

**PUBLIC UTILITIES COMMISSION**

505 VAN NESS AVENUE  
SAN FRANCISCO, CA 94102-3298



Date: September 8, 2021

To: Pacific Gas and Electric (PG&E)

From: Rashid Mir and Peter Biermayer, California Public Utilities Commission (CPUC)

Cc: R.13-11-005 Service Lists

Subject: MID-YEAR FEEDBACK - 2021 EX ANTE REVIEW (EAR) SCORING AND EVALUATION PERFORMANCE

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Pursuant to Decision (D).13-09-023, D.15-10-028, D.16-08-019, and D.20-11-013, California Public Utilities Commission (CPUC) Staff and consultants are providing the 2021 Ex Ante Review (EAR) Scoring and Evaluation Performance Mid-year Feedback on the investor-owned utilities (IOUs) respective activities as of June 30, 2021. D.20-11-013 placed a moratorium on EAR awards<sup>1</sup> but directed that EAR scoring and evaluation processes shall continue. The mid-year feedback focuses on specific accomplishments and issues or concerns identified as part of ongoing workpaper and custom project reviews. This feedback will help the IOUs address these issues for the remaining year.

## I. CPUC Staff Findings 2021 Mid-year Activities Feedback

The following sections of this memorandum provide a description of the findings, including areas of achievement and areas requiring improvement for both custom projects and workpapers review activities.

### A. Custom Projects Review Overview

#### 1. Summary of 2021 Mid-year Achievements

This feedback is based on 34 CPUC project review dispositions issued between January and June 2021. PG&E continues to demonstrate efforts to improve its performance. CPUC Staff's observations include:

- **Staff found no issues related to Net-to-Gross impacts.** PG&E demonstrated sufficient documentation and had no issues related to using correct NTG values in the first half of 2021.

#### 2. Summary of Areas Requiring Improvement

Areas that were most problematic, frequent, and/or are in need of improvement include:

- **The number of issues regarding Process, Policy, and Program Rules is high.** In the first six months of 2021, 32 actions were in the Process, Policy, and Program rules area. PG&E should look into their policy review processes to improve in this area.
- **The number of issues regarding gross savings impacts is high.** In the first six months of 2021, 21 actions impacted gross savings. PG&E must make significant efforts to perform quality control on analysis assumptions and calculations to uncover issues prior to submitting for review.
- **PG&E had numerous projects submitted late.** In the first half of 2021, PG&E had a significant number of projects (41 percent) submitted past the 15-days required by SB1131 and must make efforts to improve submitting documents on time to avoid a loss of EAR points at the end of the year.

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<sup>1</sup> The EAR awards were part of the Efficiency Savings and Performance Incentive (ESPI) awards.

## B. Workpapers Review Overview

### 1. Summary of 2021 Mid-Year Achievements

PG&E continues to demonstrate efforts to improve its performance. CPUC Staff observed **improvements** in PG&E's development and management of workpaper submissions in the following areas:

- **PG&E has demonstrated initiative in developing a new workpaper** which was reviewed and approved for 2021 and for 2022 – Duct Optimization.
- **PG&E has improved on the quality of the workpaper submissions.** CPUC has noticed less errors with new submissions and they have taken the lead of correcting errors to existing workpapers and resubmitting with minor changes.

### 2. Summary of Areas of Improvement

CPUC Staff highlights the following recommendation for improvement which is centered on the quality of workpaper submissions:

- **PG&E has been slow to submit or resubmit workpapers after receiving comments from the CPUC.** This delay can cause a backup of workpapers for the review team. CPUC would encourage PG&E to adhere to submittal schedules and communicate delays in schedule immediately. This will be very important with the large number of workpapers scheduled for updates over the next year.

## II. Discussion

The following sections of this memorandum provide a detailed description of the findings, including, areas of achievement and areas requiring improvement for both custom projects and workpapers.

### A. Custom Projects Performance Review

Each year, CPUC Staff reviews a selected sample of custom project energy efficiency program applications. The review findings and directions to the IOUs are presented in documents referred to as “dispositions”. This feedback is based on 34 CPUC project review dispositions issued between January and June 2021.

The comments below are organized by the five metric areas prescribed in D.16-08-019. No scores are provided for these metrics in the mid-year memo. All feedback provided at this time is qualitative.

#### 1. Timeliness of Submittals

PG&E has shown significant issues complying with SB1131 guidelines in the first half of 2021. CPUC staff noted 14 out of the 34 projects receiving dispositions (41 percent) that were uploaded

past the 15 business days requirement. The remaining 20 projects that were submitted were uploaded on time, with 15 projects (44 percent of all projects receiving dispositions) being uploaded 5 or more days before the due date. Although PG&E is improving with respect to the number of projects being submitted early, they continue to struggle with meeting CPUC requirements for timeliness and must make significant efforts to upload project documentation before the deadline to avoid a loss of EAR points under this metric.

## **2. Content, Completeness, and Quality of Submissions**

Out of the 34 project dispositions issued in the first six months of 2021, 15 projects had several deficiencies including deemed values not being used for deemed measures, incorrect baseline value being used, and several projects where there is lack of clarity in descriptions of methodology. CPUC staff also found a project that failed the fuel substitution test, a project where the M&V plan was not in compliance, and a project where non-IOU Energy sources were not accounted for. Due to these impacts on gross savings estimates PG&E must work to prevent these issues from occurring on future project submissions to avoid a significant loss of EAR points under this metric.

PG&E continues to have issues in the area of process, policy and program rules with deficiencies related to not following previous CPUC guidance, EULs/RULs, eligibility, preponderance of evidence on ER projects, baseline, and incentive calculations. Six projects had issues associated with not following previous CPUC guidance, including incorrect versions of the Modified Lighting Calculator and incorrect RUL estimates. 32 issues were related to the process, policy and program area in the first six months of 2021. PG&E must take action to review program rules and previous CPUC guidance prior to submitting documentation to avoid a significant loss of EAR points under this metric at the end of 2021.

Table 1 below summarizes the 61 action items identified across 34 dispositions issued between January 1, 2021 and June 30, 2021.

Table 1: Summary of Categorized Action Items for Custom Projects

| Issue Area                              | Action Categories                            | Summary of CPUC Staff Required Action by the PA: | Summary of CPUC Staff Notes or Instructions: | Total     | Percent of Total |
|---|--|--|--|-----------|------------------|
| Issues Related to Gross Savings Impacts | Analysis assumptions                         | 12   | 1  | 13        | 59%              |
|   | Calculation method                           | 6  | 0  | 6         | 27%              |
|   | Calculation tool                             | 1  | 0  | 1         | 5%               |
|   | M&V plan                                     | 2  | 0  | 2         | 9%               |
|   | <b>Subtotals</b>                             | <b>21</b>  | <b>1</b>                                     | <b>22</b> | <b>32%</b>       |
| Process, Policy, Program Rules          | Baseline                                     | 4  | 0  | 4         | 12%              |
|   | Did not follow previous CPUC guidance        | 14   | 0  | 14        | 41%              |
|   | Eligibility                                  | 3  | 0  | 3         | 9%               |
|   | ER preponderance of evidence                 | 1  | 2  | 3         | 9%               |
|   | EUL/RUL                                      | 5  | 0  | 5         | 15%              |
|   | Fuel switching                               | 1  | 0  | 1         | 3%               |
|   | Incentive calculation                        | 2  | 0  | 2         | 6%               |
|   | Measure cost                                 | 1  | 0  | 1         | 3%               |
|   | Self-generation                              | 1  | 0  | 1         | 3%               |
|   | <b>Subtotals</b>                             | <b>32</b>  | <b>2</b>                                     | <b>34</b> | <b>50%</b>       |
| Documentation Issues                    | Missing required information                 | 1  | 0  | 1         | 100%             |
|   | <b>Subtotals</b>                             | <b>1</b>   | <b>0</b>                                     | <b>1</b>  | <b>1%</b>        |
| Issues Related to Net Impacts           | Program influence                            | 3  | 2  | 5         | 100%             |
|   | <b>Subtotals</b>                             | <b>3</b>   | <b>2</b>                                     | <b>1</b>  | <b>7%</b>        |
| Other Issues                            | Other 1 - Update savings in quarterly report | 2  | 0  | 2         | 33%              |
|   | Other 2 – Data missing in bimonthly upload   | 2  | 0  | 2         | 33%              |
|   | Other 3 – HOPP advisory review               | 0  | 2  | 2         | 33%              |
|   | <b>Subtotals</b>                             | <b>4</b>   | <b>2</b>                                     | <b>6</b>  | <b>9%</b>        |
|   | <b>Grand Total</b>                           | <b>61</b>  | <b>7</b>                                     | <b>68</b> | <b>100%</b>      |

### 3. Proactive Initiative of Collaboration

Commission Staff found that PG&E made significant efforts to bring measures, projects, or studies forward for discussion prior to review. In addition, they continue to take an active and engaged role in statewide collaboration efforts.

#### **4. PA's Due Diligence, Quality Assurance, and Quality Control (QA/QC)**

Project and measure level disposition performance results reviewed under Metric 2 are used as a proxy for the level of QA/QC occurring by the PA. As noted above, PG&E had a significant number of deficiencies related to gross savings impacts and process, policy, and program rules during the first six months of 2021 showing a lack of effectiveness of their QC processes. Additionally, the number of dispositions proceeding without exception is weighed against those approved with exceptions or resulting in rejections. Out of the 34 dispositions issued from January to June 2021, five projects received advisory dispositions. Of the remaining 29 projects with issued dispositions, six projects (21 percent) proceeded without exception, 20 projects (69 percent) were allowed to proceed with exceptions as noted, and three projects (10 percent) were rejected. While the fraction of projects resulting in rejections was only 10 percent, 69 percent of applications proceeded with noted exception demonstrating that PG&E must continue to improve their QC processes over the remainder of 2021 to avoid a significant loss of EAR points under this metric.

#### **5. PA's Responsiveness**

When reviewed at the portfolio level, CPUC Staff assesses the time series of rejections and exceptions, the alignment of program policy and procedures with the number of actual rejections and exceptions based on eligibility and attribution, and the adaption to changes in rules over time. For dispositions issued in the first six months of 2021, CPUC Staff found that projects had a slight downward trend in terms of project performance over time (i.e. project submissions resulted in more rejections or exceptions over time during the first half of 2021). Additionally, in the first half of 2021 the number of issues in the Process, Policy and Program Rules issue area was 32 and the number of issues in Net Impacts issue area was 3. If this trend continues, PG&E's EAR performance for this metric by the end of 2021 may be scored lower than expected.

### **B. Workpapers Performance Review**

PG&E had ten workpapers disposed in the first half of 2021 and has four workpapers currently under review.

The comments below are organized by the five scoring metric areas created in D.16-08-019. The narrative includes observations related to the workpaper development process as well as direction for future workpapers.

Specific workpaper feedback is provided in tables in Attachment A, at the end of this document. The first table, the Workpaper Reviews provides feedback on the submitted workpaper that was reviewed and disposed of during the review period. The second table, the Workpaper Submissions lists all the workpapers submitted by PG&E during the review period and their status. The Staff acknowledges that workpaper development may have been supported by multiple PAs; however, at the time of this mid-year review, feedback is directed to the submitting PA, with the assumption that they have led the development.

#### **1. Timeliness of Submittals**

PG&E has been slow to resubmit workpapers after receiving comments from the workpaper review team. This can often cause a backup of workpapers for the workpaper review team if the submittal schedules are not adhered to or if communication of delays in schedule are not communicated.

The pending DEER Resolution E-5152 outlines a schedule for measure package updates for upcoming PY2023 and PY2024-26. CPUC will expect PG&E to work closely with CPUC and other stakeholders to establish and adhere to a submission and review schedule.

## **2. Content, Completeness, and Quality of Submissions**

PG&E's workpaper content and completeness has generally met standards in the first half of the year. Two of the workpapers required substantial effort with original research or the synthesis of newly available research. Of note was the Duct Optimization workpaper which was a newly developed work paper. The remaining workpapers did not require significant technical revisions and were triggered by updates in DEER and met expectations for content.

## **3. Proactive Initiative of Collaboration**

PG&E proactively reached out to CPUC during the development of two workpapers: Duct Optimization and Ultra-Low Temperature Freezers. PG&E submitted a workpaper plan for the Duct Optimization workpaper and collaborated with CPUC through a series of meetings to get the workpaper finalized and approved. PG&E reached out to the CPUC to discuss updates to the Ultra-Low Temperature Freezers to include large capacity units. Ultimately PG&E withdrew the proposed larger capacity units due to lack of supporting data.

## **4. PA's Due Diligence, Quality Assurance, and Quality Control (QA/QC)**

PG&E workpapers have generally improved in quality control through the first half of the year. Any required updates were minimal. One exception was the Duct Sealing workpaper which CPUC noted an error in savings units. Though a solution was developed to account for the discrepancy, it took PG&E multiple iterations to finalize the workpaper.

## **5. PA's Responsiveness**

This metric reflects PG&E's leadership in the continuous improvement of programs through the introduction of new workpapers, proactively identifying workpapers that have dated elements, and nominating irrelevant workpapers for sunseting. It also reflects PG&E's ongoing efforts to improve their internal processes and procedures.

## **III. Attachments**

Attachment A: Workpaper Feedback contains the workpaper summary tables showing the qualitative components for each metric. Each reviewed workpaper was first determined to have components either applicable or not applicable to a metric. If an item was determined to have activity applicable to a metric, the item was then assigned a qualitative rating as to the level of due diligence applied to the item as either deficient (or "-"), apparent but minimal (or "yes"), or superior (or "+").

Questions or comments about the feedback or final scores should be directed to Rashid Mir ([rashid.mir@cpuc.ca.gov](mailto:rashid.mir@cpuc.ca.gov)) or Peter Biermayer ([peter.biermayer@cpuc.ca.gov](mailto:peter.biermayer@cpuc.ca.gov)). Note that pursuant to D.13-09-023, CPUC Staff will schedule a meeting with PG&E staff to discuss this memorandum.

## Attachment A: Workpaper Feedback

The table below lists the ID numbers associated with each workpaper submission or disposition and the workpaper review process scoring area. The PA may refer to the individual dispositions for more detailed descriptions of the specific actions staff required for each workpaper. The qualitative EAR scoring feedbacks are designated as follows:

‘+’ indicates a positive (from midpoint) scoring impact on a metric.

‘-’ indicates a negative (from midpoint) scoring impact on a metric.

‘Yes’ indicates meeting expectation; neutral (midpoint) scoring impact on a metric.

‘No’ indicates the review feedback is not applicable to a metric and has no impact on the score.

| Workpaper Reviews – Scored Workpapers<br>2021 |     |   |   | EAR Metrics |     |     |     |     |
|---|-----|---|---|-------------|-----|-----|-----|-----|
| WP ID   | Rev | Title                                     | Comments  | 1           | 2   | 3   | 4   | 5   |
| SWAP001                                       | 2   | Refrigerators and Freezers, Residential   | Workpaper to update changes to savings in multiple CZs and other minor updates.   | -           | Yes | Yes | Yes | Yes |
| SWAP003                                       | 3   | Clothes Dryer, Residential                | Workpaper revised to fix inconsistencies and update costs. Workpaper was well managed.  | Yes         | Yes | Yes | Yes | Yes |
| SWAP004                                       | 2   | Clothes Washer, Residential & Multifamily | Workpaper updated to account for missing CZs. Workpaper was well managed and PGE provided necessary clarifications on number of wash cycles.  | Yes         | Yes | Yes | Yes | Yes |
| SWCR017                                       | 2   | Ultra-Low Temperature Freezer             | Workpaper revised to update NTG. PGE considered the addition of large freezers but was unable to provide the backup data. This caused delays to the workpaper review. Minor error corrections were updated. | -           | Yes | Yes | Yes | Yes |
| SWHC004                                       | 2   | Space Heating Boiler, Commercial          | Workpaper was well managed with minimal comment.  | Yes         | Yes | Yes | Yes | Yes |



| Workpaper Reviews – Scored Workpapers<br>2021 |     |                        |  | EAR Metrics |     |     |     |     |
|---|-----|------------------------|--|-------------|-----|-----|-----|-----|
| WP ID   | Rev | Title                  | Comments   | 1           | 2   | 3   | 4   | 5   |
| SWSV001                                       | 3   | Duct Seal, Residential | Workpaper review noted the incorrect units for savings listed in the EAD tables and in the workpaper. Once a workaround was developed to fix this error it took two iterations to get this workpaper finalized and caused multiple delays. | -           | -   | Yes | Yes | Yes |
| SWSV001                                       | 4   | Duct Seal, Residential | Updates triggered by DEER Resolution. Workpaper was reviewed with minimal comment.   | Yes         | Yes | Yes | Yes | Yes |
| SWSV013                                       | 1   | Duct Optimization      | Workpaper plan was submitted for this workpaper and was well collaborated and managed with PGE and the workpaper review team.  | Yes         | Yes | +   | Yes | Yes |
| SWSV013                                       | 2   | Duct Optimization      | Updates triggered by DEER Resolution. Workpaper was reviewed with minimal comment.   | Yes         | Yes | Yes | Yes | Yes |
| SWWB004                                       | 2   | Home Energy Reports    | Workpaper updated to clarify language on savings calculations and holdback. PGE provided necessary updates. Workpaper was well managed.  | Yes         | Yes | Yes | Yes | Yes |

## Workpaper Submission Status – All workpapers submitted in 2021

| WP ID   | Rev | Title                                     | Comments                    |
|---------|-----|---|-----------------------------|
| SWAP001 |     | Refrigerators and Freezers, Residential   | Interim approval.           |
| SWAP003 |     | Clothes Dryer, Residential                | Interim approval.           |
| SWAP004 |     | Clothes Washer, Residential & Multifamily | Interim approval.           |
| SWCR017 |     | Ultra-Low Temperature Freezer             | Interim approval.           |
| SWHC004 |     | Space Heating Boiler, Commercial          | Interim approval.           |
| SWSV001 |     | Duct Seal, Residential                    | Interim approval.           |
| SWSV001 |     | Duct Seal, Residential                    | Interim approval.           |
| SWSV013 |     | Duct Optimization                         | Interim approval.           |
| SWSV013 |     | Duct Optimization                         | Interim approval.           |
| SWWB004 |     | Home Energy Reports                       | Interim approval.           |
| SWWP004 |     | Water Pump Upgrade                        | Detailed review in process. |
| SWPR002 |     | VFD For Glycol Pump Motor                 | Detailed review in process. |
| SWWP002 |     | VFD on Ag Pump                            | Detailed review in process. |
| SWWP005 |     | Enhanced VFD On Irrigation Pump           | Detailed review in process. |