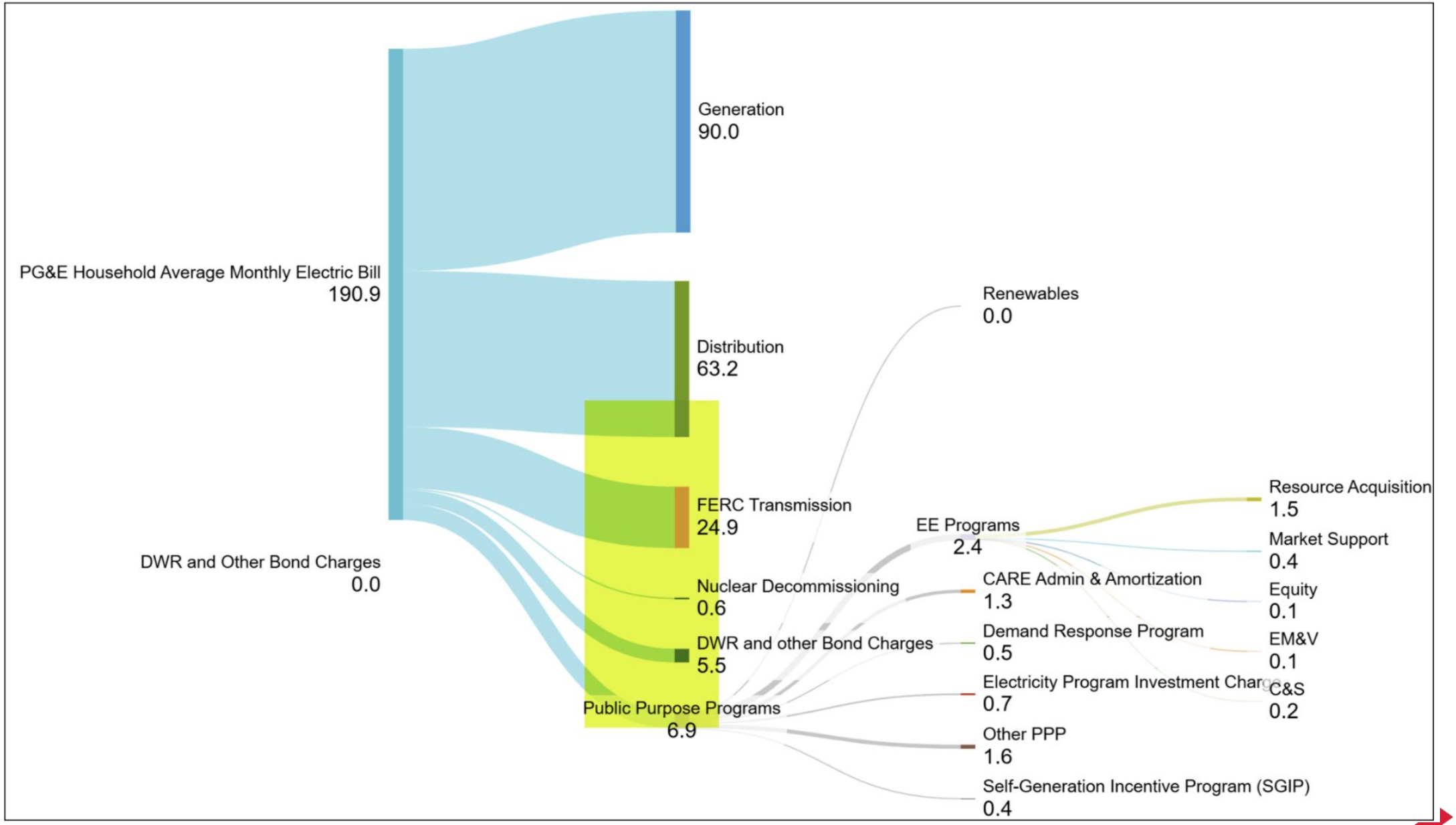
Energy Efficiency

"So, let's move on to lever three. This has to do with phasing out ratepayer funding of programs that do not provide benefits above and beyond what the programs cost. In other words, they're not cost-effective. Unfortunately, many energy efficiency programs fit into this category. To be clear, energy efficiency is a very important measure and should continue to be pursued. But many energy efficiency programs currently funded by rate payers do not directly relate to providing safe and reliable service, nor do they advance energy efficiency.

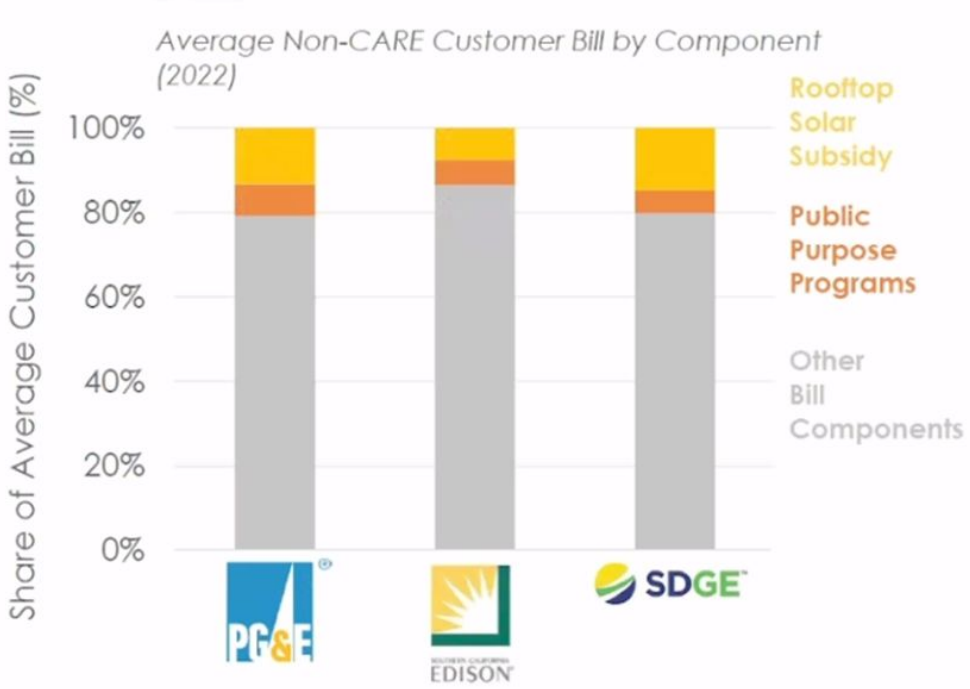
There are over 200 of these programs that are not cost-effective or are not required to be cost-effective. So, at minimum, there should be a sunset date placed on the funding for these programs. And we certainly should avoid establishing new programs that are not cost-effective or have no cost-effective requirements. We also suggest setting a budget cap for energy efficiency programs at 2020 levels. This would provide immediate reductions to customers of over $390 million in 2025."

PG&E Household Average Monthly Electric Bill $190.90

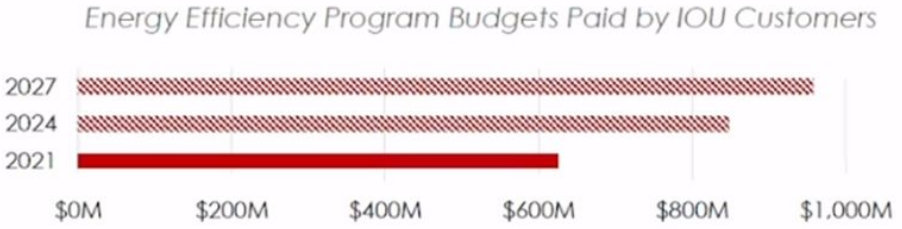


Utility spending is not the only driver of increases

Reason 1. Subsidies are driving rates up faster than how much utilities can collect alone



Reason 2. Bills pay hundreds of millions for non-cost effective programs each year



(**Partial** list of non-cost effective energy efficiency programs)

Source: California Public Utilities Commission. Recreated from data in *2023 Senate Bill 695 Report: Report to the Governor and Legislature on Actions to Limit Utility Cost and Rate Increases Pursuant to PUC Code Section 913.1*. (Rooftop Solar Subsidy "Cost Shift"), Public Advocates Office analysis, including proposed program budgets (energy efficiency programs)

The Public ADVOCATES OFFICE

8

Slide from: Energy Efficiency PPP Under Attack in 2024

3P-IDEEA, EM&V-Evaluation Measurement & Verification, WET&O-HERS Rater Training Advancement, SOL-IDEEA365 Solicitations - Commercial, SOL-IDEEA365 Solicitations - Residential, SOL-IDEEA365 Solicitations - Industrial, SOL-IDEEA365 Solicitations - Agricultural, SOL-IDEEA365 Solicitations - Public, EM&V-Evaluation Measurement & Verification, Workforce Education & Training, PUB-Regional Energy Pathways, PUB-REN Fiscal Management & Coordination, Emerging Technologies Program, Electric, EE New Program Design Pilots, EE Contractor Demand Building Program, Public Sector Performance-Based Retrofit High Opportunity Program, Water Infrastructure Systems Energy Efficiency Program, IOU REN Administrative Costs, UC/CSU Energy Efficiency Partnership, California Community Colleges Energy Efficiency Partnership, WE&T Opportunity HUB, SCE EM&V, CPUC EM&V, Residential Market Support Placeholder, Resiliency Support Placeholder (Residential), Online Marketplace Program, Resiliency Support Placeholder (Public), San Francisco Local Government Partnership, Residential Load Management Placeholder, Central California Local Government Partnership, Sierra Local Government Partnership, San Mateo Local Government Partnership, Redwood Local Government Partnership, Sonoma Local Government Partnership, Central Coast Local Government Partnership, IOU REN/CCA Admin Costs, Marin Local Government Partnership, PGE EM&V, Codes and Standards Program, Water/Energy Nexus, Evaluation Measurement and Verification - BAYREN, Green Labeling, Targeted Decarbonization Services, Industrial Normalized Metered Energy Consumption, Agricultural Normalized Metered Energy Consumption, CPUC EM&V, MCE EM&V, Agriculture Project Delivery Program, California Green Business Network, Small & Medium Business Energy Advisory (SMBEA), Codes and Standards Compliance Enhancement Program, Rural-HTR Agriculture Finance Assistance Program, Energy Efficiency Project Delivery Program, Water Infrastructure Program, Energy Resiliency Action Plan, Regional Partner Initiatives, ACES Pathway, Agriculture WE&T, E-Contractor Academy, Agriculture Technical Assistance, Energy Assurance Services (EAS), Energy Assurance Services (EAS), Codes & Standards, TCR EM&V, Integrated Energy Services, Workforce Education and Training (WET), SW-FIN-On-Bill Finance, SW C&S - Compliance Enhancement, SW C&S - Reach Codes, SW C&S - Planning Coordination, SW WET Career Connections, SW Emerging Technologies - Electric, SW Emerging Technologies - Gas, WET&O-Integrated Energy Efficiency Training, WET&O-Retail Partnering Training Program, FIN-On-Bill Financing, RES-Residential Energy Advisor, RES-RNC, COM-Savings By Design, CC-Nonresidential Energy Advisor Program, WET&O-SW-WE&T Career Connections, CC-Nonresidential Energy Advisor Program - Public, CC-Nonresidential Energy Advisor Program - Industrial, CC-Nonresidential Energy Advisor Program - Agricultural, ET-SW-Emerging Technologies, Gas, New Finance Offerings, New Finance Offerings Credit Enhancements, Commercial Energy Advisor Program, On-Bill Financing, Technology Assessments, Technology Introduction Support, CATALNEA/Energy Atlas, Savings By Design, Residential New Construction Program, Technology Development Support, On-Bill Financing Loan Pool, Compliance Improvement, Reach Codes, Planning and Coordination, WE&T Integrated Energy Education and Training, WET Career Connections, Emerging Technologies Program, Electric, Emerging Technologies Program, Gas, Commercial Energy Advisor, Agricultural Energy Advisor, California Analysis Tool for Locational Energy Assessment (CATALENA), Industrial Energy Advisor, Statewide Marketing Education and Outreach, Compliance Improvement, Reach Codes, Planning and Coordination, Code Readiness, C&S Decarbonization Support Placeholder, WE&T Integrated Energy Education and Training, WET Career Connections, Industrial Calculated Incentives, Commercial Calculated Incentives, Residential, Agricultural Deemed Incentives, Virtual Energy Audit Program, Water & Wastewater Strategic Energy Management, Multifamily Energy Savings, Agricultural Deemed, Public Agency NMEC Program, RES-Residential Energy Efficiency Program, SW New Construction NonRes Com - All Electric, SW New Construction Non Residential - Commercial - All Electric, SW New Construction NonRes Com - All Electric, Small HTR Multifamily Direct Install, RES-Marketplace, Residential Kits4Kids, Commercial Deemed, RES-Multifamily Energy Alliance Program (Resource Acquisition), Wastewater Process Efficiency Program.

•(**Partial** list of non-cost effective energy efficiency programs)

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Almost all of the programs listed as 'non-cost effective energy efficiency programs' by the PAO are not resource acquisition EE programs.

For example, the list includes NMEC, which is a pay-for- performance program which poses no risk to ratepayers, worker training programs that are designed to support electrification, codes and standards programs, EM&V required by the CPUC, targeted decarbonization programs, on-bill financing, residential new construction, California Analysis Tool for Locational Energy Assessment (CATALENA) - a tool supporting distributional equity analysis that was transferred to the CEC in 2023, technical services in support of decarb, equity and education, and local governments, to highlight just a few.

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NOTICE OF EX PARTE COMMUNICATION OF THE PUBLIC ADVOCATES OFFICE with Commissioners

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The representatives for Cal Advocates discussed issues across Energy Efficiency and Energy Savings Assistance programs. More specifically, Cal Advocates discussed with the Commissioners:

- The currently authorized budgets for non-cost-effective spending across Energy Efficiency and Energy Savings Assistance budget cycles.
- The performance and costs of Regional Energy Networks.
- Competition and overlap between Energy Efficiency, Energy Savings Assistance, and equity programs for low-income customers.
- The need to reduce redundant spending, establish consistent performance standards, and integrate and optimize programs to achieve significant cost savings for ratepayers.

Slide from: Energy Efficiency PPP Under Attack in 2024

NOTICE OF EX PARTE COMMUNICATION OF THE PUBLIC ADVOCATES OFFICE (Cont.)

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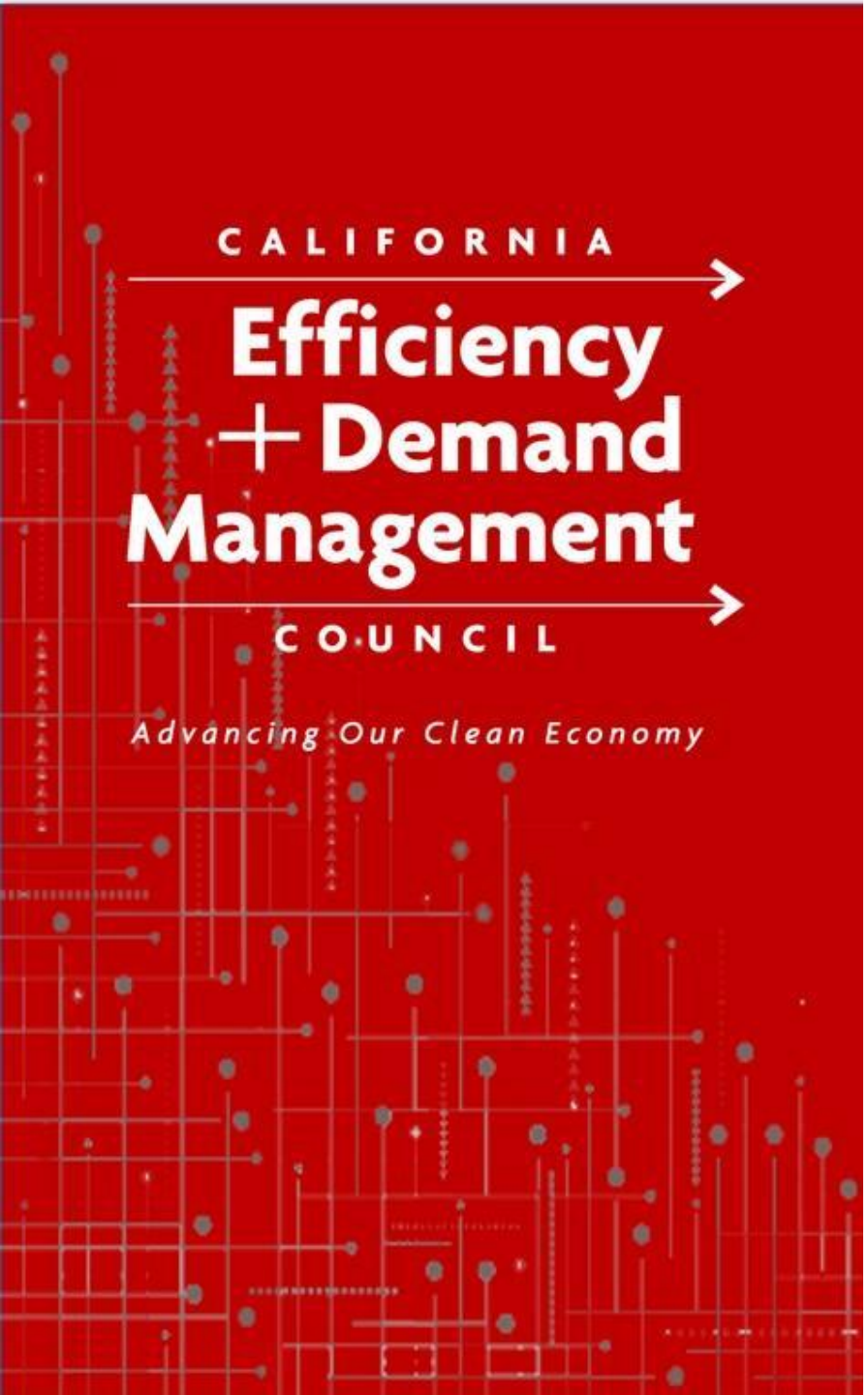
Table 1: Total EE Portfolio Budget, Program Years 2024-2027[1]

PY 2024-2027 Budget	IOUs	CCAs	RENs	Total
Cost-Effective	$ 1,302M	$ 38.8M	$ 2M	$ 1,342M
Non-Cost Effective	$ 1,301M	$ 49.4M	$ 558M	**$ 1,909M**
Total	**$ 2,603M**	**$ 88.2M**	**$ 560M**	**$ 3,251M**
Percentage of Budget Approved for Non Cost-Effective Programs	**50%**	**56%**	**99.6%**	**59%**

Slide from: Energy Efficiency PPP Under Attack in 2024



CEDMC All Member Call

Energy Efficiency Industry at Risk in California

March 3, 2025

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CAISO Demand & DEM Integration WG update

Modified Proxy Demand Resource (mPDR) Progress!

- The next WG session was held on 3/3
- CAISO provided an overview of its first discussion paper iteration
  - Intended to capture scoping discussions; will be updated to reflect stakeholder discussions
- Reviewed existing DR market participation models, metering & telemetry, and Performance Evaluation Methodologies (PEM)
- Stakeholder presentations
  - PG&E: Proposal to Revise DR Control Group Settlement Methodology
  - Nostromo: Creating the Right PEM for a Thermal Energy Storage System
  - Leapfrog Power: Prescriptive Baselines in CAISO
- Observations
  - CAISO appears open to refreshing existing products and/or creating new products for economic and reliability DR, incl. for WEIM/EDAM, and new PEMs
  - Need to start developing problem statements
- Next steps
  - Identify additional areas that would benefit from more information
  - Comments on discussion paper due 3/28
  - Next WG sessions are 3/19, 4/7, and 4/29

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Recent Filings

2025 Council Filings

February 21 – CEDMC-Leap-Renew Home Comments on Demand DEM Integration WG

February 19 – PRR 1614_CEDMC Comments

February 4 – CEDMC Comments on Day Ahead Sufficiency Draft Final Proposal

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Discussion and Questions

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Thank You!

Please contact us if you have any questions.

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