
PUBLIC UTILITIES COMMISSION

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Memorandum

Date: September 15, 2010

To: Athena Besa (Sempra), Don Arambula (SCE), Shilpa Ramaiya (PG&E)

From: Simon Eilif Baker and Zenaida Tapawan-Conway, Energy Division

Subject: Transmittal of Preliminary Energy Division-proposed Program Performance Metrics (PPMs) and Market Transformation (MT) Indicators

Purpose

The purpose of this memo is to:

- (1) Transmit ED's proposed list of PPMs and MT indicators,
- (2) Provide a brief background on D.09-09-047 requirements and the ED-IOU collaborative process leading up to the IOUs' joint Advice Letter (AL) filing on PPMs,
- (3) Provide an overview of ED's findings and decision to proceed with a Commission resolution,
- (4) Describe ED's process and criteria for proposing PPMs and MT indicators, and
- (5) Restate the purpose of upcoming ED-IOU meetings scheduled for September 20-21, 2010.

Background

In D.09-09-047, the Commission directed the IOUs to jointly file, within 120 days of the decision, a PPM AL requesting approval of their proposed logic models and metrics for each statewide program and associated sub-programs (OP 11). In the filing, the IOUs were directed to submit *completed* PPM worksheets and table (from Appendix 2.2 and Appendix 2.3 of the decision) for each of the above programs.¹ The decision states that the IOUs shall report² performance metrics "on an *annual*"³

¹ In cooperation with the IOUs, Energy Division later modified these worksheets and table into a revised template that incorporates the required information, and transmitted a revised PPM template via email to the IOUs on March 15, 2010.

² The decision actually says the IOUs shall "track" performance metrics, but since it also requires posting to a public database, ED interprets this as a reporting requirement.

³ The decision dicta actually require *quarterly* reporting (see p. 93). Due to this inconsistency, ED has interpreted PPM reporting as an annual requirement (or even once per program cycle, in some cases) for reasons explained later in this memo.

basis via [EEGA] or similar database.” In addition, the decision requires the IOUs to “include key data sources and indicators for which to begin collecting market transformation baseline data in their [PPM AL] (p. 97).”

Thus, Energy Division interprets the AL filing to have two main purposes:

- (1) to approve all performance metrics that the IOUs would be required to report (and show how these link to program objectives through the logic model); and
- (2) to identify an initial set of MT indicators for further consideration by the Commission.

Leading up to the initial January 22, 2010 filing date, ED worked with the IOUs to clarify expectations for the contents of the filing, but ultimately recommended that the IOUs request a 120-day extension to allow the IOUs and ED more time to collaborate. During this period, ED held numerous meetings with the IOUs, addressed many IOU concerns, and provided clear, detailed guidance through a series of communications. These communications culminated in a May 11, 2010 email from ED supervisor, Zenaida Tapawan-Conway, in which ED agreed to let the IOUs proceed with the way they have been developing the PPMs for submission on May 21, 2010 (as laid out in a prior email from Carol Yin, consultant to the utilities, to ED staff on May 5, 2010), recognizing that further conversations would be needed to flesh out additional PPMs once the AL was filed.

Overview of Energy Division Findings

On May 28, 2010, the IOUs filed the PPM AL. While we recognize the inherent challenges of identifying appropriate PPMs and MT indicators and coordinating among the four IOUs statewide teams, Energy Division finds the filing deficient on several points:

- **PPMs were not submitted for all 12 statewide (SW) programs and associated subprograms** per the decision. For example, templates for one SW program (i.e., Lighting Market Transformation) and one subprogram (i.e., Home Energy Efficiency Survey) were missing from the filing; and no PPMs were included for most SW subprograms (e.g., no metrics were filed for subprograms in the Commercial, Industrial and Agricultural sectors).
- **The scope of PPMs filed was insufficient to meet D.09-09-047 directives.** The filing included only one or two metrics per SW program, which does not meet the purposes for which D.09-09-047 intended PPMs to be developed, i.e.:
 1. To track California’s progress towards achievement of Strategic Plan objectives, specifically the Big Bold Energy Efficiency Strategies (BBEES) (see p. 97-99)
 2. To inform portfolio development and necessary modifications in future portfolio decisions, including improving program design or eliminating non-performing programs (see p. 97-99)
 3. To target the next generation of improvements, and thus, continue the cycle of market transformation (see p. 97-99)
 4. To track pilot program effectiveness (see p. 42)
 5. To evaluate program-specific quantitative and qualitative measures through EM&V activities (see p. 300)
- **Program objectives were unspecified and/or did not meet SMART⁴ criteria.** Appendix 2 (p. 5) of the decision indicates that program objectives should be specified as and conform to

the SMART convention. Rather than specify SMART program (and subprogram) objectives, the IOUs' filing indicated "see PIPs" in the required field of the PPM worksheet. Staff's review of the PIPs rarely turned up program objectives that meet SMART criteria.

- **Program logic models did not clearly link to Strategic Plan objectives.** While Strategic Plan objectives were often restated in the filing, the logic flow from program activities, outputs and outcomes to market outcomes and Strategic Plan objectives was faulty.
- **The filing did not contain key data sources and MT indicators** per the decision. The IOUs chose to limit their proposed metrics to outcomes within utility control and did not propose PPMs for mid- and long-term outcomes described in the Logic Model. The IOUs did not propose market-wide goals for their programs in the AL filing, and suggested that the appropriate market-based PPMs be determined during 2010-2012 EM&V planning process between ED and the IOUs.⁵

Despite significant efforts over many months to come to agreement on the basic requirements of the PPM filing, significant gaps remain between ED's expectations and the IOUs' filing. Therefore, ED decided the most prudent course was to have the Commission decide the appropriate metrics via a resolution.

Energy Division's Process for Developing PPMs and MT Indicators

On June 25, 2010, ED issued a data request to gather information on intermediate work products that the IOUs had developed amongst statewide program teams leading up to the AL filing. The IOUs' response received on July 14, 2010 gave ED some insights into the process the IOUs went through to come up with metrics, and became a source of possible metrics for staff to use for PPM development. Staff also combed through the PIPs to find objectives and program targets (i.e., numerical objectives). Once staff had compiled a set of candidate objectives and metrics, they were reviewed by EM&V consultants and contractors who provided a second opinion. In sum, ED staff accepted, rejected or modified the IOUs' PPMs and made the following changes or additions to bring the filing into compliance with D.09-09-047:

1. Identified Strategic Plan goals/strategies addressed by the program/subprogram
2. Specified SMART *short-term* program/subprogram objectives
3. Proposed *short-term* (2010-2012) program/subprogram metrics (i.e., PPMs)
4. Specified SMART *long-term* MT objectives (primarily linked to the Strategic Plan)
5. Proposed *long-term* (2013-2030) market effects metrics (i.e., MT indicators)

Table 1 below presents a typology of metrics, which guided staff's categorization and screening of candidate metrics. We note that this framework is virtually identical to the guidance documents ED provided to the IOUs via May 11, 2010 email (reference "Criteria for Narrowing down PPMs" and "PPM Template" including data dictionary). Consistent with previous guidance, ED has excluded activity metrics (and most output metrics)⁶ from PPM reporting requirement because these are data

⁴ Specific, Measurable, Ambitious, Realistic, and Time-Bound

⁵ See June 24, 2010, Joint utilities' response to protest of Division of Ratepayer Advocates to the joint AL filing.

⁶ For a primer on the distinctions between "activities," "outputs," and "outcomes," refer to the "data dictionary" tab

that could be gathered through any data request. These (Type 1) metrics would be tracked internally by the IOUs, but not reported. ED envisions that Type 1 metrics may be developed in collaboration between ED and IOUs, as part of the 2010-2012 EM&V work planning process (e.g., as justification for selected process evaluations).

Table 1. Framework for Categorization and Screening of PPMs and MT Indicators (Note: Shaded cells indicate types of metrics the IOUs would be required to report)

Metric Type	Description	IOU Reporting	Adopted by Resolution?	Notes / Purpose
1	ST (2010-2012) <i>program</i> activity or output	N/A (IOUs track, but do <i>not</i> report)	N	Data that could be gathered via data request anyways, since the IOUs should already have.
2A	ST (2010-2012) <i>program</i> output or outcome	IOUs report <i>annually</i>	Y	Fulfills D.09-09-047 requirements related to PPM filing, <i>excluding consideration of MT indicators</i> . Data that the IOUs need to be pushed to gather, or might not otherwise report if they have it. These are key metrics that staff and parties would be most interested in tracking.
2B	ST (2010-2012) <i>program</i> output or outcome	IOUs report <i>at the end of the program cycle</i>	Y	
3	LT (2013-2030) <i>market</i> outcome (i.e., “MT indicators”)	N/A (Identified for future studies by ED or IOUs) [§]	Y	Fulfills D.09-09-047 requirements to identify “MT indicators and key data sources.”

[§] The final number would be subject to the 2010-2012 EM&V work plan process (pursuant to D.10-04-029) and the prioritization and negotiations between ED (and its consultants) and the IOUs.

As stated earlier, ED makes a distinction between Type 2 metrics (or PPMs) and Type 3 metrics (or MT indicators), which serve different purposes in the AL filing. PPMs are program- or subprogram-level metrics that measure the short-term effects of the program *within the IOU’s service area*. Because the IOUs have substantial control over these metrics, it is appropriate for them to be reported, either annually (Type 2A) or at the end of the program cycle (Type 2B). While most output metrics (e.g., number of participants) lend themselves to annual reporting, outcome metrics (e.g., increased consumer awareness of certain EE programs, increased knowledge of training participants, energy usage in participant buildings, etc.) may require evaluation studies that take time to complete.

MT indicators measure long-term trends in markets that are targeted by IOU programs, whether caused by IOU programs or other market forces. Because the IOUs do not have substantial control over these indicators, it is inappropriate to require the IOUs to report on such metrics in the current program cycle. However, D.09-09-047 requires the IOUs to *identify* such metrics in the PPM filing, even if the Commission has yet to specify a process for prioritizing, gathering baseline data, researching and tracking MT indicators. Energy Division agrees with the IOUs that the 2010-2012 EM&V work planning process is the appropriate place to prioritize which MT indicators to pursue initially, but this work depends on first identifying an appropriate list in the PPM filing.

Finally, we identify a few features of the attached document that are important to clarify:

contained in the revised PPM template that ED sent to the IOUs on March 15, 2010.

- In some cases, objectives and metrics/indicators were proposed at the program level (rather than the subprogram level), where it made sense to do so.
- In some cases, objectives were proposed without associated metrics/indicators. We believe it is important to specify SMART program objectives, even if the resources are not devoted to reporting on these objectives.

Purpose of September 20-21, 2010 meetings on ED-proposed PPMs

The purpose of the upcoming meetings is to discuss and (hopefully) come to agreement on a reasonable set of metrics, whether they originated from the IOUs in their filings (i.e., AL, DR response, PIPs), from staff in its review of these filings, or in real time at the meeting. We recognize that the metrics that ED staff came up with are still a work-in-progress and that there could be further improvements to correct inaccuracies, errors, redundancies, ambiguities, etc., that we hope to identify and address with the IOUs' help during the meeting. ED staff may not be able to make commitments to all potential changes during the meetings, because we will need time to reflect, analyze and discuss internally. That said, ED is receptive to feedback and remains open-minded about the final set of metrics. To the extent that we are unable to reach agreement on one or more metrics, ED will explain its position in the draft resolution. The IOUs and other parties will have an opportunity to comment on those metrics in the draft resolution.