



ATTACHMENT 4-A: BUDGET NARRATIVE

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This attachment describes the budget requested by this Application for the Second Tranche MTIs and provides supporting details. The attachment also includes an Excel workbook, “Attachment 4-B_Budget_Details.xlsx,” with four tabs.

- The first tab, titled “Application Budget Summary,” contains the budget summary table shown in Table 1 below. This table shows the full incremental budget request of this Application by Cost Category, by year.
- The second tab, titled “Budget Detail 1,” breaks the budget down further by major activity and Market Transformation Initiative (MTI).
- The third tab, titled “Budget Detail 2,” further categorizes spending by four types: 1) Labor budget for members of the CalMTA team; 2) Non-labor budget for expenses incurred by the CalMTA team; 3) Budget for third party implementers or evaluators (including both labor and non-labor costs); and 4) Incentives (including both upstream and consumer incentives).
- The fourth tab, titled “Budget Detail 3,” provides the full-time equivalent (FTE) by year for the incremental labor budget for members of the CalMTA team.

Background

Decision (D.) 25-11-023 approved a total of \$114,609,000 in funding to support deployment of CalMTA’s First Tranche of MTIs (Room Heat Pump and Induction Cooking MTIs). D.25-11-023 also:

1. Ordered CalMTA to file an Application to request funding for future tranches of MTIs.

2. Added another year to the approved funding period, extending implementation funding through 2031 without increasing the \$250 million budget cap authorized in D.19-12-021.¹
3. Approved the full amounts proposed by CalMTA for Administration and Operations funding in the first three years (2026–2028) but approved only 30% of requested funding for years 2029–2031.
 - Since the decision added one year to the funding period, year-six funding was set to match the reduced year-five amount.²
4. Conditionally approved the Induction Cooking MTI with a deployment budget cap of \$32,399,000,³ to be revised and submitted via a Tier 2 Advice Letter. The revised plan was subsequently approved⁴ for a deployment budget of \$29,672,000, leaving a balance of \$2,727,000, which will go back to the overall pool that makes up the \$250 million authorized for the implementation phase through 2031.

¹ D.25-11-023, OP 5, p. 87 set the approved implementation funding period as January 1, 2026 through the end of 2031. COL 23 at p. 83 reaffirmed the \$250 budget cap.

² D.25-11-023, at p. 59

³ D.25-11-023 approved \$114,609,000 but included a conditional funding cap of \$32,399,000 for deployment of Induction Cooking, Table 3, p.60.

⁴ Pursuant to the Commission's directions in D. 25-11-023, CalMTA submitted the modified Induction Cooking MTI by Tier 2 Advice Letter (AL) RI-CalMTA-4 on March 11, 2026, which was approved by the Energy Division by a disposition letter with an effective date of April 10, 2026.

New budget request

The total budget requested in this Application is \$81,772,000, as shown in Table 1.

Table 1: CalMTA Proposed Budget to Support Second Tranche MTIs

Cost Category or MTI	Estimated Expenditures by Year (\$000)					
	2027	2028	2029	2030	2031	Totals
Second Tranche MTIs						
MTI Deployment Funds						
Residential Heat Pump Water Heating	\$2,650	\$6,760	\$5,822	\$4,878	\$4,084	\$24,194
Commercial Replacement & Attachment Windows	\$2,684	\$3,325	\$3,198	\$3,163	\$2,898	\$15,268
Commercial Rooftop Units	\$2,600	\$2,699	\$4,347	\$5,108	\$6,237	\$20,991
Sub-totals for Deployment	\$7,934	\$12,784	\$13,367	\$13,149	\$13,219	\$60,453
MTI Evaluation Funds						
Residential Heat Pump Water Heating	\$189	\$338	\$291	\$244	\$204	\$1,266
Commercial Replacement & Attachment Windows	\$158	\$161	\$154	\$152	\$139	\$764
Commercial Rooftop Units	\$328	\$229	\$326	\$166	\$299	\$1,348
Sub-totals for Evaluation	\$675	\$728	\$771	\$562	\$642	\$3,378
Incremental Administration and Operations funds (to support Second Tranche MTI Deployment and Portfolio Implementation)						
MTA Administration ¹	-	-	\$940	\$989	\$1,018	\$2,947
MTA Operations ¹	-	-	\$3,224	\$3,330	\$3,428	\$9,982
Enhanced MTI Development funds (to support Second Tranche MTI Deployment and Portfolio Implementation)						
Initiative/Concept Development ²	-	\$1,699	\$1,105	\$1,102	\$1,106	\$5,012
Total for all funds to support Second Tranche MTIs						
Grand Totals	\$8,609	\$15,211	\$19,407	\$19,132	\$19,413	\$81,772
¹ No incremental budget ask for Administration or Operations for 2027 or 2028.						
² No incremental budget ask for Initiative/Concept Development for 2027.						

The additional funding that CalMTA requests in this Application will bring the total approved funding for the six-year deployment period to \$193,654,000, leaving \$56,346,000 of the \$250 million authorized in D.19-12-021 available to fund the deployment and evaluation of future MTIs. See Table 2 for portfolio balance calculations.

Table 2: Portfolio Budget Balance Calculation

#	Budget Authority	Budget in \$000
A	Overall budget authorized in D.19-12-021	\$ 250,000
B	Approved budget in D.25-11-023 associated with First Tranche MTIs	\$ 114,609
C	Induction Cooking MTI Deployment cap in D.25-11-023	\$ 32,399
D	Revised Induction Cooking MTI Deployment approved in AL RI-CalMTA-4	\$ 29,672
E	Difference between the Induction Cooking MTI deployment budgets (C-D)	\$ 2,727
F	Second Tranche incremental budget request (in this Application)	\$ 81,772
G	Total budget approved prior and requested in this Application (B+F-E)	\$ 193,654
H	Balance remaining for future MTI deployment through 2031 (A-G)	\$ 56,346

Elements of the budget request

The budget associated with this Application is composed of the following elements:

1. Funding for the Deployment and Evaluation of the three Second Tranche MTIs whose detailed MTI Plans are included in this Application
2. Incremental funding for Administration and Operations
3. Enhanced funding to support Initiative/Concept Development activities

In D.25-11-023 the Commission concluded that the Second Tranche Application could request additional funding for all five cost categories.⁵

⁵ D.25-11-023, COL 23, p. 83: “This [Second Tranche] Application may request approval of additional market development, market deployment, evaluation, administration, and operations funding not to exceed the \$250 million budget established in D.19-12-021.”

1. Funding for the Deployment and Evaluation of the three new proposed Second Tranche MTIs

MTI Deployment (Phase III) funds cover the costs of implementing the MTIs in the market. Details on MTI implementation activities are provided in the MTI Plans.

Evaluation funds cover the third-party costs related to evaluating MTIs, including market progress evaluation, review of savings and cost-effectiveness models and forecasts, and associated evaluation reports.

CalMTA requests the release of **\$60,453,000** in funding for Deployment and **\$3,378,000** for Evaluation of the three Second Tranche MTIs through 2031.

The total amounts requested for MTI Deployment and Evaluation align with the MTI Plan budgets that are provided in Appendix H of each MTI Plan included as Attachments 1 through 3 of this Application.

2. Incremental funding for Administration and Operations

CalMTA's Administration and Operations budgets fund key activities, many of which are foundational in nature and not directly tied to the number of MTIs in market. Examples of foundational activities funded by the Administration budget include processing invoices (for PG&E and CalMTA subcontractors and representatives), supporting both routine and non-routine reporting requests from PG&E and CPUC, responding to PG&E and CPUC financial audits requests, responding to data requests, and administrative efforts associated with regulatory filings.

Key activities funded by the Operations budget include Project Management (including Solicitation and Contracting activities), Market Transformation Advisory Board (MTAB) Administration, Policy, Stakeholder Engagement and Communications, and non-MTI-specific Data Systems Development and Management.

D.25-11-023 did not approve CalMTA's full requested budget for Administration and Operations for the First Tranche MTIs, but instead approved Administration and Operations funding at 30% of CalMTA's request for years four and five (2029 and 2030)

and added a new year six (2031) at the same amount as year five. In this Second Tranche Application, CalMTA is requesting the incremental budgets for the two cost categories, Administration and Operations, for years 2029–2031 (after applying a 3% inflation escalator to year five to forecast the year-six budget). The Second Tranche MTIs cannot be implemented without this essential funding for CalMTA’s administrative and operational capacity to manage and support the proposed Second Tranche MTIs through 2031, including the oversight, contracting, stakeholder coordination, reporting, portfolio management, and implementation support needed to deploy and evaluate those MTIs when approved by the Commission.

In total, CalMTA requests the release of \$2,947,000 in incremental funding for Administration and \$9,982,000 in incremental funding for Operations. The details of the incremental budgets by year and other cost components are presented in the attached budget spreadsheet Attachment 4-B_Budget_Details.xlsx. All the rationale for the budget build up for these two cost categories remains the same as outlined in CalMTA’s First Tranche Application⁶ and further described in the Exhibit MTA-06 of this Application.

3. Enhanced funding for Initiative/Concept Development

The Commission’s approval of the of an MTI releases the funding for CalMTA to contract with third-party implementers and evaluators to deploy the strategic interventions described in the MTI Plan. These interventions are based on CalMTA’s time-sensitive market and product research, as well as extensive engagement with stakeholders and market actors to understand market dynamics, barriers, and opportunities.

⁶ Application 24-12-009, Appendix 3: Cost Assumptions describes the activities, deliverables, and assumptions reflected in CalMTA’s five-year cost estimate for the implementation phase. That Appendix also included a detailed Excel workbook, Appendix 3: Five Year Cost Estimate.xlsx, with four worksheets.

While the Commission considers CalMTA's Application, it is essential for CalMTA to stay engaged in the target markets to keep proposed MTIs viable, current, and ready for deployment when approved. For the Second Tranche MTIs, these activities include continued market research, technical analysis, stakeholder and ESJ community engagement, segmentation refinement, field testing, sales-data analysis, manufacturer engagement, contractor business-case development, and planning for future demonstration sites.

CalMTA requests \$5,012,000 in additional Initiative/Concept Development funding for 2028–2031 to align available resources with the MTI approval pathway established in D.25-11-023, which ordered this second Application. CalMTA's originally approved Initiative/Concept Development budget assumed that future MTIs would be approved on a shorter timeline through a Tier 2 Advice Letter process. The requested funding does not expand CalMTA's core development function. Instead, this funding supports the longer development runway created by the Application pathway and preserves the orderly progression of MTIs from Development to full-scale Deployment upon Commission approval. The rationale for this is further discussed in Exhibit MTA-06.