September 1, 2017

CA Public Utilities Commission
Energy Division
Attention: Energy Efficiency Branch
505 Van Ness Avenue, 4th Floor
San Francisco, CA 94102-3298

Advice Letter 25-E

Re: MCE 2018 Annual Energy Efficiency Program and Portfolio Budget Request

In compliance with California Public Utilities Commission ("Commission") Decision ("D.") 15-10-028, Ordering Paragraph ("OP") 4, issued October 28, 2015,[1] and *Administrative Law Judge's Ruling Modifying Schedule* ("ALJ Ruling"), filed June 9, 2017,[2] Marin Clean Energy ("MCE") submits this advice letter filing to request its 2018 annual energy efficiency portfolio budget. D.15-10-028 called for the annual budget advice letter to be filed on the first business day in September.[3] The ALJ Ruling confirmed this date to be September 1, 2017.[4]

Effective Date: October 1, 2017

Tier Designation: Tier 2

Pursuant to General Order 96-B, Energy Industry Rule 5.2 and D.15-10-028, this advice letter is submitted with a Tier 2 designation.

Purpose

The purpose of this advice filing is to comply with D.15-10-028, OP 4 and request MCE's 2018 energy efficiency budget.

Background

The Commission is transitioning to a rolling portfolio framework for energy efficiency programs. To this end, Program Administrators ("PA") filed business plans in January 2017, which the Commission expects will be approved in 2018. To facilitate the transition to the rolling portfolio framework, the Commission is continuing its ten-year funding authorization that began in 2014.[5]

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[1] D.15-10-028, OP 4 at p. 123-24.
[2] *Administrative Law Judge's Ruling Modifying Schedule* ("ALJ Ruling") ("A.") 17-01-013, *et al*., filed June 9, 2017, Ruling Paragraph ("RP") 1 at p. 9.
[3] D.15-10-028, OP 4 at pp. 123-24.
[4] ALJ Ruling at pp. 6, 9.
[5] D.14-10-046, OP 21 at p. 167.

Subsequent to issuing the ten-year funding authorization in D.14-10-046, the Commission adopted related processes and rules to implement a rolling portfolio.[6] The process includes filing this annual budget advice letter to provide a range of information including: (1) the next annual budget; (2) the portfolio cost effectiveness; (3) portfolio changes; (4) fund shifting; (5) carryover or encumbered funds; and (6) the California Energy Data and Reporting System's Filing Module ("CEDARS FM") filing confirmation, which includes a cost effectiveness showing (included as Attachment A to this advice letter).[7]

In July 2017, Energy Division staff provided additional guidance on the annual budget advice letter.[8] This guidance acknowledged a number of uncertainties and changes regarding the rolling portfolio framework and cost effectiveness calculations.[9] Nonetheless, to be consistent with D.15-10-028, Energy Division staff directed PAs to file a Tier 2 advice letter using the portfolio budgets approved in D.15-10-028 and cost effectiveness inputs.[10] PAs are required to file a true-up budget advice letter in 2018.[11] Further guidance is expected from the Commission in its final decision approving business plans.[12]

Energy Division also provided an updated appendix template for purposes of this filing.[13] MCE has uploaded this completed appendix to the CEDARS FM. The appendix will be updated once the Commission approves cost effectiveness adders, business plans, and goals for 2018.[14]

Discussion

MCE requests a programmatic budget for 2018 in the amount of $1,586,347, which is supported by the appendix MCE filed on the CEDARS FM. MCE requests an additional $18,177 for Evaluation Measurement and Verification ("EM&V") funds.[15] MCE also provides a context for the portfolio cost effectiveness for 2018.

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[6] *See* D.15-10-028; D.16-08-019.
[7] D.15-10-028 at pp. 58-63, 91, OP 4 at p. 123; *see also Clarifications on Annual Budget Filings for Program Year 2017* (August 19, 2016).
[8] *2018 Energy Efficiency Portfolio Filing and Reporting Budget* (July 24, 2017).
[9] *Id*. "Energy Division recognizes that many changes are afoot this year that affect portfolio savings goals and cost effectiveness–and indeed the entire portfolio mix of sectors and programs–and that the requirement for a cost effective portfolio showing may not be achievable in 2018 using these parameters and given the current uncertainties."
[10] *Id*.
[11] ALJ Ruling at p. 6.
[12] *Id*.
[13] *2018 Energy Efficiency Portfolio Filing and Reporting Budget* (July 24, 2017).
[14] *Id*.
[15] D.15-10-028 at p. 87.

2018 Energy Efficiency Budget

MCE received an annual budget authorization in D.14-10-046 totaling $1,220,267.[16] In 2016, the Commission increased MCE's annual budget to $1,586,347 to account for new communities that joined MCE's service area.[17] To comply with D.16-05-004, MCE filed advice letter 16-E,[18] which incorporated the budget increase into MCE's overall portfolio budget.[19]

MCE presents its funding allocations by program and its overall 2018 Energy Efficiency Program Budget in Table 1.

Table 1: Authorized MCE 2018 Energy Efficiency Program Budget

MCE Programs	Budget
Single Family	$196,089
Multifamily	$676,437
Small Commercial	$686,790
Financing	$27,031
Program Subtotal	$1,586,347[20]
EM&V	$18,177[21]
Total	**$1,604,524**

As indicated above, MCE's requests $18,177 in EM&V funds based on MCE's approved budget for 2018. Table 2, below, presents MCE's EM&V budget as a percentage of the total EM&V PA funds distribution.

Table 2: Prospective EM&V Funds

2018 Programs Budget	**4% EM&V Funding Level**	**Total Prospective EM&V Funds** (27.5% EM&V PA Distribution)
$1,586,347	$66,098	$18,177

[16] D.14-10-046 at p. 125.
[17] D.16-05-004.
[18] D.16-05-004, OP 5 at pp. 13-14.
[19] MCE Advice Letter 16-E at p. 3.
[20] The Commission authorized this budget in D.16-05-004, OP 2 at p. 13.
[21] This amount includes only the PA distribution based on 27.5% of the total EM&V budget as indicated in the discussion in the EM&V Funds section below. MCE included 100% of the EM&V budget in the appendix uploaded to the CEDARS FM.

Portfolio Cost Effectiveness

MCE's portfolio cost effectiveness results for 2018 are:

> Total Resource Cost Test Ratio ("TRC"): .57
> Program Administrator Cost Test Ratio ("PAC"): .63

In 2013, MCE administered the first energy efficiency programs under the authority granted in Cal. Pub. Util. Code § 381.1(a)-(d). These programs were initially restricted by the Commission to serve gaps in investor-owned utility ("IOU") programs and hard-to-reach markets.[22] At that time, the Commission recognized that these restrictions may cause MCE's proposals to fail the TRC test and therefore did not initially impose a minimum cost effectiveness requirement.[23] In 2014, however, the Commission lifted the restrictions[24] and imposed the same cost effectiveness standards on Community Choice Aggregators ("CCA") as IOUs.[25] Yet, at that time MCE was not invited to file an application to update its portfolio because the 2014 programs were extended to 2015, 2016, 2017, and now 2018 while the Commission transitions to the rolling portfolio framework.[26] Although lifting the restrictions will ultimately improve MCE's ability to meet the minimum 1.25 TRC ratio, MCE's current portfolio continues to focus on hard-to-reach markets and gaps in IOU programs.

In January 2017, MCE filed a business plan requesting authority to implement a broader and cost effective portfolio that conforms to the rolling portfolio framework and Commission guidance.[27] The Commission anticipates approval of the business plan in 2018.[28]

In the interim, MCE continues to make efforts to improve the cost effectiveness of its current portfolio. Pursuant to Energy Division guidance, once the new avoided cost calculator and Greenhouse gas ("GHG") adder are released and business plans approved, MCE will adjust its programs to further improve its portfolio's cost effectiveness.

Portfolio Changes

MCE began implementation of a Seasonal Savings pilot that was approved and began in the first quarter of 2017.[29] The savings figures associated with this pilot have been included in the cost effectiveness analysis for the 2018 portfolio.

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[22] D.12-11-015 at pp. 45-46.
[23] *Id*. p. 46.
[24] D.14-01-033 at p. 14; *see also* D.14-10-046 at p. 120 (Commission clarifying the restrictions do not apply to gas programs).
[25] D.14-01-033 at p. 36.
[26] D.14-10-046 at pp. 30-32.
[27] A.17-01-017.
[28] ALJ Ruling at pp. 8-9.
[29] MCE Advice Letter 17-E and 17-E-A.

On July 17, 2017 the Commission approved advice letter 24-E, wherein MCE proposed to discontinue its On-Bill Repayment ("OBR") Program. The OBR Program was designed to provide low-cost financing to improve the energy efficiency of multifamily and commercial buildings. MCE decided to cancel the OBR program due primarily to low customer demand for the program. At the same time, MCE had greater than expected participation in, and customer demand for, MCE's Multifamily and Commercial programs. The previously committed Loan Loss Reserve ("LLR") funds associated with the OBR program are now included within MCE's Multifamily and Commercial 2017 budgets.[30]

Aside from the aforementioned changes, MCE is continuing its 2017 portfolio of programs in 2018, notwithstanding the proposed programmatic changes in MCE's business plan.

Fund Shifting

In budget year 2017, MCE performed one fund shift via advice letter 24-E, which the Commission approved on July 17, 2017.

MCE's 2017 fund shift and the resulting budget allocations are reflected in Table 3, below. The fund shift moved previously committed LLR funds into the Multifamily and Commercial program budgets. Because the committed LLR funds were repurposed for use in the 2017 budget, the LLR funds do not affect MCE's budget request for 2018.

MCE presents its 2017 fund shifting activity in Table 3, below.

Table 3: 2017 Fund Shifting

MCE Programs	Approved 2017 Budget	Shift Out	Shift In	Final 2017 Budget
Single Family	$233,050	-	-	$233,050
Multifamily	$667,555		$ 273,750	$ 941,305
Small Commercial	$658,711		$ 273,750	$932,461
Financing	$27,031	-	-	$27,031
LLR Fund[31]	$547,500	$547,500		$0.00
Total	**$2,133,847**			**$2,133,847**

[30] MCE Advice Letter 24-E, Table 1 at p. 3.

[31] MCE's OBR program was approved in D.12-11-015 as one of three financing pilots. MCE allocated $547,500 to a LLR fund for its Multifamily and Commercial OBR program. These funds were a one-time transfer that carried over year to year as committed funds.

Committed and Carryover Funds

Pursuant to OP 25 of D.14-10-046, MCE reports annually on unspent funds available for carryover in an advice letter filed on December 1.[32] The annual unspent funds advice letter also reports MCE's funds that are committed for use in the next budget year. The appendix to this advice letter provides a true up of MCE's 2016 unspent funds. The amount reflected in Table 7 of the appendix, however, does not include the funds that were unspent in 2016 and used to offset MCE's 2017 budget transfer from PG&E ($3,714).

Table 4, below, illustrates MCE's budgeting practice. The table presents MCE's actual 2016 unspent funds, its projected unspent funds as reported in advice letter 21-E, its 2016 committed electric funds, and how the aforementioned amounts affect the 2016 unspent funds available to offset the 2018 budget transfer.[33]

Table 4: Projection of MCE's Unspent Funds for 2018

Actual 2016 Unspent Funds (Electric Only)	Projected 2016 Unspent Funds Reported in AL 21-E (used to offset 2017 funds)	2016 Committed Funds (Electric Only)	2016 Unspent Funds Available to Offset 2018 funds	Projected 2017 Unspent Funds Available to Offset 2018 Funds
$416,165	($3,714)	($189,268)	$223,182	*To be provided in an Advice Letter on December 1, 2017

Notice

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice filing. Protests should be mailed to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, California 94102
E-mail: EDTariffUnit@cpuc.ca.gov

[32] D.14-10-046, OP 25 at p. 168.
[33] MCE's actual 2016 unspent funds equal $416,165. This amount is reduced by $3,714, which was the projected, and now trued-up, 2016 unspent funds amount that MCE reported in advice letter 21-E to offset MCE's 2017 funds transfer. MCE's actual 2016 unspent funds are further reduced by $189,268, which is the amount of 2016 funds MCE committed to fund electricity savings in 2017. *See also* Table 7 of MCE's appendix to this advice letter.

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

Nathaniel Malcolm
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MARIN CLEAN ENERGY
1125 Tamalpais Avenue
San Rafael, CA 94901
Phone: (415) 464-6048
Facsimile: (415) 459-8095
E-mail: nmalcolm@mceCleanEnergy.org

and

Beckie Menten
Energy Efficiency Director
MARIN CLEAN ENERGY
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San Rafael, CA 94901
Phone: (415) 464-6034
Facsimile: (415) 459-8095
E-mail: bmenten@mceCleanEnergy.org

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and shall be submitted expeditiously.

MCE is serving copies of this advice filing to the relevant parties shown on the R.13-11-005 and A.17-01-013 *et al.* service lists. For changes to this service list, please contact the Commission's Process Office at (415) 703-2021 or by electronic mail at Process_Office@cpuc.ca.gov.

Correspondence

For questions, please contact Nathaniel Malcolm at (415) 464-6048 or by electronic mail at nmalcolm@mceCleanEnergy.org.

/s/ Nathaniel Malcolm

Nathaniel Malcolm
Policy Counsel
MARIN CLEAN ENERGY

cc: Service Lists: R.13-11-005; A.17-01-013, *et al*.

Attachment A:
CEDARS FM Filing Confirmation

CEDARS FILING SUBMISSION RECEIPT

The MCE portfolio filing has been submitted and is now under review. A summary of the filing is provided below.

PA: Marin Clean Energy (MCE)

Filing Year: 2018

Submitted: 10:42:39 on 31 Aug 2017

By: Alice Stover

Advice Letter Number: 25-E

* Portfolio Filing Summary *

- TRC: 0.5657
- PAC: 0.6262
- TRC (no admin): 1.4763
- PAC (no admin): 1.9736
- RIM: 0.6262
- Budget: $1,586,346.96

* Programs Included in the Filing *

- MCE01: Multi-Family
- MCE02: Small Commercial
- MCE03: Single Family
- MCE04: Financing Pilots

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

MUST BE COMPLETED BY LSE (Attach additional pages as needed)

Marin Clean Energy

Utility type:	Nathaniel Malcolm
☑ ELC ☐ GAS	Phone #: 415-464-6048
☐ PLC ☐ HEAT ☐ WATER	E-mail: nmalcolm@mceCleanEnergy.org

EXPLANATION OF UTILITY TYPE			(Date Filed/ Received Stamp by CPUC)
ELC = Electric	GAS = Gas		
PLC = Pipeline	HEAT = Heat	WATER = Water	

Advice Letter (AL): 25-E

Subject of AL: MCE 2018 Annual Energy Efficiency Program and Portfolio Budget Request

Tier Designation: ☐ 1 ☑ 2 ☐ 3

Keywords (choose from CPUC listing):

AL filing type: ☐ Monthly ☐ Quarterly ☑ Annual ☐ One-Time ☐ Other ____________________________

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution: D.15-10-028

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL ____________________________

Summarize differences between the AL and the prior withdrawn or rejected AL[1]: ____________________

Resolution Required? ☐ Yes ☑ No

Requested effective date: October 1, 2017 No. of tariff sheets:

Estimated system annual revenue effect: (%):

Estimated system average rate effect (%):

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected:

Service affected and changes proposed[1]:

Pending advice letters that revise the same tariff sheets:

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division	**Utility Info (including e-mail)**
Attention: Tariff Unit	**Marin Clean Energy**
505 Van Ness Ave.,	**Nathaniel Malcolm, Policy Counsel**
San Francisco, CA 94102	**(415) 464-6048**
EDTariffUnit@cpuc.ca.gov	**nmalcolm@mceCleanEnergy.org**

[1] Discuss in AL if more space is needed.