



May 11, 2023

## MEMORANDUM

**TO:** MT Advisory Board (MTAB)

**FROM:** Jeff Mitchell, Resource Innovations, Jennifer Barnes, 2050 Partners & Karen Horkitz, Cadmus

**SUBJECT:** CalMTA Portfolio Characteristics

This memo was prepared for the MTAB to describe the development and use of portfolio characteristics for optimizing the set of MT initiatives in CalMTA's portfolio.

### Introduction

The objective of portfolio optimization is to ensure that the set of MTIs taken together as CalMTA's portfolio deliver on the desired set of portfolio characteristics, rather than unintentionally ending up with a monolithic portfolio, with only one or two goals accomplished. The Scoring WG was used to develop proposed portfolio characteristics; this was also the group developing the scoring criteria. Members included:

- Jennifer Barnes (2050 Partners)
- Jeff Mitchell (Resource Innovations)
- Priya Sathe (Cadmus Group)
- Melinda Lopez (Ortiz Group)
- Margie Gardner (Resource Innovations)

During the portfolio optimization review, CalMTA will use a two-step approach to assemble the recommended portfolio.

First, staff will score each MTI according to the MTI scoring criteria and prioritize the list of potential MTIs based on the weighted criteria score. This scoring effort will identify the MTIs bringing the highest value across the scoring criteria. However, a simple rank order of the MTIs based on this score could result in a portfolio that misses important policy

- considerations or is otherwise unbalanced. For example, the top-scoring MTIs might not be well balanced in terms of market sector or technology, or the investment required to adopt the top MTIs could be so large that the portfolio might comprise too few initiatives.
- To ensure a balanced portfolio with reasonable risk, after we rank order the MTIs, we will assess portfolio balance against the criteria shown in Figure 1 and adjust if needed to ensure there is balance with respect to each of those criteria. If we lack diversity in any of these characteristics, we will consider recommending one or more MTIs that may have a lower composite score in place of one or more that scored higher or consider these factors when selecting new MTIs in the future - to achieve portfolio balance.

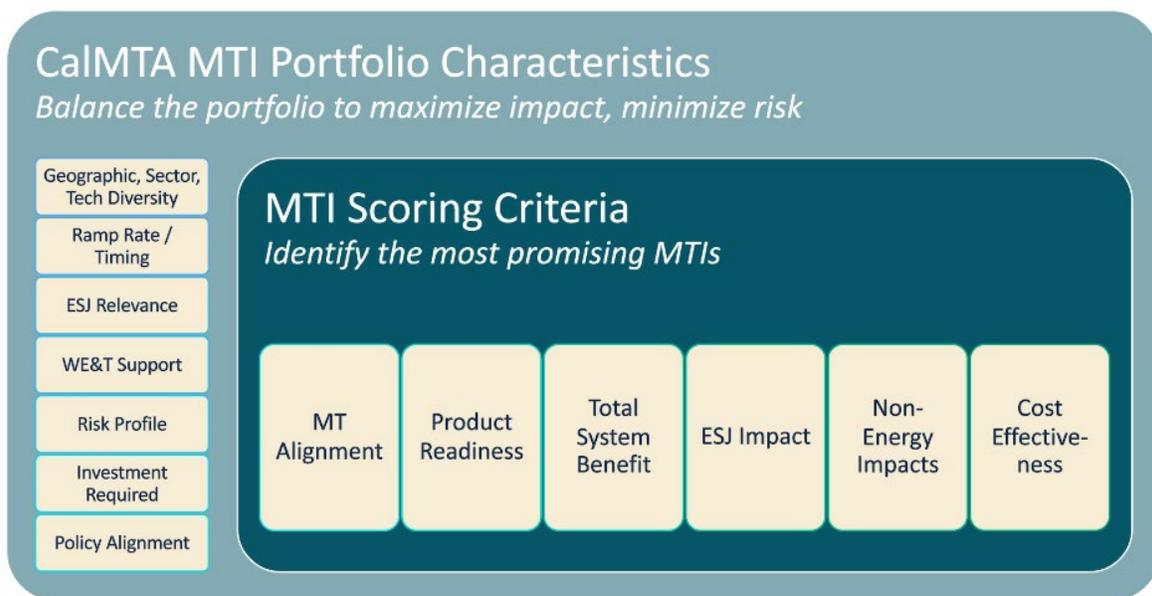


Figure 1. CalMTA Scoring Criteria Versus Portfolio Characteristics

The ultimate goal is to ensure that the CalMTA portfolio is comprised of high-quality MTIs that deliver cost-effective energy savings through market transformation and achieve portfolio objectives.

### Portfolio Characteristics Development

The Scoring WG brainstormed an initial set of portfolio priorities at the outset of the scoring process development. Throughout working group discussions to develop the selection process and scoring criteria, the WG continued to capture items that were important considerations but either not appropriate to apply to individual MTI ideas or are policy priorities that need to be addressed sufficiently within the portfolio (but may or may not be addressed within an MTI).

When the MTI scoring categories and criteria were complete, the Scoring WG refined the portfolio characteristics by taking a holistic view of the requirements and criteria

from end-to-end, including the threshold criteria, to ensure that the process would advance high-quality MTI ideas and discourage or eliminate any inappropriate ideas. This process resulted in a set of portfolio characteristics and associated questions that the Scoring Team will apply to the ranked MTIs. These are presented in Table 1. CalMTA will revise these characteristics in the future, in consultation with the MTAB, as state policy drivers change or as the portfolio evolves.

After the Scoring Team has completed scoring the submitted initiatives, they will meet with the CalMTA leadership team to conduct a portfolio optimization review. The highest ranked ideas will be reviewed to understand the extent to which they reflect desired portfolio characteristics, and lower ranking ideas that fulfill these characteristics may be promoted up the ranking. The natural and portfolio-adjusted rankings will be presented to MTAB for review and input.

CalMTA will monitor the portfolio against these characteristics over time and may propose rebalancing of the delivery of value from the whole portfolio does not reflect the portfolio characteristics.

**Table 1. CalMTA Portfolio Characteristics**

<b>Portfolio Characteristic</b>	<b>Key Portfolio Question</b>
<b>Geographic, Sector &amp; Technology Diversity</b>	Is there sufficient balance and coverage across market sectors, end uses, and technologies? Do the initiatives' potential benefits sufficiently cover California?
<b>Ramp Rate/Timing</b>	What percent of forecast savings will accrue before 2030?
<b>ESJ Relevance</b>	Does the portfolio address equity sufficiently?
<b>WE&amp;T Support</b>	Does the portfolio sufficiently address WE&T?
<b>Risk Profile</b>	Is the risk profile of the portfolio acceptable? The risk review will include an analysis of key MTA KPI's such as C/E or WE&T contribution against the portfolio of proposed MTI's to minimize the potential for under-delivery of required benefits.
<b>Investment Required</b>	What mix of MTIs optimizes the portfolio budget?
<b>Policy Alignment</b>	Does the portfolio align with California's clean energy and climate goals?