CALIFORNIA

Efficiency + Demand Management

COUNCIL

Advancing Our Clean Economy

State Policy Call

May 9, 2025

REC

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Legislation - Bill Support, Opposition, and Tracking

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Oppose **AB 306 (Schultz D) Building regulations: state building standards.** CEDMC to join the opposition coalition to seek changes to the bill

Support **AB 44 (Schultz D) Energy: electrical demand forecasts.**

Support **AB 740 (Harabedian D) Virtual power plants: load shifting: integrated energy policy report.**

Support **AB 1020 (Schiavo D) Public utilities: energy: taxpayer funding: reporting.**

Under Consideration **AB 1117 (Schultz D) Electricity: rates: optional dynamic rate tariffs.**

(Likely to support AB 1117)

Tracking SB 647 (Hurtado D) **Low-Income Oversight Board: membership: assessment: energy efficiency incentives.**

Board shall conduct an assessment of state ratepayer-funded energy efficiency incentives provided to low-income residents and to low-to-moderate income residents. The assessment shall include at least all of) An assessment of and recommendations regarding opportunities for and barriers to improving the stacking of energy efficiency and building decarbonization incentives aimed at low-income households and owners of multifamily residences that house low-income residents. (2) Recommendations for options to address the energy assistance needs of low-to-moderate income California households with household incomes that exceed the thresholds for existing low-income programs. (3) Opportunities for energy efficiency incentives to better support the growth of small and diverse businesses that perform energy upgrades financed by those incentives. (4) The potential rate impacts of recommendations included in the assessment, and recommendations on opportunities to mitigate or prevent those impacts. On or before July 1, 2027, the board shall publish its final assessment, pursuant to this section, on its internet website. (c) For purposes of this section, "low-to-moderate income" has the same meaning as defined in Section 25665 of the Public Resources Code. (d) This section shall remain in effect only until January 1, 2030, land as of that date is repealed.

Legislation - Bill Support, Opposition, and Tracking

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Support **SB 540** (**Becker** D) **Independent System Operator: independent regional organization.** Bill moved out of Committee on 4/21.2025

Support **SB 541** (**Becker** D) **Electricity: load shifting: dynamic pricing.** Council Testified in Support. With amendments, Bill moved out of Committee 14 - 6

Support **SB 620** (**Stern** D) **Energy utility data** April 29 set for first hearing, canceled at the request of author. Issues need more work; this is now a 2-year bill

Monitor closely **SB 330** **Electrical transmission infrastructure: financing.** Turn Sponsored

> Would authorize the Governor to establish one or more pilot projects to develop, finance, or operate electrical transmission infrastructure that meet the specified criteria, including, among other things, that the transmission line is identified by the Independent System Operator in its transmission planning process as a project subject to competitive bidding and necessary to support clean energy generation to meet the state's clean energy goals.

Monitor closely **SB 647** (**Hurtado** D) Low-income energy assistance programs: equitable building decarbonization program.

The bill aims to expand eligibility and access to energy efficiency and weatherization programs to help more low- and moderate-income families, not just those in deep poverty, afford to cool their homes and reduce their energy burden.

Bill Analysis ***04/25/25- Senate Energy, Utilities And Communications***

New EE OIR approved

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On April 29, CPUC issued R.25-04-010 which is the new Order Instituting Rulemaking (OIR) for Oversight of Energy Efficiency Portfolios, Policies, Programs, and Evaluation. There are two main categories in this proceeding: policy issues and implementation issues. Policy issues include:

- (1) natural gas measure policy and definition of viable electric alternatives (VEAs),
- (2) CCA oversight,
- (3) policy guidance for 2026 portfolio applications,
- (4) portfolio oversight and cost-effectiveness,
- (5) treatment of multifamily buildings and programs, and
- (6) other policy issues.

Implementation issues include:

- (1) Potentials and Goals,
- (2) Oversight of 2024-2027 portfolios, and
- (3) other implementation issues.

Opening Comments on the OIR are due on May 19 and Reply Comments are due on May 26

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2026 EE Potential and Goals Study and Beyond

- On 5/1, the CPUC has issued a Ruling inviting Comments on Draft Potential and Goals Study for 2026 and Beyond.
- Develops 10-year estimates of the energy/demand savings and fuel substitution (FS) potential in PG&E, SCE, SDG&E, and SoCalGas service territories
- Key highlights
  - Scenarios defined by cost-effectiveness threshold, FS adoption parameters, program engagement, and program incentive levels: 1) Reference, 2) High TRC (1.0 vs. 0.85), 3) Aggressive FS
  - Water heating, particularly in the commercial sector, drives the increase in FS TSB
  - Updates to gas and electric avoided cost inputs are also drivers of increased FS TSB
  - The application of a higher cost-effectiveness threshold in Scenario 2 results in a moderate decrease in achievable TSB of 6% versus Scenario 1
  - Achievable TSB resulting from EE has increased between 14% and 18% versus the prior study
  - Overall achievable gas savings for all program types relative to the 2023 Study are 7%-16% higher
  - Overall achievable GWh and MW electric savings for all program types shows a decrease versus the 2023 Study

Opening Comments are also due on May 19 and Reply Comments are due on May 26.

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Draft 2025 EE Potential and Goals Study (cont.)

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Table ES-3. 2026 Net TSB and First-Year Savings by Scenario (Statewide)

Savings Metric	Program Type	2023 Goals Scenario	1: Reference	2: High TRC	3: Aggressive FS
TSB ($ millions)	FS	$36	$183	$159	$195
	EE	$554	$657	$630	$656
	Total	**$590**	**$839**	**$789**	**$851**
Electric Energy (GWh/Year)	FS*	-24	-140	-105	-148
	EE	714	589	564	589
	Total	**690**	**449**	**459**	**441**
Converted Electric Energy (GWh/Year)**	FS	102	275	238	293
	EE	714	589	564	589
	Total	**816**	**864**	**802**	**883**
Electric Demand (MW)	FS***	0	0	0	0
	EE	148	123	119	123
	Total	**148**	**123**	**119**	**123**
Gas Energy (MMtherms/ year)	FS	4	14	12	15
	EE	43	39	39	39
	Total	**47**	**54**	**50**	**54**

- Next steps
  - A webinar will be held on 5/12, 10:00 a.m.-12:30 p.m.
    - Webex link: https://cpuc.webex.com/cpuc/j.php?MTID=ma18a6db296ae78aa0a798aee40c98686
    - Meeting No.: 2489 096 9149
    - Webinar password: PGS2025 (7472025 when dialing from a phone or video system)
  - The CPUC's web page for the 2025 EE Potential and Goals Study can be found here

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Predecessor proceeding (R.13-11-005) resulted in numerous changes to the energy efficiency portfolios

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- Adding several new Regional Energy Networks (RENs) as portfolio administrators;
- Overseeing a shift toward statewide program implementation of at least 25 percent of the portfolio;
- Overseeing a shift toward the majority of the portfolios being designed and implemented by third parties;
- Setting out a schedule for portfolio filings and mid-cycle improvements and milestones;
- Setting Total System Benefit as the primary goal for the portfolios;
- Modifying fuel substitution policy to remove barriers to adoption of energy efficiency measures that save both energy and emissions;
- Imposing a moratorium on any shareholder earnings by investor-owned utilities from successful energy efficiency efforts;
- Launching emergency efforts to assist with electric reliability in the summers of 2022 and 2023; and
- Launching a statewide market transformation portfolio, with a new third-party administrator and five-year portfolio.

CPUC expects proceeding will evolve as issues arise with respect to EE programs and implementation.

2.1.1 Natural Gas Measure Policy and Definition of Viable Electric Alternatives

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In the Portfolio Administrators' 2024-2027 portfolio application proceeding (Application (A.) 22-02-005 et al.), the Commission addressed policy with respect to incentives offered for certain measures that save natural gas, in light of California's aggressive clean energy goals.

Decision (D.) 23-04-035 addressed some issues related to this policy and directed additional processes, including a working group to, among other things, define and identify "viable electric alternatives" (VEA) to gas measures.

A staff proposal is expected to be issued in 2025 for stakeholder input. Ongoing policy development associated with this natural gas measure policy, in the context of the broader state policy toward building decarbonization, will be needed.

2.1.2 Community Choice Aggregator Oversight

Following modifications to Public Utilities Code Section2 381.1, D.14-01-033 was adopted providing guidance to community choice aggregators (CCAs) who wish to either apply to administer energy efficiency programs in their geographic area, or elect to administer programs only for their own electricity customers.

Now that numerous CCAs have elected to administer energy efficiency programs under the provisions of Section 381.1(e)-(f), the Commission has more experience with the implementation of that policy. In particular, we are aware that the budget formula for CCAs that elect to administer energy efficiency programs may need to be modified or refined.

There may also be other aspects of CCA portfolio and/or program administration rules that require refinement. A staff proposal is expected to be issued in 2025 for stakeholder input.

2.1.3 Policy Guidance for 2026 Portfolio Applications

All current portfolio administrators are expected to file applications in 2026 for new portfolios to begin implementation in 2028. In advance of those applications, the Commission may want to provide additional policy guidance on the contents of the applications.

An Administrative Law Judge (ALJ) ruling with staff recommendations is expected to be issued in 2025.

2.1.4 Portfolio Oversight and Cost-Effectiveness

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This proceeding will provide a venue for the Commission to review energy efficiency portfolios for consistency with policy objectives, including affordability, decarbonization, and reliability, and to establish processes for continued Commission oversight.

The proceeding is consistent with the March 2025 California State Auditor report, which included recommendations on how the Commission can improve its oversight of energy efficiency portfolios.

In addition, this proceeding aligns with the Commission's response to Governor Newsom's Executive Order N-5-24 regarding electricity affordability, which notes plans to "open a new rulemaking on energy efficiency in 2025" with "a focus on cost-effectiveness."

See the Auditor's report 2023-127 at the following link: https://www.auditor.ca.gov/reports/2023-127/ 4

See "CPUC Response to Executive Order N-5-24," February 18, 2025, at 18, available at the following link: https://www.cpuc.ca.gov/-/media/cpuc-website/industries-andtopics/reports/cpuc-response-to-executive-order-n-5-24.pdf

2.1.4.2. Cost-Effectiveness

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Cost-effectiveness policy is critical to the design and evaluation of energy efficiency portfolios which, like several other public benefit programs, are funded by ratepayers. Work to refine the Avoided Cost Calculator, which underpins much of the cost-effectiveness analysis, is ongoing in R.22-11-013.

As part of a process of continual improvement of energy efficiency programs, adjustments may be needed to cost-effectiveness policies and their application within energy efficiency portfolios and programs.

In addition, energy-efficiency specific cost-effectiveness policy should be coordinated with the broader distributed resource cost-effectiveness work being undertaken in R.22-11-013.

This proceeding may also evaluate actions that could improve the efficacy of energy efficiency portfolios and explore ways to reduce ratepayer funding for programs.

2.1.5 Treatment of Multifamily Buildings and Programs

In D.25-01-006, the decision which closed the predecessor proceeding (R.13-11-005), the Commission denied a motion by Bay Area Regional Energy Network (BayREN) and Tri-County Regional Energy Network (3CREN) on the treatment of multifamily buildings, for purposes of the custom project review process and some other aspects of energy efficiency policy.

While the particular solution proposed by BayREN and 3CREN was rejected, we recognize there is a need to address the needs of the multifamily sector more directly and potentially craft new approaches to address this sector that is complex and challenging to serve.

We expect this issue to receive attention in this proceeding in 2025, and Commission staff will likely begin by hosting a workshop to solicit ideas on the best approaches.

See: Hurtardo Bill

2.1.6 Other Policy Issues

Though we do not intend to schedule specific activities related to other policy issues, it is possible that during our oversight of this proceeding, issues may arise related to the following topics:

- modifications or refinements to third party solicitation requirements;
- modifications or refinements to statewide program rollout or policy;
- modifications or refinements to REN requirements and continued oversight;
- guidance related to financing programs (coordinated with R.20-08-022); and
- Normalized Metered Energy Consumption Rulebook modifications.

2.2. Implementation Issues

2.2.1. Potential and Goals

Every two years, the Commission undertakes an updated study to determine the energy efficiency potential that should be included by the California Energy Commission as part of its Integrated Energy Policy Report demand forecast.

This study also determines the goals that the energy efficiency portfolio administrators should be expected to meet in overseeing and implementing their programs.

The next potential and goals study is expected to be completed in early 2025. Parties will have an opportunity to comment on the draft study prior to a proposed decision being issued proposing its adoption by the Commission no later than August 2025.

Though we do not intend to schedule specific activities related to other policy issues, it is possible that during our oversight of this proceeding, issues may arise related to the following topics:

2.2.2 Oversight of 2024-2027 Portfolios

The Commission authorized the energy efficiency portfolios for the period 2024-2027 in D.23-06-055. Any ongoing oversight of these approved portfolios will be conducted in this rulemaking.

2.2.3. Other Implementation Issues

Though we do not intend to schedule specific activities related to other program or portfolio implementation issues at this time, it is possible that in the course of our oversight of this proceeding, issues may arise related to the following topics:

- Market transformation program rollout and oversight (coordinated with A.24-12-009);
- Integrated demand-side management (coordinated with R.22-11-013 and/or R.21-06-017);
- Strategic energy management program updates;
- Emerging technology program updates;
- Oversight and improvements to the Database for Energy Efficiency Resources;
- Program evaluation oversight, conducted by Energy Division, and implications of
- Evaluation outcomes for programs going forward; and
- Program synergies and duplication, among different types of administrators (CCAs, RENs, utilities) and/or program categories (resource acquisition, equity, and market support).

2.1.6 Other Policy Issues

Though we do not intend to schedule specific activities related to other policy issues, it is possible that during our oversight of this proceeding, issues may arise related to the following topics:

- modifications or refinements to third party solicitation requirements;
- modifications or refinements to statewide program rollout or policy;
- modifications or refinements to REN requirements and continued oversight;
- guidance related to financing programs (coordinated with R.20-08-022); and
- Normalized Metered Energy Consumption Rulebook modifications.

3. 3. Preliminary Schedule.

Section 2 above lays out the expected priorities in this proceeding, which include: VEA policy; potential and goals activities; guidance on 2026 portfolio applications; multifamily policy; and the budget formula for CCAs who elect to administer energy efficiency programs for their own retail customers.

The preliminary schedule for those items is as follows in the tables that follow, with categories for the above near-term priorities. Activities related to the other topics will be scheduled, as needed, after these items or in parallel.

4. Categorization; Ex Parte Communications; Need for Hearing

As a preliminary matter, this proceeding is ratesetting, similar to its predecessor R.13-11-005, because the policy and programmatic issues within the scope are likely to result in revenue requirement changes and ratepayer costs and savings.

Accordingly, ex parte communications are restricted and must be reported pursuant to Article 8

5. Respondents

Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and San Diego Gas & Electric Company are the utilities named as respondents to this proceeding.

The other energy efficiency portfolio administrators are named as respondents as well, including: MarinClean Energy, BayREN, Inland Regional Energy Network, Southern California Regional Energy Network, Central California Rural Regional Energy Network, Northern California Rural Regional Energy Network, San Diego Regional Energy Network, and 3CREN.

Section 2 above lays out the expected priorities in this proceeding, which include: VEA policy; potential and goals activities; guidance on 2026 portfolio applications; multifamily policy; and the budget formula for CCAs who elect to administer energy efficiency programs for their own retail customers.

The preliminary schedule for those items is as follows in the tables that follow, with categories for

PRELIMINARY SCHEDULE

EVENT	DATE
Comments on OIR filed and served	20 days from issuance of OIR
Reply comments on OIR filed and served	30 days from issuance of OIR
Prehearing conference	To be scheduled, ~45 days from issuance of OIR
Scoping memo	~60 days from issuance of OIR
Energy Efficiency Potential and Goals	
ALJ Ruling issued with consultant report for party comments	2nd Quarter 2025
Opening comments filed and served	2nd Quarter 2025
Reply comments filed and served	2nd Quarter 2025
Proposed Decision	3rd Quarter 2025
Commission Decision	No sooner than 30 days after the PD
VEA Policy	
ALJ Ruling issued with staff proposal for party comments	3rd Quarter 2025
Opening comments filed and served	3rd Quarter 2025
Reply comments filed and served	3rd Quarter 2025
Proposed Decision (PD)	4th Quarter 2025
Commission Decision	No sooner than 30 days after the PD
Multifamily Programs and Policy	
Workshop	3rd Quarter 2025
ALJ Ruling issued with staff proposal for party comments	3rd Quarter 2025
Opening comments filed and served	4th Quarter 2025
Reply comments filed and served	4th Quarter 2025
Proposed Decision	4th Quarter 2025
Commission Decision	No sooner than 30 days after the PD
CCA Elect-to-Administer Budgets and Policy	
ALJ Ruling issued with staff proposal for party comments	4th Quarter 2025
Opening comments filed and served	4th Quarter 2025
Reply comments filed and served	4th Quarter 2025
Proposed Decision	1st Quarter 2026
Commission Decision	No sooner than 30 days after the PD
Guidance for 2026 Portfolio Applications (if needed)	
ALJ ruling with staff recommendations	2nd Quarter 2025
Opening comments filed and served	2nd Quarter 2025
Reply comments filed and served	2nd Quarter 2025
Proposed Decision	3rd Quarter 2025
Commission Decision	No sooner than 30 days after the PD

Discussion and Questions

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Thank You!

Please contact us if you have any questions.

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