



MTAB ABAL Comments

June 23, 2023

Introduction

Comments received from MTAB members on the Annual Budget Advice Letter (ABAL) drafted by CalMTA ranged from minor suggestions related to language or ABAL format, to more significant comments on the budget. MTAB feedback was received via:

- verbal input during multiple public meetings, and
- written survey responses.

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

June 8 Public Meeting Feedback

At a June 8 MTAB meeting, the draft CalMTA 2024 budget was presented to members for review and discussion. There were many clarifying questions as staff walked through each section of the budget. The main comments included how labor costs are calculated and contribute to the budget categories, the number of market transformation initiatives planned, the budget for pilots and working groups, etc., and whether the budget estimates covered certain activities such as data security, audits, etc.

There were also questions and broad discussions around the process for getting CalMTA's budget approval and general budgeting rules. These included inquiries about whether funds could be carried over or moved between costs categories, the timing of when funds for MTI implementation could be released, and whether a supplemental budget request would be allowed. These questions were answered or discussed and have been documented as part of the meeting notes.

Overall, the MTAB members asked staff to include more detailed assumptions in the ABAL narrative about specific tasks and deliverables, such the number of MTIs, pilots, stakeholder engagements, and working groups. Several members also advised CalMTA staff to scale the program's activities to utilize the full funding authorized in D.19-12-021 in order to meet the scale of California's clean energy needs and realize the CPUC's directive to incorporate environmental and social justice goals in the MTI portfolio.

This feedback was addressed by increasing the number of MTIs planned for advancement in the application, and investing more in pilots, testing, and other MTI development activities for ideas in Phase II, as well as the administrative and stakeholder outreach work to support them. A recording of the meeting and the notes can be found at <https://calmta.org/meetings-events/calmta-market-transformation-advisory-board-meeting/>

Survey Feedback with Responses

MTAB members were also given the opportunity to provide feedback in writing via a survey. Seven of nine MTAB members provided written comments via the survey. Feedback received largely confirmed or expanded feedback received in the June 8 meeting.

Topic 1: ABAL General Comments

MTAB Member Comments:

Jeff Harris:

Recommend moving the Decision language and contract adjustments (PG&E's administrative budget) that establish the start-up budget amounts and years to the background section. That allows the focus of the budgets section to be on the actual 2024 amounts and state that they are within the amount established in the background.

CalMTA Response: *We revised the Background section of the ABAL to address this comment.*

I think it would be wise to highlight the movement to time and materials budgeting and emphasize that if funds are not needed, they will not be spent. On the other hand, the uncertainties around what might come in through the RFI process and needs for MTI development in 2024 make it difficult to estimate what would be needed; so in this ABAL, the budget was constructed with an eye towards trying to anticipate a significant amount of work in this second year of startup.

CalMTA Response: *To address this comment we added a Payment Structure section to the ABAL which makes it clear that the payment structure is T&M and that any funds not needed will not be spent and will not be carried over to 2024.*

Ky-An Tran:

In the 2024 ABAL, CalMTA should also include their 2023 budget forecast so that reviewers will be able to compare and contrast spending from this year. CalMTA should also discuss current methods of tracking spending in the budget categories listed as well what will be implemented in the future. These processes in overseeing funding will better ensure accountability and sooner identify budget shortfalls.

CalMTA Response: *To address this comment we added the approved 2023 budget to section 1 of the ABAL. We also added some language that describes how we track program costs and report them on a monthly basis.*

Since this is the Commission's first review after CalMTA's initial structuring, it warrants a discussion of CalMTA's organization structure in regard to the budget categories listed. Reviewers should be given a better understanding about the appropriateness of the budget and the scale and scope of CalMTA's operations. CalMTA can do this by identifying the various divisions within the organization responsible for working on particular categories and the number of employees that could possibly work on related matters. This would help to justify the number and cost of FTEs that was identified in budget.

CalMTA Response: *The CPUC reviewed CalMTA's budget and structure of expenses when it approved PG&E's Advice Letter 4674-G/6747-E with an effective date of November 23, 2022.*

To augment that foundation as suggested, we have added the organization chart for CalMTA (Appendix A in the ABAL) and have included a column of FTEs in Table 3 in the ABAL. Also included in Appendix A is a narrative to link the positions on the organization chart to the FTE estimates in Table 3.

Randall Higa:

In section one, there is a sentence that doesn't seem to make sense. There seems to be an error in the description of the five-year budget for MTIs: "PG&E's Tier 2 Advice Letter...reduced the annual start-up budget cap...and the five-year budget for the MTIs to \$245,500 to cover PG&E's possible administrative costs." I assume that the \$245,500 is a typo? If it is supposed to be \$245 million, does that mean that PG&E's administrative costs are \$1 million a year?

CalMTA Response: *\$245,500 was a typo that has been corrected in the revised ABAL.*

In Table 1 IOU Funding Shares, the percentages do not match the Proposed Decision (PD) by CPUC ALJ Fitch and Kao Authorizing Energy Efficiency Portfolios for 2024-2027 and Business Plans for 2024-2031 issued on May 26, 2023. Therefore, there may need to be a note stating that the funding shares are subject to updates pending the final decision.

CalMTA Response: *Agreed, we included a statement in the section of the ABAL titled "CalMTA's 2024 Budget, Savings and Cost-Effectiveness" briefly addressing this topic. CalMTA will assume that the IOU funding shares approved for the market transformation framework in D.19-12-021 and reflected in the contract between PG&E and Resource Innovations still applies to CalMTA. We anticipate using these funding shares unless the CPUC clarifies in the upcoming decision in A.22-02-005, or through a future decision or Commission directive, that a new funding arrangement applies.*

On page 7 in the description of activities for Program Development, the letter includes "Further prioritize potential MTIs based on portfolio goals and highest-value impacts". What portfolio goals are these? The CalMTA is expected to fill gaps in the EE portfolio and not duplicate efforts (and thus goals) that are already addressed by the EE portfolio. The 2023 Potential & Goals study setting the TSB goals for the EE portfolio do not include goals for the CalMTA. The PD's direction (OP 27) for an independent evaluator to set goals for the EE portfolio's market support and equity indicators do not suggest that the evaluator also set any goals for the CalMTA. Do you mean the Market Transformation portfolio?

CalMTA Response: *Once the highest-scoring MTIs are known, we will put them through a filter that looks qualitatively at what our overall portfolio would look like if the MTIs were adopted strictly in order of highest priority first. For example, if there were not acceptable geographic coverage from the highest scoring MTIs, we might consider substituting an MTI that added geographic diversity (and still scored reasonably high) so our portfolio of activities covered more of the state. At the May 26 MTAB meeting, we discussed the following portfolio characteristics as being desirable: equity; diversity of offerings; geographic coverage; ramp rate; workforce development; MTI investment; risk; and policy alignment.*

We edited the language in the referenced section to be clear that we're talking about desirable MTI portfolio characteristics, rather than savings goals.

Topic 2: Budget General Comments

MTAB Member Comments:

Fred Gordon:

My observations from the last meeting are that (1) cut and dry goals may make approval simpler, and (2) they would need to be carefully qualified because MT doesn't follow a linear or simple path AND proposals may come in all sizes and levels of complexity and maturity.

CalMTA Response: *CalMTA has revised the ABAL to provide more clarity on goals including quantities for key deliverables.*

Hayley Goodson:

I have one overarching concern about the Labor Costs in Table 2. The CalMTA budget forecasts labor costs of \$414,000/FTE for RI staff (and \$420,733/FTE with subs included). This is much higher than the other EE PAs*, with the exception of BayREN. (*I did not review SDG&E or SoCalGas due to time constraints). The following table shows 2023 ABAL Labor Costs/FTE for other PAs:

2023 ABAL	PG&E	SCE	MCE	3C-REN	BayREN	SoCalREN
Labor Costs	\$40,880,407	\$27,047,167	\$2,014,995	\$2,149,474	\$1,895,311	\$2,336,967
FTE	194.4	170.43	6.5	9	4.4	6.5
Labor \$/FTE	\$210,290	\$158,700	\$309,999	\$238,830	\$430,753	\$359,533

Using a very rough estimate of salary as 78% of total labor costs (including retirement, other benefits, and payroll taxes), which is reflective of my employer TURN's ratio, one might assume that RI is paying an average salary for CalMTA staff of over \$320,000. I recommend that CalMTA revise the draft ABAL to explain the types of costs included in the Labor Cost category of the budget detail to assuage concerns about excess labor costs. (Note: This comment was provided for all cost categories)

CalMTA Response: *We have updated the FTE calculations based on the assumption that fully dedicated staff will bill approximately 80% of their time to the project, which allows time for paid time off and other non-billable time. Based on this assumption, the average cost per FTE for RI staff is \$388,593. This puts labor costs in the range between Bay REN and SoCalREN. The labor costs included in the budget are based on bill rates in the PG&E-Resource Innovations contract and are in alignment with competitive market rates. These bill rates were accepted as part of a competitive bid process.*

Comparisons with typical energy efficiency program administrator budgets are likely not an apples-to-apples for the following reasons. The work that CalMTA is doing requires a high degree of expertise in a specialized segment of the broader energy efficiency market. CalMTA needs specialized expertise that necessitates a team with very specific skills and many years of experience in market transformation or associated fields. A large part of the work being

performed by CalMTA is being done by senior staff with 20-30 years of specialized experience. Because of their knowledge and skills these experts charge at higher (while still market-competitive) rate which leads to a higher average FTE cost. In addition, there are fewer jobs at lower levels in market transformation compared to a typical energy efficiency programs which often need a wide range of skills, including less costly resources such as application processing and call center staff.

Jeff Harris:

Overall, in my opinion, the amount of FTE and costs/FTE appear to be reasonable and within market rates for similar work. I appreciate the difficulty in budgeting at this very early stage but agree that it is important to give the commission adequate time to process the budget request.

Ky-An Tran:

Given that CalMTA has not started reviewing initiatives, it is improper to attempt to allocate the rest of the \$19.6 million in funding. The budget should actually be scaled back and designed around 7-10 initiatives. The main motivation to filing early is to ensure that there will be a budget for next year, but as a result, it has made the current proposed budget less precise to maintain flexibility. Since this is the first year CalMTA is proposing a budget, it would be prudent to be more cautious with the budget. It is common to not budget all of a program allocated funds and start with a more modest baseline of spending. Once a better understanding of the context and needs are established, then supplementary Advice Letters could be sent to designate more of the allocated funding. This is wholly applicable to CalMTA since more experience with this process and more knowledge of the initiatives that CalMTA would like to support will only better ensure that the funds are effectively spent.

Since ratepayers bear the burden of funding CalMTA, success should be scaled up, rather than shortfalls being scaled down. Ideally, a tighter budget with more concrete goals would result in more detailed justification of estimates of categories like "Strategy Testing/Pilots" that would help streamline the budget review process. Ensuring a budget for the incoming year is necessary, but it should not be at the expense of appropriate spending. To these points, I believe budget should be scaled back and designed around 7-10 initiatives and that the current proposed budget be made as tight as possible.

CalMTA Response: *The budget provided is necessary for the scope of work described in this ABAL. While we appreciate the suggestion to start with a lower estimate and utilize a supplementary budget advice letter to request additional funding, we do not believe that this is a feasible approach for the following reasons.*

First, advice letters may only be supplemented if they are still open or pending and have not been approved by the CPUC. Thus, the California Office of the Public Advocates' (Cal Advocates) recommendation would require that the CPUC suspend approval of the 2024 ABAL until CalMTA can file a supplemental advice letter presumably sometime in early-to-mid 2024 with more accurate budgeting information. However, given there is a lack of clarity on whether the funding continuity rule in Ordering Paragraph 5 of D.15-10-028¹ applies to CalMTA, the

¹ Ordering Paragraph 5 of D.15-10-028, states: "If a calendar year ends before Commission disposition of a Program Administrator's advice letter with the budget for the next calendar year, then the prior year's budget shall remain in place until disposition of the pending advice letter."

approach suggested by Cal Advocates could result in CalMTA having no authorized funding and halting operations for most, if not all of 2024.²

Second, CalMTA staff researched whether we could update our budget for 2024, after our 2024 ABAL is approved, when we will have more information about which MTIs will be advanced for further testing and evaluation. However, the CPUC decisions³ that addressed ABALs provided no guidance or a process to update the budgets in the ABALs after they have been approved. Also, we cannot find any precedent for this approach for any of the ABALs or the 2022-2023 biennial budget advice letters, which were directed in D.21-05-031. Thus, if we took this path, we would have to seek CPUC guidance through a motion on whether this approach is even feasible.

Finally, to address Cal Advocates' recommendation to provide more concrete goals and justifications for forecasted expenditures, we have included this additional information in the revised 2024 ABAL.

We would also like to note that the payment structure for 2024 is Time and Materials, and there is no carry-over of unspent funds into 2025.

Peter Miller:

The draft ABAL represents an ambitious and thorough effort to stand up a new organization and develop a set of proposed MTIs for approval to the CPUC. No doubt there is substantial uncertainty in what will emerge and there will be surprises along the way. It is possible that opportunities may be more limited than hoped or the need for MTI evaluation and development easier than anticipated, but it is reasonable and appropriate to prepare for a challenging and ambitious initiative, as anticipated in this draft budget.

The only comment I have on the draft budget is to recommend that it include the additional funds allocated for CalMTA development as a contingency. Given the challenges of amending this budget in a timely manner and the inability to carry over funds, this would enable the CalMTA access to these funds if needed.

CalMTA Response: *To address this input, and the input received from several other members of the MTAB we increased the number of MTIs planned for advancement in the final application, and are investing more in pilots, testing and other MTI development activities, as well as the administrative and stakeholder outreach work to support them. The budget has been revised in support of this.*

Topic 3: MTA Administration

MTAB Member Comments:

Lujana Medina:

I would delete contingency funds and just leave what it is stated to account for. No administrators forecast for contingency funds.

² CalMTA is making the assumption that if we followed Cal Advocates' recommendation, we would file our supplemental to the 2024 ABAL in May or June of 2024 and the approval of the 2024 ABAL and supplemental could still take at least a few months. We make this timing assumption based on long it generally take the CPUC to approve the ABALs.

³ See D.15-10-028, section 3.2.3.1 and D.18-05-041sections 2.6 and 7.

CalMTA Response: CalMTA agrees. We have revised the ABAL language to address this comment.

Topic 4: MTA Operations: Policy

MTAB Member Comments:

Jeff Harris:

I support this level of resource as needed to track and engage, where appropriate, all of the existing and ongoing policy developments. Market Transformation touches many dimensions to the market that are affected by many different policies at the local, state, and federal level.

Topic 5: MTA Operations: Stakeholder Engagement and Communications

MTAB Member Comments:

Jeff Harris:

I see this as a key element of the work in 2024. Engagement and coordination with the other program administrators in CA will be critical to ensure that the MTIs are complementing existing work and not duplicating effort. Also important to engage with other stakeholders in CA that will be critical to long-term support of the effort and the policy goals of CA for equity and GHG reductions.

CalMTA Response: Stakeholder engagement is indeed a key element of the work in 2024 and beyond. We have included budget to address the priorities identified in this comment, as well as outreach relevant to our goal to achieve environmental and social justice and workforce development objectives. As part of the MTI development process, we will be collaborating with existing program administrators to ensure that CalMTA's work is additive and supportive of current implementation of resource acquisition programs. We are also working with emerging technology and codes and standards groups to be in a position to help move new technologies into the market and eventually, if appropriate, make them part of the code or other standard. In the case of some stakeholder audiences, we want to ensure that we have optimized the benefits of MTI deployment. Listening sessions and opportunities for feedback will be created to hear from groups, particularly environmental and social justice and workforce development organizations.

Lujuana Medina:

I am concerned on the price tag of this particular budget element. It's \$1.7 million for webinars. I think there should be a breakdown of what is to be delivered for that amount of budget. Webinars will probably be duplicative and there should be cost savings to do this. Or possibly you meant to say there will be in-person workshops....those would likely be more costly. I would add the number of engagements you aim to deliver, etc.

CalMTA Response: The Stakeholder Engagement activity comprises much more than webinars. It includes developing and maintaining platforms and systems to manage and regularly communicate with CalMTA stakeholders. These include a CRM, emailing platform, slide library, design and publishing functions, etc. It also covers writing and creation of all materials including regular reports to explain CalMTA's work and progress. We will be developing and managing engagement opportunities both on behalf of CalMTA as an overarching program, as well as supporting the Program Development of specific market

relationships and engagement, research, and testing based on MTI priorities (leveraged with the MTI budget). Engagement levels vary depending on the situation. Some will be virtual calls, others will be in-person meetings and more involved workshop-style gatherings with certain stakeholder groups such as ESJ community representatives or workforce development organizations. Additional details on the key activities and deliverables that fall under the Stakeholder Engagement portion of the budget are included in Section 2 of the ABAL.

Topic 6: MTA Operations: Data Systems Development and Management

MTAB Member Comments:

Jeff Harris:

Recommend calling out Security certifications process (SOC II, NIST or whatever is preferred in CA) as part of ongoing security management.

CalMTA Response: *We updated the language based on this comment.*

Topic 7: MTA Operations: MTAB

MTAB Member Comments:

Hayley Goodson:

In addition to my overarching comment on labor costs, I am surprised to see a >\$500k line item for MTAB operations, especially since meetings and related activities will be "lumpy" over the course of 2024.

CalMTA Response: *Approximately 82% of the MTAB budget is comprised of labor. The labor costs include more than just time attending the meetings, they also include prep time and time to engage with MTAB members. Our budget is based on the assumption that we will have four in-person MTAB meetings and six virtual meetings in 2024. Preparing for and conducting MTAB meetings, whether in person or virtual, is labor intensive and generally involves all members of the CalMTA leadership team. Approximately 18% of the budget is for non-labor costs. These include travel costs associated with CalMTA team members and MTAB members travelling to attend the in-person meetings, and also MTAB member stipends. As throughout this ABAL, payment is on a time and materials basis, so if there are fewer MTAB meetings, this will be lower cost. There is no carryover of unspent funds to 2025.*

Topic 8: MTI/Concept Development: Concept Identification & Assessment

MTAB Member Comments:

Lujuana Medina:

Seems reasonable given you will deliver 4 RFIs.

Topic 9: MTI/Concept Development: Strategy Development and Testing

MTAB Member Comments:

Lujuana Medina:

This seems astronomically costly with no indication of how many initiatives will come of it. In the section above you aim to deliver 4 RFIs for ~\$1.2 million. For \$9 million you are proposing 3 MTI plans in one application. Your 12-month burn rate for this task alone would equal \$783K a month assuming you start this task right in January but based on your schedule I would assume it starts later. I would try direct deliverables to each cost item this would explain better why the costs are so high.

CalMTA Response: *To deliver four MTI Plans in 2024, CalMTA will implement activities per five MTI Advancement Plans developed in 2023 and five MTI Advancement Plans developed in 2024. MTI Advancement Plans include activities such as developing unit energy savings estimates, baseline market adoption forecasts, market adoption forecasts, market characterization research, grid impact models, GHG reduction models, ESJ market strategies and more.*

Additionally, MTI Advancement Plan implementation will often take longer than 12 months to complete and will launch through the year, resulting in activities that continue through all of 2024 and into 2025.

In some cases, the research conducted will result in the realization that the proposed technology or practice will not make a suitable MTI and CalMTA will either work to transition the technology or practice to another program, or the concept will be archived.

Jeff Harris:

See overall budget statement above. I recommend that the Pilot project budget be doubled to \$5M in order to accommodate a single large project or multiple smaller projects that will enable acceleration of MTIs once the application process is completed.

CalMTA Response: *We have increased the pilot/strategy testing budget by \$2M to accommodate expanded pilots and added incremental dollars for the associated administrative/management effort associated with larger or more pilots.*

Randall Higa:

It may be worthwhile to provide some explanation for the Testing/Pilots; perhaps estimates for each pilot, field test, lab test, etc., so that if the total budget is closer to \$2M, there can be greater justification for expenditures when the MTIs are known.

CalMTA Response: *We have added additional detail on the pilots.*

June 30 MTAB Meeting Feedback
To be filled in.