**Custom Project Process – Overview of Steps**

The description of steps below refers to the numbered steps in the process flow diagram in Figure 1 below.

**1A. Project Development**

Utility customers, utility representatives or third party contractors identify and develop energy efficiency projects meeting criterion developed by the Utilities and CPUC policies. Utilities receive applications for energy efficiency projects from Utility customers, utility representatives or third party contractors.

This process can take a few weeks to several years. Projects under development are documented on a list provided to the CPUC twice per month. CPUC Staff are not involved with this process.

**1B. Project Application Submitted to Utility.**

The customer and implementer, if applicable, completes a project application and submits the application to the utility with complete project plans, savings estimates and post-installation metering plan if needed.

**2A. Pre-Install Utility Review**

Utilities receive documentation supporting project applications when the project has sufficient detail and is in the final development stage leading to implementation. The utility reviews the project documentation to ensure the project is eligible for energy efficiency funding, meets utility rules and CPUC policies. The utility determines if the documentation is complete and if the energy savings analysis is accurate. This process can take from a few days to several months if documentation is inadequate. Some projects are disqualified by the utility at this stage.

**2B.Pre-Install CPUC Staff Review (if selected)**

The purpose of CPUC Staff review is to ensure that the Utilities are performing their due diligence reviews correctly to protect the ratepayers from improper expenditure of funds. CPUC Staff review consists of reviewing measure eligibility, compliance with PA program rules and CPUC policies, reviewing savings calculations, proposed incentives, project costs, program influence, baseline, measurement and verification plans. The reviews focus on identifying issues with the Utility review processes. The reviews correct errors with savings estimates and associated financial incentives which are funded by ratepayers. The CPUC Staff review provides real time feedback to the utilities and implementers so that course corrections can be made to reduce recurring issues. Review for simple projects can be completed in 4-8 hours. Reviews for complex projects can take several days or longer and often requires requesting additional information from the implementers.

In 2016 CPUC Staff performed approximately 70 reviews of projects for the four Utilities. CPUC Staff required 342 corrective actions in those reviews for the utilities. The required actions related to energy savings estimates, review process, CPUC policy, utility program rules such as project eligibility, program influence (showing the project provided incremental savings over normal customer planned activity) and documentation issues (mostly missing or incomplete or inaccurate information).

A list of custom projects is provided by each utility to CPUC staff twice per month. The list includes projects in early stages of development through projects which have been completed and claimed. The utility updates the status of each project on the list as the project status changes. When a project has developed to a stage where it is ready for utility review and approval to proceed to implementation, the utility indicates that the project status is “Ready for CPUC Staff Review”. CPUC Staff have 14 days to notify the utility that the project has been selected for ex ante review. If the project is not selected for CPUC Staff review it proceeds through the utility normal review and approval process. If the project is selected for review, the utility is expected to provide the project documentation to CPUC Staff within 14 days. In many cases the utilities do not provide documents within 14 days.

Projects with large incentives and/or large savings impacts, or those with unique or unusual measures are a high priority for the ex ante team to review. Projects with a high rate of recurrence or projects where guidance has been previously issued are also prioritized for selection to assess compliance with policy and rules are also prioritized for review.

Table 1 below shows the utility projects completed and newly started projects selected by CPUC staff for review during 2015 and 2016, As can be seen, although the percent of new projects selected each year can vary by sector each year, on average CPUC Staff selects less than 2% of newly identified projects for review. It would be reasonable to estimate that we select less than 2% of the custom Industrial, Agricultural and Commercial market sector projects for review in a given year.

Table 1: Annual Completed Projects and New Projects Selected for CPUC Review



The 98%, on the average, of projects that are not selected for review continue through the utility and customer or implementer process to completion and payment with no CPUC review at any point along the way. However, those projects are still subject to the utility internal review and approval process at each step as determined necessary the the individual utility.

CPUC Staff review time is significantly affected by the completeness and clarity of the submitted documentation. Review turn-around time is also affected by the workload of the ex ante team and competing priorities.
Project delays may occur in the following steps:

* Initial project proposal review by the program administrators (PAs).
* Initial submissions of documentation by PAs for projects selected by CPUC Staff for review.
* CPUC staff turn-around time for selected project reviews associated with Staff workload and competing priorities.
* Multiple requests by CPUC Staff for additional information associated with insufficient PA responses.
* Utility customer response time when additional information is requested by PAs.
* Secondary submissions by PAs of information requested by CPUC staff.
* Requests for reconsideration by PAs or implementers.

All the above leading to difficulty and delays in bringing some reviews to closure.

The total elapsed time from initial project selection notification to CPUC staff issuing a review result varies greatly. Minimum time is 2-4 weeks but some are delayed for very long times even a year. Most of the delay time is caused by incomplete or inaccurate information requiring CPUC staff to request and then the utility to obtain more information from the customer, the implementers or for the utility to perform some independent investigation. Some delay is caused by CPUC reviewers re-asking for previously requested items that are not supplied in a response. But also some delay is caused by CPUC staff workload not allowing rapid response, especially for projects with multiple re-reviews and remaining unanswered questions. The review of each response to a previous review request for missing information goes to back of the end of the review queue further lengthening the response time. Ideally CPUC staff would like all review to be completed within the planned initial 2-4 week period after the utility initial submission in response to the project selection. However this rate happens due to almost all submission having significant omissions. CPUC staff and utility staff are working to correct this problem, however, progress has been slow.

**2C. Review Approval**

The utility customer and/or implementer are given approval to proceed to implement the project. Implementer is paid a progress payment of up to 35% of their estimated total payment based on savings estimate.

**3.Customer Installs Project**

The utility customer completes the installation of the project. In some cases utility technical reviewers visit the customer facility to verify that the project installation is complete. Implementer is paid a progress payment upon proof of customer equipment order – up to 40%

If post installation metering is not required, the customer is paid the financial incentive for installing the project. If post installation metering is required, the customer usually receives a partial payment of the incentive of approximately 60%.

**4. Post Install Performance Metering**

When required, post installation metering is performed to verify the amount of energy saved by implementing the project.

**5A. Utility Post install project performance review**

When required, post installation metering is analyzed and the project savings are trued-up based on this analysis.

**5B. CPUC Staff Post install project performance review**

For some selected projects, CPUC Staff also review the results of the post installation metering and final savings analysis.

**5C. Pay customer and Implementer**

The final incentive payment to the customer is made. Any implementer involved is paid their final payment on the project (or if past payment were too high the overpayment will become a credit for later project payments.

**6. Utility files savings with CPUC.**

The utility aggregates all project savings and reports monthly to the CPUC and also produces an annual energy efficiency report included the their final savings and costs for the year.

**7. CPUC may select for ex post evaluation.**

CPUC selects random sample, obtains projects documents and perform indepent metering (if needed) and analysis of savings and attribution to utility program

**8. CPUC Produces Annual Energy Efficiency Savings Report.**

CPUC staff aggregates all final utility savings results from their ex post evaluations passing through” any utility reported savings that are not evaluated. The resulting statement of annual energy efficiency savings becomes an input to resource planning activities by CPUC and CEC.

