



## **MTAB ABAL Comments**

### **Introduction**

Comments received from Market Transformation Advisory Board (MTAB) members on the Annual Budget Advice Letter (ABAL) drafted by CalMTA ranged from minor suggestions to more significant comments on the budget. MTAB feedback was received via:

- verbal input during two public MTAB meetings,
- written comments from Ky-An Tran of Cal Advocates,
- additional focused meetings with MTAB member Ky-An Tran.

A summary of the public meeting feedback as well as written comments and responses are provided in this document.

### **June 14 Public MTAB Meeting Feedback**

At the June 14 MTAB meeting, the draft CalMTA 2024 budget was presented to members for review and discussion. Lynette Curthoys presented a summary of past CalMTA budget activity and the details of 2025 budget cost categories and activities. MTAB members asked clarifying questions and made some suggestions for improvement.

In response to questions about evaluation costs, CalMTA clarified that the Evaluation cost category is reserved for Market Transformation Initiative (MTI) evaluation in Phase III and the field work conducted to establish each market baseline is included in the strategy development and testing component of Phase II budgets.

In response to questions about data systems, CalMTA clarified that all CaMTA data will be stored in one central location overseen by Resource Innovations.

One member asked how the budget accounts for MTIs that ultimately do not move forward to Phase II. CalMTA noted the ABAL assumes fewer MTIs move forward to full MTI Plans than are currently in the pipeline, and funds would be shifted as needed to MTIs that do advance. The 2025 ABAL represents the final year of the three-year startup period, and the Decision indicates that startup funding will be in place until the Commission formally approves the application with the first MTI Plan(s).

One member suggested that budget lines could be rounded up to improve readability and avoid false precision. There was also a discussion of the pros and cons of establishing an “uncommitted category” to reduce the confusion of fund shifting. In the 2025 ABAL, CalMTA is proposing to have up to nine MTIs in Phase II while continuing Phase I scanning activities and preparing for Phase III implementation. The volume of work identified fully accounts for the available budget and eliminates the need for an unspecified budget placeholder, as was done in

2024. CalMTA has included more information in the ABAL about how fund shifting will be reported to MTAB.

In addition to the questions and comments summarized above, several areas were flagged for more detailed analysis and follow-up from CalMTA, including differences in the allocation of Administration funding and Advancement Plan development between the 2024 ABAL (revised after the initial filing due to limited visibility into 2024 activities when that ABAL was developed) and the 2025 ABAL, as well as a request for more itemization to match the granularity of preliminary budgets in the Advancement Plans. These questions were raised again by Ky-An Tran in his written comments. Ky-An Tran's comments and CalMTA's response are provided below.

## Written Comments

MTAB members were also given the opportunity to provide feedback in writing. One MTAB member, Ky-An Tran, provided written comments, which are summarized below along with CalMTA's response.

### Comment #1:

CalMTA should provide clear points of comparison between the 2024 Annual Budget and the 2025 Annual Budget. CalMTA should include its 2024 Budget Table in the "CalMTA Startup Budget Summary" section.

**CalMTA Response:** *CalMTA agrees and has added detailed 2024 budget information in a new Appendix A to the 2025 ABAL to allow clear points of comparison between the 2024 and 2025 budgets. We have also included a section to address this comparison in the text of the ABAL.*

*As described in Appendix A, CalMTA coordinated with the CPUC Contract Manager to shift funds between major activities and tasks within the Initiative/Concept Development cost category during the first half of 2024. Additional information on why these adjustments were made is summarized in Appendix A. Comparisons between the 2024 and 2025 budgets are better made to the adjusted 2024 budget (after fund shifts). Therefore, Appendix A includes the estimated budget table from the 2024 ABAL (Table A1), a detailed list of funding shifts (Table A2), and a table that compares the 2024 ABAL estimates, the 2024 reallocated estimates, and the 2025 ABAL estimates (Table A3).*

*While the fund shifting occurred in coordination with the CPUC Contract Manager and PG&E as the fiscal agent for Resource Innovations' CalMTA contract, it is clear from the 2025 ABAL comments that CalMTA needs to include more regular reporting to the MTAB on the status of the budget. The revised 2025 ABAL includes additional text about budget tracking and reporting in MTAB meetings and CalMTA's quarterly reports.*

### Comment #2:

CalMTA should include the number of Full-Time Equivalent (FTEs) for each major activity in the 2025 budget table.

**CalMTA Response:** *CalMTA agrees and has added the FTEs by major activity to the 2025 budget table.*

### Comment #3:

It would be useful if the table in the ABAL that provides forecasted 2024 expenditures was constructed in the same format as the 2024 and 2025 budget tables.

**CalMTA Response:** *CalMTA agrees that a comparison between 2024 and 2025 is best done in a table with the same format and this information is provided in Table A3 of Appendix A. However, the forecast information provided in ABAL Table 2 is based on a monthly forecast that Resources Innovations submits to PG&E at the cost-category level. In addition, the major activities and subtasks under the Initiative/Concept Development cost category do not align from year to year since both the work and tracking methodologies have changed, as described in Appendix A. Therefore, we are providing the comparison in Table 2 at the cost-category level, which allows for the best apples-to-apples comparison for the full three-year startup period. Additional detail on the cost estimates for major activities within each cost category are included in Appendix A.*

### Comment #4:

CalMTA should provide a line-item version of the 2025 Annual Budget as an Attachment to the 2025 Draft ABAL. For instance, each MTI listed under “Program Development (Phase II Activities)” would be broken up into the Market Research and Technological Assessment cost categories which then itemize out to include the associated tasks listed under their advancement plans that would take place that year. Similarly, the major activities under “MTA Operations” and “Concept Development” should also be broken down to include all the estimated costs associated with the key deliverables that CalMTA describes in the rest of the 2025 Draft ABAL.

**CalMTA Response:** *After further discussion with Ky-An Tran about this comment, CalMTA increased the level of detail in the 2025 ABAL cost estimate by:*

- *adding major activities under the MTA Administration cost category (Table 3),*
- *adding additional subtasks under Technology Scanning and Research in the Initiative/Concept Development (Table 3),*
- *adding additional subtasks under Phase II Activities in the Initiative/Concept Development (Table 3), and*
- *providing a new Appendix B with a detailed breakdown of the non-labor cost estimates.*

*Beyond these changes, CalMTA is not able to add additional details to the 2025 cost estimate in the form requested by this comment. The market transformation scope of work delivered by CalMTA is not the sum total of specific deliverables and includes work such as program strategy, management, and outreach that don't map directly to a tangible deliverable. Cost estimates are developed based on the anticipated level of effort to deliver the activities forecasted in the ABAL and are not built in the line-item format requested by this comment. The dynamic nature of market transformation requires programs to respond to market opportunities or expand research based on early findings. For the example cited in the comment, the estimated costs for the Phase II Market Research and Technological Assessment in the Advancement Plans were developed to provide an anticipated level of effort that would be needed for specific research tasks, some of which span across 2024 and 2025.*

### Comment #5:

CalMTA claims a nearly 50% reduction in Phase I activities in 2025 (when compared to 2024). Why then is the 2025 budget for these activities (in particular the "Advancement Plan Development" and "Technology Scanning and Research" categories) increasing by 70%?

**CalMTA Response:** *In response to this comment, CalMTA developed the budget comparison table in Appendix A (Table A3) to provide updated budget information for Phase I and provide better context for the 2025 estimate. The fund shifts within the Initiative/Concept Development cost category are reflected in this table.*

#### **Comment #6:**

2022-2024, CalMTA has or is projected to be over-budget for their "Initiative/Concept Development" Category. This is especially notable for 2024 since \$4.5 million was set aside for "Program Strategy Testing/Pilots" specifically as a method for greater spending oversight and accountability, a funding allocation that the 2025 budget currently lacks.

**CalMTA Response:** *This comment is in reference to Table 2 in the draft 2025 ABAL. Unlike the firm annual cap of \$19.6M during the 3-year startup period, the budgeted amounts for cost categories and major activities are forecasted (estimated) costs. They are not not-to-exceed caps.*

*In the first startup year (2022-2023), CalMTA was able to leverage cost efficiencies in Administration and Operations and shift some of those funds to Initiative/Concept Development to manage the tremendous response to the RFI, expedite the Batch 1 MTIs, and incorporate additional involvement of MTAB members and the public in the stage gate process—all of which accelerates CalMTA's ability to deliver the benefits of market transformation to California.*

*In response to this comment, CalMTA developed ABAL Appendix A to document fund shifting within cost categories that has occurred since approval of the 2024 ABAL and added text to the ABAL explaining how fund shifting will be documented in the future. As shown in Appendix A, CalMTA has not shifted any funds at the cost-category level in 2024. Table 2 in the draft 2025 ABAL did not provide sufficient context for the 2024 forecast column, which is a monthly scenario that CalMTA provides to the CPUC Contract Manager and PG&E Contract Manager. It is not indicative of a budget exceedance or a shifting of funds. Therefore, CalMTA has updated the 2024 forecast column in ABAL Table 2. This revised forecast includes actuals for January–May, preliminary actuals for June, and forecasted expenditures for July–December. The revised 2024 forecast does not project any significant variance at the cost-category level because it is too early in the year to determine whether that will be possible.*

*In response to Ky-An Tran's comment about the funds set aside for Program Strategy Testing/Pilots in the 2024 ABAL, CalMTA included in Appendix A a detailed list of year-to-date authorizations of these funds. We have also added language to the 2025 ABAL to include the same approval process for any new strategy pilots proposed by CalMTA in 2025, the funding of which would be included in the relevant MTI's Phase II cost estimate.*

*In the 2025 ABAL, CalMTA proposes to have up to nine MTIs in Phase II while continuing Phase I scanning activities and preparing for Phase III implementation. The volume of work identified fully accounts for the available budget and eliminates the need for the unspecified budget placeholder, as was done in 2024.*

### Comment #7:

In 2022-23, CalMTA's "Administrative" expenditures were only 36% of what was requested and in 2024, are expected to be only 43% of its requested budget. Yet CalMTA still requests an extra 122% for 2025 budget compared to its forecast for the year before.

**CalMTA Response:** *CalMTA strives to keep Administration costs as low as possible so that more of the funding can be spent on MTI development. The Administration cost estimate in both 2024 and 2025 includes some contingency dollars for addressing non-routine Administration activities, such as unplanned financial and other data requests, including legal advisory support when needed. In the 2025 cost estimate, this includes legal support for the application proceeding, which is difficult to forecast. The revised Table 3 breaks out CalMTA's Administration cost estimate into routine and non-routine Administration costs.*

*As discussed in the response to Comment #6, CalMTA may be able shift unspent Administration funds to MTI development, however it is prudent to build non-routine Administration activities into the budget estimate.*

### Comment #8:

CalMTA's 2025 budget request is its tightest budget so far. CalMTA's request of \$19,599,846 gives its budget an error threshold of only \$154 before it surpasses the budget cap and violates its contract with PG&E. Given the information on hand, CalMTA routinely underbudgets and then overspends. CalMTA's budgetary practices paint a worrying pattern of overpromising and underperforming.

**CalMTA Response:** *Unlike the firm annual cap of \$19.6M for the 3-year startup period, the budget amounts for cost categories and major activities in CalMTA's 2024 ABAL and 2025 ABAL are forecasted (estimated) costs. They are not not-to-exceed budgets. CalMTA will coordinate with the CPUC Contract Manager to shift funds as needed to ensure 2025 expenditures remain within the Year 3 budget cap of \$19.6 million, updating the MTAB quarterly. In response to Ky-An Tran's comment, CalMTA added language to the revised 2025 ABAL to make this clear. In program startup Year 1, CalMTA spent \$11.1M, which is well under both the \$19.6M cap and the contract authorized budget of \$14.6M.*

*In 2024 and 2025 our budget authorization request increased to support aggressive goals and the higher work output required for their achievement.*

*On performance, CalMTA has met every major milestone and key deliverable outlined in the contract and in our publicly available Operations Plans. The team has done so within the bounds of both the decision-approved and ABAL-authorized budgets.*

*In subsequent communications with Ky-An Tran about this comment, he clarified that:*

*"the information on hand" referred to Table 2 in the first draft of the 2025 ABAL, the 2024 ABAL, and all financial updates CalMTA has provided the MTAB as of June 2024. The 'underperform[ance]' refers to discrepancies in the forementioned Table 2 between authorized and requested budgets and the actual and forecasted expenditures of respective cost categories."*

*CalMTA's response to Ky-An Tran's Comment #6 explains how and why, in response to his comments, CalMTA updated the forecast numbers in Table 2 and added Appendix A to document fund shifting within the Initiative/Concept Development cost category that has occurred in the first half of 2024.*

## **July 12 Public MTAB Meeting Feedback**

At the July 12 MTAB meeting, Lynette Curthoys presented a summary of feedback received from MTAB members on the first draft of the 2025 ABAL. MTAB members were provided with a redlined copy of the draft ABAL and the new Appendix A. Lynette Curthoys shared slides summarizing key comments and CalMTA's responses to them, walked MTAB members through notable changes in the redline, and talked in detail about the new Appendix A that was developed in response to MTAB feedback. MTAB members asked clarifying questions and made some suggestions for improvement.

Ky-An Tran initiated a discussion about why CalMTA revised the forecast for 2024 in ABAL Table 2 to increase the Administration cost category back up to the full 2024 ABAL amount and what resulting tasks were cut from other areas. CalMTA clarified that no activities were cut and that no changes are currently forecasted at the cost-category level for 2024. Rather, in response to Ky-An Tran's comment, CalMTA updated the forecast because it is too early in the year to forecast shifting Administration costs to other cost categories as was done in 2023. Lynette Curthoys indicated that CalMTA could show the anticipated breakdown between routine and non-routine Administration costs in the final ABAL. One MTAB member commented that it was important to note that the overall budget estimate did not increase from 2024 to 2025, and that Administration remains below 10%.

In response to a question from Ky-An Tran, CalMTA confirmed that changes in level of effort anticipated for major activities from 2024 to 2025 can be seen in the increase or decrease in the FTE (full-time equivalent) numbers that were added to the table.

Ky-An Tran reiterated his comment about adding more line items to the budget, particularly for Phase II research and strategy pilot activities. Jeff Harris provided the perspective of the Northwest Energy Efficiency Alliance, which includes a single budget estimate for their equivalent of Phase II activities, followed by quarterly reporting on how and why the estimates change throughout the year. MTAB members were supportive of CalMTA's plans to include budget updates in future MTAB meetings and quarterly reports and mentioned the importance of including a brief narrative describing the driver of any changes and the implications. Hayley Goodson commented that this is in line with expectations for utilities to report on deviations from budgets in all areas, even beyond energy efficiency. Jeff Mitchell clarified future MTIs may or may not require strategy pilots, and if they do, the funds would be allocated from the MTI's Phase II cost estimate. While strategy pilot funds are not earmarked in a separate gated funding pool, CalMTA proposes to use the same strategy pilot approval process that was described in the 2024 ABAL.

CalMTA clarified that the draft ABAL had a typo on p. 13 regarding the number of MTIs that would transition to Phase II in 2025. The correct number is two, as shown on p. 12 in the list of key deliverables from Phase I.

Several members expressed that they were prepared to recommend the redlined ABAL as presented. Ky-An Tran indicated that he would like to further discuss his comments with

CalMTA before moving forward with the recommendation process. Lynette Curthoys mentioned 1:1 discussions were an option for any MTAB member that has additional questions. It was agreed that any additional redlines to the ABAL would be annotated in a different color and MTAB members would receive both the clean and redline version, as well as a response to comments memo, when asked to recommend the final ABAL.

## **July 16 and 18 Meetings with Ky-An Tran of Cal Advocates**

CalMTA met with Energy Division staff and Ky-An Tran of Cal Advocates on July 16 to further discuss options for adding more line items to the 2025 ABAL cost estimate. CalMTA agreed to add additional subtasks under Administration, Technology Scanning and Research, and Phase II activities for each MTI with the understanding that adding more line items will likely require additional documentation and reporting of fund shifting in the future. CalMTA also added a second appendix to the ABAL (Appendix B) to provide additional detail on non-labor cost estimates. These revised and new tables were reviewed in a second meeting on July 18, with addition changes made in response to feedback in the July 18 meeting.

## **July 24 Meeting with Ky-An Tran and Shelly Lyser of Cal Advocates**

CalMTA met with Energy Division staff and Ky-An Tran and Shelly Lyser of Cal Advocates on July 24 to discuss CalMTA's responses to Ky-An's comments on the ABAL. Ky-An asked CalMTA to more clearly attribute his comments and any corresponding changes to the ABAL that resulted from his comments. Ky-An also asked CalMTA to state clearly in its response to Ky-An's written Comment 4 whether CalMTA is able to produce a line-item budget in the format requested by the comment and if not, whether future budgets would include that level of detail.

In response to these requests from Ky-An Tran, CalMTA further revised this detailed summary of MTAB ABAL comments and the Summary of MTAB Comments section of the 2025 ABAL. Lynette Curthoys explained that in the latter half of 2024 CalMTA will be building the proposed application budget and will be mindful of Cal Advocates' interest in seeing more detail built into future budget estimates.

Ky-An Tran reviewed revisions to Table 2 in the draft and final ABAL and expressed concern about cost efficiencies in Administration being shifted to other activities in Operations and Initiative/Concept Development without a clear description of how the shifted funds would be used. He expressed concern that any cost efficiencies should instead be returned to ratepayers unless CalMTA confirms how the shifted funds would provide equivalent benefits to ratepayers.

If cost efficiencies in the Administration cost category enable shifting of funds to other cost categories in the future, CalMTA will provide a brief narrative describing the driver of any changes and the implications for the program overall, as described in the final ABAL.

Developing quality MTIs through a collaborative process with MTAB and interested parties is a beneficial long-term investment of ratepayer funds that will yield large-scale, lasting energy savings and greenhouse gas reduction as envisioned by the legislature in enacting SB 350 and the Commission in adopting D. 19-12-021. Therefore, opportunities to shift funds estimated for Administration to activities that move the initiatives forward would be a positive outcome.

The disposition of unspent funds from CalMTA budgets is beyond the scope and authority of the CalMTA program.