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July 31, 2024

**Advice RI-CalMTA-3**

(Resource Innovations, Inc. – California Market Transformation Administrator ID U-1399-E)

Public Utilities Commission of the State of California

**Subject: RI-CalMTA’s 2025 Energy Efficiency Annual Budget Advice Letter**

**Purpose**

RI-CalMTA submits its 2025 annual budget advice letter (ABAL) by a Tier 2 advice letter in compliance with directives in Decision (D.) 19-12-021, and D.15-10-028.<sup>1</sup>

RI-CalMTA requests that the California Public Utilities Commission (CPUC) approve its 2025 ABAL budget request of \$19,599,846,600,000.

**Background**

Through D.19-12-021, the CPUC authorized the market transformation administrator (CalMTA), an initial administrative budget of up to \$20 million per year for startup work until the CPUC approves the initial tranche of Market Transformation Initiatives (MTIs) for deployment via an application.<sup>2</sup> Through D.19-12-021, the CPUC further allocated CalMTA a five-year budget of \$250 million to implement MTIs once the initial set of MTIs is approved by the CPUC.

The CalMTA contract with Pacific Gas and Electric Company (PG&E) (discussed below) reduced the annual start-up budget cap from \$20 million to \$19.6 million per year for the first three years and the five-year budget for MTI implementation from \$250 million to \$245 million to cover PG&E’s possible administrative costs. The contract allows CalMTA to request any of PG&E’s unspent administrative funds to be accessible to CalMTA after year six of the contract.

In D.19-12-021, the CPUC ordered PG&E to act as the statewide lead and contracting and fiscal agent responsible for the selection of an independent, statewide market transformation administrator.<sup>3</sup> Pursuant to that authority, in March 2021 PG&E issued a competitive Request for Proposals (RFP) at the direction of the CPUC and in compliance with the requirements for third-party solicitations included in D.18-01-004. The RFP resulted in the selection and execution of a contract between PG&E and Resource Innovations for Resource Innovations to administer CalMTA.

<sup>1</sup> D.19-12-021, at p. 59 and D.15-10-028, OP 4.

<sup>2</sup> D.19-12-021, OP 7, at p. 90.

<sup>3</sup> D.19-12-021, OP 6, at p. 90.

On October 26, 2022, as required by D.19-12-021, PG&E filed a Tier 2 Advice Letter 4674-G/6747-E for CPUC approval of the contract. The advice letter was approved by the CPUC with an effective date of November 23, 2022. Tier 2 Advice Letter 4674-G/6747-E approved the initial budget startup budget for CalMTA for 2022-2023.

On March 14, 2023, RI-CalMTA filed Advice Letter RI-CalMTA-1 for CPUC approval of the proposed membership and conflict of interest rules for the Market Transformation Advisory Board (“MTAB”) developed by CalMTA in consultation with CPUC staff as described therein. On April 7, 2023, RI-CalMTA filed Advice Letter RI-CalMTA-1-A, a supplemental advice letter, that provided revisions to the proposed conflict of interest rules in response to a protest to Advice Letter RI-CalMTA-1. Advice Letter RI-CalMTA-1-A was approved by the CPUC’s Energy Division Director with an effective date of April 13, 2023.

Pursuant to D.19-12-021, CalMTA is required to file a Tier 2 advice letter with an annual budget each year for the upcoming budget year.<sup>4</sup> The decision indicated that the annual budget process for CalMTA “is similar to the rolling portfolio ABAL.”<sup>5</sup>

By this Tier 2 Advice Letter, RI-CalMTA-3, CalMTA submits its 2025 ABAL for approval by the CPUC. CalMTA’s 2025 ABAL complies with all CPUC requirements for ABALs for CalMTA set forth in D.19-12-021.<sup>6</sup> Advice Letter RI-CalMTA-2 also complies with the requirements of General Order 96-B governing Tier 2 advice letter filings.<sup>7</sup>

Ordering Paragraph (OP) 4 of D.15-10-028 states that the energy efficiency (EE) PAs must file their ABALs for the next year’s EE portfolio by the first business day in September. CalMTA is filing early, because there is a lack of clarity on whether OP 5 of 15-10-028 applies to CalMTA. OP 5 allows PAs to continue with their previous budget if their ABAL is not approved by January 1 of the year for which it was filed. To limit the risk of a funding cliff on January 1, 2025, and to ensure that CPUC has sufficient time to approve this ABAL before the start of 2025, CalMTA is filing early.

### **Contents of Filing**

This ABAL provides the required information about CalMTA’s 2025 budget and activities, including:

- 1. CalMTA’s 2025 Budget, Savings and Cost-Effectiveness;**
- 2. CalMTA’s 2025 Activities and Deliverables; and**
- 3. MTAB Report and Recommendation on CalMTA’s Proposed 2025 Budget.**

### **Discussion**

#### **1. CalMTA’s 2025 Budget, Savings and Cost-Effectiveness**

CalMTA is funded by the four investor-owned utilities (IOUs) based on the same allocation that is used to fund statewide EE programs as shown in Table 1.<sup>8</sup>

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<sup>4</sup> D.19-12-021, at p. 59.

<sup>5</sup> Ibid.

<sup>6</sup> D.19-12-021, at p. 59, p. 110 and pp. 125-127.

<sup>7</sup> General Order 96-B, General Rule 7 and Energy Industry Rule 5.2.

<sup>8</sup> D.19-12-021, at pp. 63-64.

Table 1. IOU Funding Shares for Market Transformation

| IOU      | Electric Funding Split* | Gas Funding Split* | Market Transformation Funding Split** |
|----------|-------------------------|--------------------|---------------------------------------|
| PG&E     | 44.5%                   | 50.4%              | 45.5%                                 |
| SDG&E    | 15.5%                   | 7.8%               | 14.0%                                 |
| SCE      | 40.0%                   | 0.0%               | 32.5%                                 |
| SoCalGas | 0.0%                    | 41.8%              | 8.0%                                  |

\*See Table 2 on page 5 of SDG&E Advice Letter 3268-E-A/2701-G-A.

\*\*Consistent with a fuel type allocation of 80% electric, 20% gas. See Table 3 on page 7 of SDG&E Advice Letter 3268-E-A/2701-G-A.

In the EE Application Proceeding (A.22-02-005), the CPUC issued D.23-06-055 on May 26, 2023, which included an updated funding allocation among the IOUs for statewide programs.<sup>9</sup> 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 apply to CalMTA. We anticipate PG&E, the fiscal agent for the CalMTA contract, will use these funding shares unless the CPUC clarifies through a future decision or Commission directive that a new funding arrangement applies.

In terms of savings and cost-effectiveness, CalMTA does not expect to have any approved MTIs in the market long enough in 2025 to have any claimed savings.<sup>10</sup> Therefore, we forecast no energy savings and a cost-effectiveness ratio of zero for all cost-effectiveness tests required to be filed with the ABAL.

<sup>9</sup> The updated statewide funding allocation is included in Table 1 of D.23-06-055, on pg. 6, located here: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M512/K907/512907396.PDF>.

<sup>10</sup> CalMTA is planning to submit our application for approval of at least one MTI in late December of 2024. We expect that a decision on our application will likely take about a year and thus our approved MTIs will likely not be in the market until 2026.

## CalMTA Startup Budget Summary

Table 2 includes a summary of the three-year startup budget for CalMTA, including actuals and expenditures from ~~our the~~ first year, ~~our the~~ 2024 authorized ABAL budget, a year-to-date preliminary 2024 forecast ~~authorized in our advice letter and our performance against it to date~~, and ~~our the~~ 2025 budget requested in the ABAL for, ~~which will be~~ the third and final year of the startup period.

**Table 2. CalMTA Startup Budget Summary**

| Cost Category                   | 2022-23 Authorized Budget | 2022-23 Actual Expenditures | 2024 Authorized Budget | 2024 Preliminary Forecast* | 2025 Budget Request      |
|---------------------------------|---------------------------|-----------------------------|------------------------|----------------------------|--------------------------|
| Administration                  | \$1,636,831               | \$588,178                   | \$1,011,287            | \$1,008,000                | \$967,434,000            |
| Operations                      | \$8,179,935               | \$5,075,958                 | \$4,444,191            | \$4,444,112                | \$4,647,462,000          |
| Initiative/ Concept Development | \$4,546,965               | \$5,385,303                 | \$14,076,113           | \$14,075,947               | \$13,985,250,986<br>.000 |
| TOTAL                           | \$14,363,731              | \$11,049,439                | \$19,531,591           | \$19,528,059               | \$19,599,846,19,600,000  |

\* Includes actuals for January – ~~April-May~~, preliminary actuals for June, and forecasted expenditures for May-July – December. Assumes funding conditionally allocated in the 2024 ABAL is requested by CalMTA and approved by CPUC staff.

## CalMTA 2025 Budget

CalMTA's budget request for 2025 is ~~\$19,599,846~~ 19,600,000 (see Table 3).

The budget is comprised of three cost categories established in the MTA contract between PG&E and Resource Innovations and included in PG&E's Advice Letter 4674-G/6747-E<sup>11</sup> – MTA Administration, MTA Operations, and Market Transformation Initiative/Concept Development. Table 3 shows the detailed budget by cost category and major activity. ~~(See Appendix A for an organizational chart.)~~ Figure 1 shows the relative percentages of the total CalMTA budget by cost category. Unlike the firm annual spending cap of \$19.6M for the third and final startup year, the budget amounts for cost categories and major activities within CalMTA's 2025 ABAL are forecasted (estimated) costs and are not cost caps. 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 MTAB quarterly as described below.

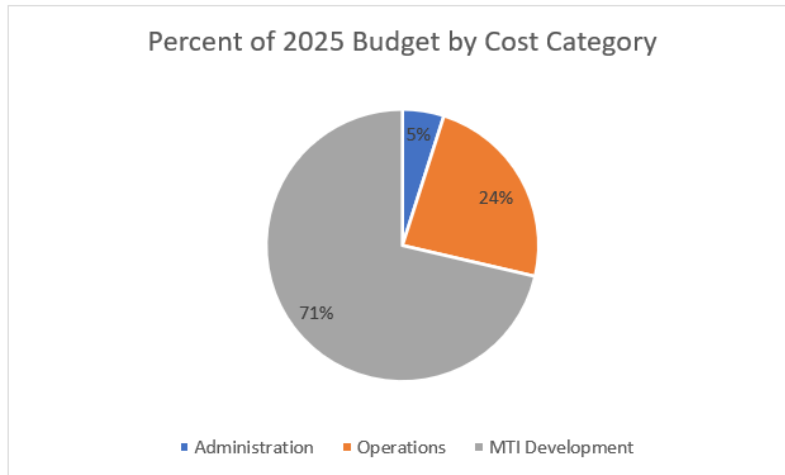
The activities and deliverables associated with each cost category help to deliver on California's energy and climate goals through market transformation, as well as help advance efforts related to workforce development and equity. These activities are addressed further in Section 2.

## Payment Structure

<sup>11</sup> PG&E's Advice Letter 4674-G/6747-E, Attachment A, pg. 25 includes five cost categories for CalMTA, including: MTA Administration, MTA Operations, Initiative/Concept Development, MTI Market Deployment, and Evaluation. For 2024, CalMTA will only include funding for the first three because activities in the other categories haven't yet started.

While the CPUC-approved contract between PG&E and Resource Innovations to administer CalMTA in PG&E's Advice Letter 4674-G/6747-E allows several options for payment types, the 2025 budget will use time and materials as the payment type.

**Figure 1. Percentage Share of Total CalMTA 2025 Budget by Cost Category**



**Table 3. 2025 CalMTA Budget Forecast by Cost Category and Activity**

| Cost Category                  | Major Activity                                      | Activity Detail       |                      |                      |                     |                    | Cost Category Totals |
|--------------------------------|---|-----------------------|----------------------|----------------------|---------------------|--------------------|----------------------|
|                                |   | Estimated Labor Costs |                      |                      | Non-Labor Costs     | Activity Totals    |                      |
|                                |   | Subs                  | RI                   | Total Labor Costs    |                     |                    |                      |
| MTA Administration             | Routine Financial and Administrative Tasks          | \$ -                  | \$ 867,434           | \$ 867,434           | \$ 100,000          | \$ 967,434         | \$ 967,434           |
|                                | <b>Operations Subtotals</b>                         | \$ -                  | \$ 4,256,156         | \$ 4,256,156         | \$ 391,006          | \$ 4,647,162       |                      |
| MTA Operations                 | Project Management and Operations                   | \$ -                  | \$ 592,591           | \$ 592,591           | \$ 90,000           | \$ 682,591         | \$ 4,647,162         |
|                                | MTAB Administration                                 | \$ -                  | \$ 250,441           | \$ 250,441           | \$ 100,765          | \$ 351,206         |                      |
|                                | Policy  | \$ -                  | \$ 649,130           | \$ 649,130           | \$ -                | \$ 649,130         |                      |
|                                | Stakeholder Engagement and Communications           | \$ -                  | \$ 2,228,541         | \$ 2,228,541         | \$ 175,041          | \$ 2,403,582       |                      |
|                                | Data Systems Development and Management             | \$ -                  | \$ 535,453           | \$ 535,453           | \$ 25,200           | \$ 560,653         |                      |
|                                | <b>Concept Development (Phase I Activities)</b>     | \$ 721,627            | \$ 1,263,930         | \$ 1,985,557         | \$ 75,000           | \$ 2,060,557       |                      |
|                                | Technology Scanning and Research                    | \$ 81,119             | \$ 502,199           | \$ 583,318           | \$ 75,000           | \$ 658,318         |                      |
|                                | Prelim. Analysis, modelling & forecasting           | \$ 208,088            | \$ 97,888            | \$ 305,976           | \$ -                | \$ 305,976         |                      |
|                                | Advancement plan development                        | \$ 432,420            | \$ 663,843           | \$ 1,096,263         | \$ -                | \$ 1,096,263       |                      |
|                                | <b>Program Development (Phase II Activities)</b>    | \$ 5,644,179          | \$ 4,505,514         | \$ 10,149,693        | \$ 1,775,000        | \$ 11,924,693      |                      |
| Initiative/Concept Development | MTI #1: Induction Cooktops and Ranges               | \$ 177,966            | \$ 606,387           | \$ 784,352           | \$ 600,000          | \$ 1,384,352       | \$ 13,985,250        |
|                                | MTI #2: Portable/Window Heatpumps                   | \$ 171,808            | \$ 559,935           | \$ 731,742           | \$ 600,000          | \$ 1,331,742       |                      |
|                                | MTI #3: Efficient Rooftop Units                     | \$ 577,316            | \$ 430,507           | \$ 1,007,823         | \$ -                | \$ 1,007,823       |                      |
|                                | MTI #4: Efficient Streetlighting                    | \$ 1,055,298          | \$ 439,917           | \$ 1,495,216         | \$ -                | \$ 1,495,216       |                      |
|                                | MTI #5: Commercial Replacement & Attachment Windows | \$ 620,557            | \$ 964,086           | \$ 1,584,643         | \$ 475,000          | \$ 2,059,643       |                      |
|                                | MTI #6: Food Service Water Heating Systems          | \$ 1,340,905          | \$ 435,571           | \$ 1,776,476         | \$ 100,000          | \$ 1,876,476       |                      |
|                                | MTI #7: Residential Heat Pump Water Heaters         | \$ 1,123,803          | \$ 439,200           | \$ 1,563,003         | \$ -                | \$ 1,563,003       |                      |
|                                | MTI #8: Batch 3 MTI                                 | \$ 576,526            | \$ 629,912           | \$ 1,206,438         | \$ -                | \$ 1,206,438       |                      |
| MTI Deployment                 |   | \$ -                  | \$ -                 | \$ -                 | \$ -                | \$ -               | \$ -                 |
| Evaluation                     |   | \$ -                  | \$ -                 | \$ -                 | \$ -                | \$ -               | \$ -                 |
| <b>Totals</b>                  |   | <b>\$ 6,365,806</b>   | <b>\$ 10,893,034</b> | <b>\$ 17,258,840</b> | <b>\$ 2,341,006</b> | <b>Grand Total</b> | <b>\$ 19,599,846</b> |

| Cost Category                  | Major Activity                                      | # FTEs      | Activity Detail       |                      |                      |                           | Cost Category Totals |                      |
|--------------------------------|---|-------------|-----------------------|----------------------|----------------------|---------------------------|----------------------|----------------------|
|                                |   |             | Estimated Labor Costs |                      |                      | Estimated Non-Labor Costs |                      | Activity Totals      |
|                                |   |             | Subs                  | RI                   | Total Labor Costs    |                           |                      |                      |
| MTA Administration             | Routine Financial and Administrative Tasks          | 2.3         | \$ -                  | \$ 867,000           | \$ 867,000           | \$ 100,000                | \$ 967,000           | \$ 967,000           |
|                                | <b>Operations Subtotals</b>                         | 10.4        | \$ -                  | \$ 4,256,000         | \$ 4,256,000         | \$ 391,000                | \$ 4,647,000         |                      |
| MTA Operations                 | Project Management and Operations                   | 0.7         | \$ -                  | \$ 593,000           | \$ 593,000           | \$ 90,000                 | \$ 683,000           | \$ 4,647,000         |
|                                | MTAB Administration                                 | 0.6         | \$ -                  | \$ 250,000           | \$ 250,000           | \$ 101,000                | \$ 351,000           |                      |
|                                | Policy  | 1.4         | \$ -                  | \$ 649,000           | \$ 649,000           | \$ -                      | \$ 649,000           |                      |
|                                | Stakeholder Engagement and Communications           | 6.0         | \$ -                  | \$ 2,229,000         | \$ 2,229,000         | \$ 175,000                | \$ 2,404,000         |                      |
|                                | Data Systems Development and Management             | 1.8         | \$ -                  | \$ 535,000           | \$ 535,000           | \$ 25,000                 | \$ 560,000           |                      |
|                                | <b>Concept Development (Phase I Activities)</b>     | 4.7         | \$ 721,000            | \$ 1,264,000         | \$ 1,985,000         | \$ 75,000                 | \$ 2,060,000         |                      |
|                                | Technology Scanning and Research                    | 1.4         | \$ 81,000             | \$ 502,000           | \$ 583,000           | \$ 75,000                 | \$ 658,000           |                      |
|                                | Prelim. Analysis, modelling & forecasting           | 0.7         | \$ 208,000            | \$ 98,000            | \$ 306,000           | \$ -                      | \$ 306,000           |                      |
|                                | Advancement plan development                        | 2.7         | \$ 432,000            | \$ 664,000           | \$ 1,096,000         | \$ -                      | \$ 1,096,000         |                      |
|                                | <b>Program Development (Phase II Activities)</b>    | 24.1        | \$ 5,645,000          | \$ 4,506,000         | \$ 10,151,000        | \$ 1,775,000              | \$ 11,926,000        |                      |
| Initiative/Concept Development | MTI #1: Induction Cooktops and Ranges               | 1.9         | \$ 178,000            | \$ 606,000           | \$ 784,000           | \$ 600,000                | \$ 1,384,000         | \$ 13,986,000        |
|                                | MTI #2: Portable/Window Heatpumps                   | 1.8         | \$ 172,000            | \$ 560,000           | \$ 732,000           | \$ 600,000                | \$ 1,332,000         |                      |
|                                | MTI #3: Efficient Rooftop Units                     | 2.5         | \$ 577,000            | \$ 431,000           | \$ 1,008,000         | \$ -                      | \$ 1,008,000         |                      |
|                                | MTI #4: Efficient Streetlighting                    | 3.5         | \$ 1,055,000          | \$ 440,000           | \$ 1,495,000         | \$ -                      | \$ 1,495,000         |                      |
|                                | MTI #5: Commercial Replacement & Attachment Windows | 3.7         | \$ 621,000            | \$ 964,000           | \$ 1,585,000         | \$ 475,000                | \$ 2,060,000         |                      |
|                                | MTI #6: Food Service Water Heating Systems          | 4.2         | \$ 1,341,000          | \$ 436,000           | \$ 1,777,000         | \$ 100,000                | \$ 1,877,000         |                      |
|                                | MTI #7: Residential Heat Pump Water Heaters         | 3.7         | \$ 1,124,000          | \$ 439,000           | \$ 1,563,000         | \$ -                      | \$ 1,563,000         |                      |
|                                | MTI #8: Batch 3 MTI                                 | 2.8         | \$ 577,000            | \$ 630,000           | \$ 1,207,000         | \$ -                      | \$ 1,207,000         |                      |
| MTI Deployment                 |   |             | \$ -                  | \$ -                 | \$ -                 | \$ -                      | \$ -                 |                      |
| Evaluation                     |   |             | \$ -                  | \$ -                 | \$ -                 | \$ -                      | \$ -                 |                      |
| <b>Totals</b>                  |   | <b>41.5</b> | <b>\$ 6,366,000</b>   | <b>\$ 10,893,000</b> | <b>\$ 17,259,000</b> | <b>\$ 2,341,000</b>       | <b>Grand Total</b>   | <b>\$ 19,600,000</b> |

**Budget Tracking ~~Spending~~ and Reporting**

CalMTA uses an Oracle system to track all program costs. The system allows CalMTA to monitor spending against the approved budgets at both the Cost Category and Major Activity level. CalMTA will provide a summary of spending (monthly, annual, and remaining balance) as part of its monthly invoicing, which is reviewed and approved by the CPUC Contract Manager prior to payment by PG&E.

CalMTA will track Phase II costs per MTI using two primary subtasks:

- o Research and Market Engagement

### o MTI Strategy and Plan Development

CalMTA will report on the status of the budget for each Cost Category and Major Activity in the quarterly and annual reports, including any forecasted fund shifting between and among Cost Categories. Quarterly and annual reports will be Annual expenditures by cost category are reported each year in the CalMTA annual report, which is posted on the CalMTA website and shared to the service list of R.13-11-005. In addition, CalMTA will incorporate a quarterly budget update into future MTAB meetings.

### **2024/2025 Budget Comparison**

While the 2024 and 2025 ABAL budgets include similar allocation percentages at the cost-category level, there have been some adjustments at the major activity level. In comparing the 2025 budget forecast against the 2024 budget forecast, it is important to note that in the first half of 2024, CalMTA coordinated with the CPUC Contract Manager to shift funds within the 2024 Initiative/Concept Development cost category as described in Appendix A: Summary of 2024 Funding Allocation Changes. The following provides a high-level comparison of the 2024 reallocated budget forecast and the 2025 budget forecast, with more details provided in Appendix A.

- Administration: Activities are forecasted for 2025 at approximately 5% of the total budget at \$967,000, which is about 4% percent-less than was forecasted in the 2024 budget.
- Operations: While the total forecasted budget for this cost category is approximately 24% of the total budget forecast (similar to 23% in the 2024 budget forecast), the major cost categories of policy and stakeholder engagement and communications are budgeted to increase by about one third in 2025, while project management, MTAB operations, and data systems development and management are forecasted to decrease.
- Initiative/Concept Development: As more MTI ideas advance through the stage gate process to full MTI Plans, the 2025 budget forecasts this category to include approximately 85% for Phase II activities and 15% Phase I activities, whereas the reallocated 2024 budget shown in Appendix A includes 72% for Phase II and 28% to Phase I.

In the 2025 ABAL budget forecast, any anticipated strategy testing activities or pilots are included in the MTI-specific Phase II budgets. In 2025, as in 2024, aApproval of new strategy testing pilots will require written approval of the CPUC Contract Manager after:

1. MTAB review of the pilot budget and workplan.
2. Posting of pilot budget and workplan to the CPUC Public Documents Area for 15 calendar days to solicit public comment.
3. CalMTA addresses public comments and holds a public webinar to share final budget and workplan and to discuss comments and resulting changes.

### **CalMTA's 2025 Activities and Deliverables**

At the end of 2024, CalMTA will submit an application to the CPUC for approval of the first tranche of MTIs. D.19-12-021 estimated that Commission review of the application would take

~~approximately 6-9 months.~~ However, ~~We~~CalMTA has ~~anticipate that~~planned that the application proceeding ~~will could~~ last ~~approximately up to~~ 11 months, ~~concluding prior to the end of the 36-month startup period prior in November 2025.~~ During 2025 we will support this regulatory proceeding, prepare for procurement of the third-party MTI implementers and evaluators, and continue to collaborate with MTAB, CPUC staff, and stakeholders to advance additional market transformation ideas through the stage gate process described in D.19-12-021. This section describes planned 2025 activities and deliverables by cost category and activity.

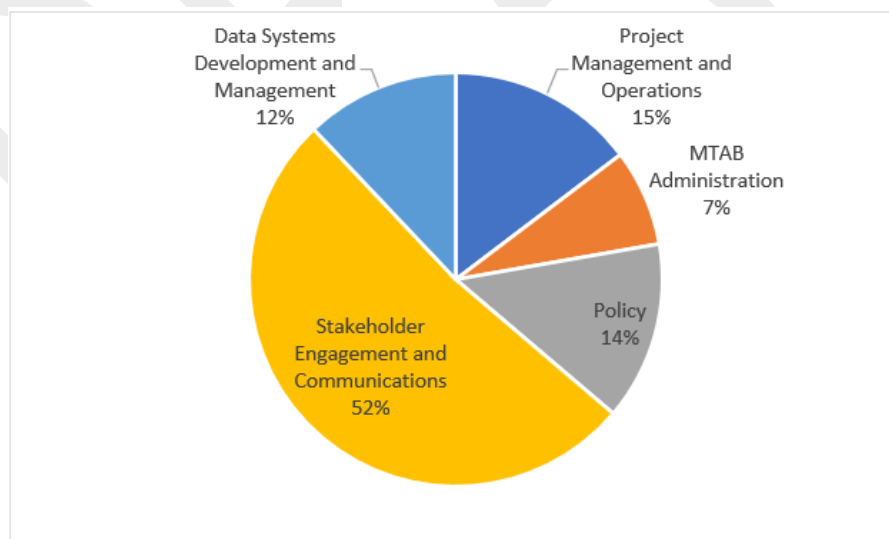
### **MTA Administration**

The budget for the MTA Administration cost category is \$967,434,000, which represents just under 5% of the total CalMTA budget. The proposed administration budget accounts for routine financial and contract administration activities, including the processing of monthly program and subcontractor invoicing; monitoring and managing contract compliance; and budget management, accruals, and forecasting. Also included in the Administration budget are funds for non-routine administration requests that may arise (such as CalMTA responses to ad hoc financial reporting requests from the CPUC or PG&E, ~~or~~ financial audits, or other data requests), and administrative and legal activities related to CPUC filings.

### **MTA Operations**

The budget for the MTA Operations cost category is \$4,647,462,000, which represents 24% of the total CalMTA budget. The Operations budget addresses the costs associated with the five major operational activities described below. Figure 2 shows the percentage share of the Operations budget by major activity.

**Figure 2. Percentage Share of MTA Operations Budget by Major Activity**





## Project Management and Operations

The proposed operations budget includes project management and oversight of the entire CalMTA effort, including associated travel and other direct costs. Key activities include: implementing project management processes and tools; conducting regular leadership and tracking meetings; developing the 2026 Annual Operations Plan; compliance and tracking regarding conflict-of-interest and requirements; developing/maintaining internal operations processes and procedures; and procurement planning for MTI implementation and evaluation solicitations.

### *Key Deliverables:*

- Develop 2026 Annual Operations Plan.

## MTAB Administration

The proposed budget covers the administrative costs related to the planning and execution of virtual and in-person MTAB meetings throughout 2025. It includes developing agendas and meeting facilitation; communicating with individual MTAB members or the public as needed; preparing materials for MTAB meetings; attendance,<sup>12</sup> logistics, and note-taking at the meetings; ensuring follow-up on recommendations; member renewals and replacements as terms expire; and other direct costs associated with convening the MTAB including MTAB member stipends and travel expense reimbursement, travel costs for CalMTA staff who are directly involved with MTAB administration, facility costs, meeting supplies, and meal costs for those in attendance at MTAB meetings.

### *Key Deliverables:*

- Hold up to four in-person meetings and up to four virtual MTAB meetings.
- Recruit and replace MTAB members whose two-year terms expire in April 2025.

## Policy

The policy budget category supports a number of activities to ensure CalMTA's efforts align with current and evolving policy, as well as participating in the application proceeding required to secure CPUC approval of the first tranche of MTIs.<sup>13</sup> Specific activities are described below.

- Track and inform key CalMTA staff of CPUC rulemakings, proceedings, decisions, evaluations, workshops, etc. of relevance to CalMTA.
- Track and inform key CalMTA staff on California Air Resources Board and California Energy Commission rulemakings, workshops, and programs of relevance to CalMTA.
- Track and inform key CalMTA staff on State and Federal legislation and Federal rulemakings of relevance to CalMTA.
- Perform research and draft background memos/reports on key policy issues of importance to CalMTA.
- Support regulatory filings to the CPUC.

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<sup>12</sup> [Time for subcontractors and RI staff on the MTI team to support preparation and delivery of the MTAB meetings is included in their respective Phase I or Phase II budgets.](#)

<sup>13</sup> Per OP 9 of D.19-12-021, "PG&E shall file on behalf of the MTA, an application with the Commission for the approval of the initial tranche of MTIs."

- Lead CalMTA's participation in the application proceeding requesting approval of ~~our~~ the first MTI Plans, including activities such as responding to comments and developing CalMTA's policy positions.

### Stakeholder Engagement and Communications

In 2025, CalMTA's stakeholder engagement and communication activities will continue to foster collaboration with existing programs and ensure alignment on MTIs under development. We will also seek to deepen relationships with environmental and social justice (ESJ) communities by engaging with our Equity Sounding Board to be formed in late 2024. The CalMTA team will continue to develop and maintain platforms and systems to manage and regularly communicate with stakeholders including regular reporting and email notices of MTAB meetings and report releases. We will also manage market engagement opportunities in support of the MTI development work. Specific activities are described below.

#### CalMTA-focused activities

- Develop and publish quarterly and annual reports, including documenting CalMTA and MTI development progress.
- Package and disseminate information on market research, laboratory and/or field testing, pilots, and other activities as developed during MTI program development.
- Publish and disseminate CalMTA Advancement Plan(s).
- Develop and publish semi-monthly stakeholder communications via newsletter or notices with updates on CalMTA, the MTAB work, and MTI development (including research outputs).
- Host regular webinars and conference presentations to share CalMTA and MTI development updates.
- Redevelop the CalMTA website to better present our work including the reports and publications being released.
- Maintain communications collateral, contact management database, emailing platform, analytics, and other tools.
- Manage stakeholder collaboration in all areas of the California efficiency market with regular briefings, personal meetings, and direct electronic communications with updates and opportunities to engage.
- Maintain regular collaboration with mission-aligned organizations and other allies to disseminate information on the California market transformation portfolio development to stakeholders.

#### MTI-focused activities

The following activities are included in the MTI budget, but performed by the stakeholder engagement team:

- Support positive outcomes for ESJ communities resulting from the MTIs by continuing to engage with the Equity Sounding Board to be established in late 2024 to give feedback and guidance on the equity aspects of our work.
- Manage and track direct engagements with market actors and program implementers with related efforts.
- Craft outreach and communications strategies for specific markets that will be integrated into the MTI Plans to be developed in 2025.

- Support the program development team on message testing and other pilot, testing, or research activities related to the marketing and outreach aspects of MTI planning.

*Key deliverables:*

- Annual and quarterly reports made public via calmta.org.
- Semi-monthly (24) stakeholder communications via newsletter or notices.
- Live webinars on CalMTA activities, with on-demand recordings available at calmta.org.
- Analytics reporting with website visits, social reach, list growth, etc.
- Collateral developed in support of CalMTA or MTI audience outreach explaining the process and progress on work.
- Stakeholder contact lists and meeting tracking/reporting.
- 3-4 meetings of the Equity Sounding Board.
- Engagement and communications scopes in up to three full MTI Plans.

### Data Systems Development and Management

The CalMTA team leverages IT systems to support a broad range of activities including project management, stakeholder engagement, and MTI development. Examples of data systems that are currently in use include the CalMTA website; CRM systems for contact tracking and customer engagement; a Salesforce-based platform for activity tracking, RFI management, and reporting; a web-based platform for gathering stakeholder feedback; multiple web-based platforms for data analytics and hosting. In 2025, CalMTA will continue to assess technology needs and will develop new, and improve existing, data systems to support CalMTA operational and data management. Specific activities are described below.

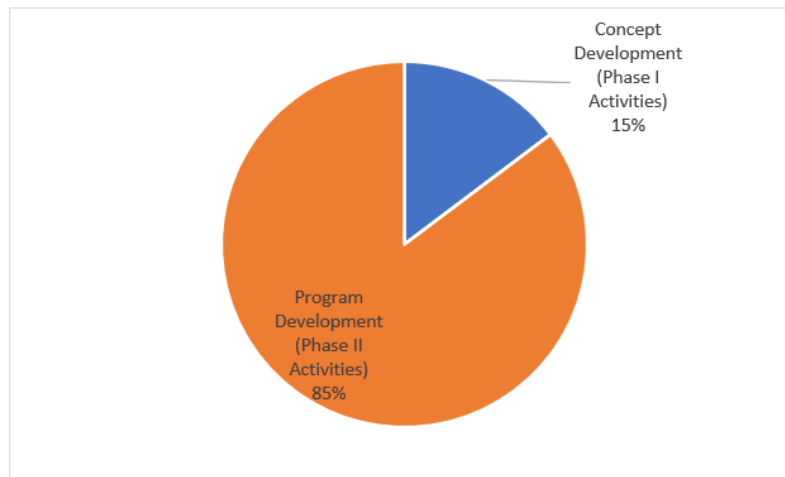
- Conduct ongoing assessment and perform technical solutioning for IT system needs (tools selection, architecture, and system design).
- Maintain and support CalMTA domain and infrastructure.
- Manage data systems security using industry best practice. Adhere to California requirements related to data systems security and the protection of personally identifiable information.
- Provide technical support and expansion of CalMTA website.
- Provide technical support and management of contact management systems.
- Update, manage, and expand the administrative “back-end” data side of the ongoing RFI portal.
- Assess and develop solutions for future RFP/procurement activities and MTI data needs.
- Develop program/portfolio tracking and monitoring solutions, including data analytics and dashboarding.
- Oversee data integration with partner systems.

### Initiative/Concept Development

The budget for the Initiative/Concept Development cost category is \$13,985,250,000, which represents 71% of the total 2025 CalMTA budget. The Initiative/Concept Development budget addresses the costs associated with two major activities that align with the first two phases of the adopted Market Transformation Framework in the appendix of D.19-12-021 including Phase I: Concept Development and Phase II: Program Development. Each of these is described below. Figure 3 shows the percentage of the Initiative/Concept Development budget by major

activity. Detailed information on the MTI stage gate process, including opportunities for feedback from MTAB, the CPUC, and other stakeholders can be found in the [Phase I Disposition Report](#).

**Figure 3. Percentage Share of Initiative/Concept Development Budget by Major Activity**



### Phase I: Concept Development

The portfolio approach administered by CalMTA encompasses a continuous process of scanning the market for MTI opportunities, assessing, and advancing MTIs. This process will be used to ensure there is a continuous flow of new opportunities identified to refill the portfolio as other planned or actual MTIs phase out for various reasons.

Because of the need for new ideas, the 2025 budget includes limited funds for ongoing Phase I: Concept Development, which includes scoring, ranking, and evaluating MTI ideas submitted to CalMTA's idea portal, and then developing MTI Advancement Plans for ideas that appear viable enough to warrant additional resources. In addition to ideas identified as part of the 2024 request for ideas (RFI) process, CalMTA will work with market partners, such as CalNEXT, to scan for promising new ideas. This will allow CalMTA to expand its reach beyond the RFI process and to leverage existing outreach and research efforts already underway. Specific Phase I activities planned for 2025 are described below.

### Concept Identification

- Transition to a continuous RFI process, allowing market actors to submit MTI ideas through CalMTA's idea portal at any point during the year.
- Collaborate with state and national market partners to identify and cultivate MTI ideas.
- Use the MTI identification process to collect, catalog, research, and score RFI submissions.

- Collaborate with stakeholders, including manufacturers, emerging tech programs, community-based organizations (CBOs), regional EE organizations, the MTAB, existing EE implementers, and utilities to identify ideas.

### Concept Assessment

- Coordinate with the MTAB to review and prioritize new MTI ideas for further development.
- Conduct cost/benefit analysis and create models that forecast market adoption to assess opportunities.
- Develop MTI Advancement Plans for those ideas that will move to Phase II: Program Development, and review with the MTAB.

#### *Key deliverables from Phase I:*

- Reviews of new ideas, including scoring and discussions with the MTAB.
- [Advancement Plans for Up](#) to two MTI ideas recommended to transition to Phase II.

### Phase II: Program Development

During Phase II: Program Development, CalMTA conducts market and technology research and develops the program strategy that leads to development of an MTI Plan. The tasks in Phase II: Program Development build confidence that the target market is understood, the barriers to adoption are identified, there is a reasonable market transformation theory, and there is high confidence in the effectiveness of the program strategy that will be implemented in Phase III: Market Deployment.

In early 2024 with input from MTAB and CPUC staff CalMTA transitioned three market transformation ideas from Phase I: Concept Development to Phase II: Program Development: Induction Cooktops & Ranges, Portable/Window Heat Pumps, and Efficient Rooftop Units (ERTUs). Phase II research activities for these three MTIs are ongoing in 2024 according the CPUC-approved Advancement Plans, which can be found on the CalMTA website.

CalMTA is on track to develop and submit two MTI Plans from this first batch (Induction Cooktops & Ranges and Portable/Window Heat Pumps) via an application for CPUC approval by the end of 2024 to move them into Phase III: Market Deployment. Because markets change quickly and the application proceeding may take up to a year, CalMTA will continue to engage in limited Phase II activities in these markets during 2025 and the MTI Plans will be written with an eye toward being able to incorporate learnings from 2025 into the strategy for Phase III: Market Deployment as part of an adaptive management process with input from MTAB. The scope of continued market engagement during the application proceeding will be described in the MTI Plan and may include the following activities:

- Monitoring the market for changes that may impact program strategy
- Continued market engagement with market actors such as manufacturers, retailers, program administrators, and CBOs
- Continued market and technology research
- Continued refinement of program strategies through ongoing strategy tests

While the ERTU MTI transitioned to Phase II in early 2024, the Advancement Plan indicated that Phase II research would take approximately two years to complete, extending into 2025. Anticipated Phase II activities for 2025 for ERTUs include:

- Completion of the ERTU field study
- Finalization of energy modelling and measure analysis
- Initial development work for the MTI Plan, which is anticipated to be filed in 2026

CalMTA also worked with MTAB to prioritize four additional ideas from the 2023 RFI that we anticipate advancing to Phase II the third quarter of 2024: residential heat pump water heaters, foodservice water heating systems, efficient streetlighting, and commercial replacement and attachment window solutions. We anticipate all four ideas from Batch 2 will have ongoing Phase II activities that continue into 2025, including:

- Conduct secondary research and data analysis
- Quantify energy and non-energy impacts
- Characterize market structure and baseline conditions
- Investigate supply and demand side markets
- Analyze cost and benefits
- Review regulatory and policy landscape

CalMTA opened a second RFI in mid-2024, scoring and evaluating the submitted ideas, and working with the MTAB to identify additional opportunities to consider advancing to Phase II. This ABAL assumes up to ~~three~~two additional MTIs will advance to Phase II in 2025 (Batch 3) from the 2023 or 2024 RFIs.

CalMTA will provide ongoing updates to the MTAB and the public during Phase II research in 2025, which will confirm that the idea is viable to move forward to Phase III: Market Deployment. Our ABAL budget assumes that all required Phase II research will be completed in 2025 and MTI Plan development will begin with up to three MTI Plans finalized in 2025 to be submitted for CPUC approval. MTI Plans will include:

- Well-defined target market and product/service definition
- Draft logic model with identified leverage points, intervention strategies, and a clear exit strategy
- Baseline market adoption models, market adoption forecasts, and cost-effectiveness metrics
- Draft evaluation plans market progress indicators (MPIs), etc. based on collected baseline data
- Estimated market deployment budget and timeline

*Key deliverables from 2025 Phase II activities (ongoing from 2024):*

- Market characterizations and other completed market and technical research as identified per MTI Advancement Plans.
- Up to three MTI Plans submitted to MTAB and the CPUC for approval to advance to Phase III: Market Deployment by December.<sup>14</sup>

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<sup>14</sup> This assumes the CalMTA application is approved in October with a clear process for approval of future MTIs.

## 2. MTAB Report and Recommendations

By D.19-12-021, the CPUC directed CalMTA to include in its ABAL a report and recommendations on the ABAL by the MTAB.<sup>15</sup> In compliance with this direction, this section represents the report from the MTAB, including their feedback and recommendation.

### Process for Soliciting MTAB Feedback

This ABAL has been substantially shaped by input from the MTAB. CalMTA solicited input from the MTAB on the ABAL via the following process:

1. Draft ABAL sent to the MTAB June 10, 2024 for preliminary review and posted on the CalMTA website the same day via the MTAB meeting packet.
2. A meeting of the MTAB was convened June 14 during which CalMTA presented the draft budget, and MTAB feedback/comments were gathered.
3. MTAB members were given until June 28~~24~~, 2024, to submit written feedback on the budget to CalMTA.
4. CalMTA reviewed and incorporated feedback from the MTAB.
- ~~5. CalMTA sent the final ABAL to the MTAB (which included the MTAB's Report and Recommendation) based on their feedback on July 5. This was also posted on CalMTA's website the same day via the MTAB meeting packet.~~
- ~~6.5. CalMTA reviewed the revised ABAL redline and new Appendix A in the MTAB meeting was convened on July 12 and posted it to CalMTA's website for final review.~~
- 7.6. The revised ABAL was routed electronically to MTAB members on July 15, 2024 to confirm individual member recommendations, and responses from all members were received by July 22, 2024.
- 8.7. The final budget and MTAB recommendation report were then incorporated into this ABAL filing.

Meeting notes and recordings of the June 14 and July 12 MTAB meetings can be found on the CalMTA website and are linked here. Detailed Responses to written comments submitted by # of the nine received from MTAB members are posted on the CalMTA website.

### Summary of MTAB Feedback

MTAB feedback was received via a combination of verbal input during two public MTAB meetings as well as written comments. Key feedback that helped shape the ABAL is summarized below. A more complete write-up of comments and responses can be found in this document MTAB ABAL Comments.

Many of the written MTAB comments member suggested that focused on providing clear points of comparison between the 2024 and 2025 budgets, particularly related Administration and Initiative/Concept Development. CalMTA addressed these comments by adding a detailed appendix that compares the 2024 ABAL budget, the reallocated 2024 budget after fund shifting that occurred in early 2024, and the proposed 2025 budget. CalMTA also added a section to address this comparison in the text of the ABAL. Appendix A also documents all funds authorized to date from the Program Strategy Testing/Pilots budget.

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<sup>15</sup> D.19-12-021, at p. 125.

MTAB comments made clear a need for more regular reporting to MTAB on the status of the budget. Based on this feedback, CalMTA revised the 2025 ABAL, adding additional text about budget tracking and reporting in MTAB meetings and in CalMTA's quarterly and annual reports.

One member provided feedback about the level of detail provided in the budget, suggesting that CalMTA provide a line-item version of the 2025 budget, including, for example, costs for all Phase II activities planned for each MTI idea, and estimated costs for all key deliverables described in the ABAL. In response to this feedback, CalMTA explained that the market transformation scope of work delivered by CalMTA is not the sum of specific deliverables and includes work such as program strategy, management, and outreach that doesn'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. However, to address this comment and provide more granularity of Phase II expenditures in 2025, the revised ABAL proposes to track Phase II costs to two additional sub-categories under each MTI: "Phase II Research and Market Engagement" and "Phase II MTI Strategy and Plan Development" and report on expenditures quarterly.

One member raised concerns about CalMTA historically over estimating Administration costs only to underspend in this category while overspending in the "Initiative/Concept Development" Cost Category. To address this, CalMTA added information to the ABAL explaining that, 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 and CalMTA will coordinate with the CPUC Contract Manager to shift funds as needed to ensure 2025 expenditures remain within the annual cap.

Finally, one member expressed concern about CalMTA requesting the full budget amount up to the \$19.6M cap. CalMTA explained that the program could have up to nine MTIs in Phase II in 2025 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.

### **MTAB Recommendation**

As previously noted, D.19-12-021 required CalMTA to include in its ABAL a report and recommendations on the ABAL by the MTAB members. The recommendations made by MTAB members do not preclude members or the organizations they represent from taking a different position during the CPUC's public process to approve the ABAL.

**[INSERT OUTCOME OF MTAB RECOMMENDATION]**

### **Protests**

Anyone wishing to protest this submittal may do so by letter sent electronically via e-mail, no later than **August 21, 2024**, which is the first business day 20 days after the date of this submittal. Protests must be submitted to:

CPUC Energy Division  
ED Tariff Unit  
E-mail: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)



The protest shall also be electronically sent to CalMTA (Resource Innovations) at the addresses shown below on the same date it is electronically delivered to the Commission:

Jim Giordano  
Resource Innovations  
E-mail: [info@calmta.org](mailto:info@calmta.org)

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name and e-mail address of the protestant; and statement that the protest was sent to the utility (in this case to Resource Innovations) no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

### **Effective Date**

Pursuant to General Order (GO) 96-B, Rule 5.2, and OP 8 of D.19-12-021, this advice letter is submitted with a Tier 2 designation. CalMTA requests that this Tier 2 advice submittal become effective on regular notice, **August 30, 2024**, which is 30 calendar days after the date of submittal.

### **Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being served electronically on the service list for R.13-11-005. All electronic approvals should be sent to [info@calmta.org](mailto:info@calmta.org).

/S/ Lynette Curthoys  
Lynette Curthoys  
Vice President of Market Transformation  
Resource Innovations, Inc.

cc: R.13-11-005 Service List

