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BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Order Instituting Rulemaking
Concerning Energy Efficiency Rolling
Portfolios, Policies, Programs,
Evaluation, and Related Issues.

Rulemaking 13-11-005

**ADMINISTRATIVE LAW JUDGE'S RULING INVITING COMMENT ON DRAFT
REVISED NORMALIZED METERED ENERGY CONSUMPTION RULEBOOK**

This ruling provides notice and opportunity to comment on draft revisions to the rulebook for normalized metered energy consumption (Rulebook).

1. Background

Normalized metered energy consumption (NMEC) rules were first introduced in the December 30, 2015 *Assigned Commissioner and Administrative Law Judge's Ruling Regarding High Opportunity Energy Efficiency Programs or Projects*, which addressed the first stages of implementation of Assembly Bill 802 (Stats. 2015, Chap. 590). In Decision (D.)18-01-004, the California Public Utilities Commission (CPUC or Commission) designated the assigned commissioner or administrative law judge to issue a ruling "specifying a set of rules, guidelines, and specific requirements to address the critical issues and uncertainties" related to measurement and verification.¹ The Rulebook is not a policy-setting document, but rather adheres to Commission policy and provides technical and process guidance to stakeholders on NMEC implementation.

¹ D.18-01-004, at 45.

Pursuant to D.18-01-004, the March 23, 2018 *Administrative Law Judges' Ruling Seeking Comment on Certain Measurement and Verification Issues, Including for Third Party Programs* directed staff to develop and maintain rules and requirements applicable to NMEC approaches in a section of the CPUC website.² Pursuant to this direction, Commission staff prepared a rulebook for programs and projects that apply NMEC methods and made this document available on the CPUC website. The March 23, 2018 ruling clarified that Commission staff will continue to update these rules as further developments become warranted to ensure continued appropriate implementation of ratepayer-funded programs, and invited interested parties to file comments on the requirements developed by Commission staff.

The January 31, 2019 *Administrative Law Judge's Ruling on Certain Measurement and Verification Issues* acknowledged two broad categories of NMEC approaches: "site-level," where savings are calculated at an individual building, project, or site level; and "population-level," where savings are measured based on the aggregation of many buildings.³ This ruling also confirmed that site-level NMEC will be classified as custom, and will follow a modified custom review process. The ruling also confirmed that measure-level analysis is necessary to inform lifecycle savings and program or project benefit calculations. Lastly, the ruling directed staff to lead an NMEC working group to develop further rules and guidance for programs leveraging NMEC methods.

During spring and summer 2019 Commission staff convened a working group, which informed a draft revised Rulebook (Version 2.0) issued by the

² Issued in Application (A.) 17-01-013 et al.

³ Also issued in A.17-01-013 et al.

January 7, 2020 *Administrative Law Judge's Ruling Issuing Revised Rulebook for Programs and Projects Leveraging Normalized Metered Energy Consumption* following opportunity for comment.⁴

2. Opportunity to comment on draft revised Rulebook (Version 2.1)

The current draft revised Rulebook considers input from a Working Group as well as the Custom Project Review (CPR) team managed by Commission staff.

The Working Group was convened by Commission staff following requests from stakeholders to gather feedback on NMEC processes and guidelines. The Working Group was made up primarily of program administrators (PAs) and program and project implementers. The Working Group met during the first quarter of 2022, and focused on site-level NMEC issues though some population-level NMEC issues were raised as well.

Many of the recommendations identified by the Working Group were not agreed upon by all participants and were intended to offer a starting point for further consideration by stakeholders and Commission staff. Further review of recommendations was conducted by Commission staff in conjunction with input from the CPR team. The CPR team is tasked with reviewing selected site-level NMEC projects as they are submitted for compliance with CPUC guidelines and the Rulebook. The CPR team provided insight into issues that have been unclear to project sponsors and PAs and would benefit from greater detail in the Rulebook. Commission staff appreciate the input provided by the Working

⁴ The current Rulebook, Version 2.0, is accessible at the following uniform resource locator (url): <https://www.cpuc.ca.gov/-/media/cpuc-website/files/legacyfiles/n/6442463694-nmec-rulebook2-0.pdf>

Group and the CPR team, and thanks both teams for their considered recommendations.

The draft revised Rulebook is included with this ruling as Attachment 1. Parties are invited to provide comments on the draft revised Rulebook and to address the following questions. Comments must be filed no later than December 8, 2023 and reply comments must be filed no later than December 22, 2023.

1. What (if anything) is missing from the draft revised Rulebook? What are the most important elements to add or modify? Please be specific and provide your rationale for each recommended addition or modification.
2. Normal replacement measures: NMEC counts savings from an existing conditions baseline, and therefore often includes savings associated with bringing equipment into compliance with applicable building or appliance code. These 'below code' savings constitute free ridership for "Normal replacement" measures, where normal replacement is defined by Resolution E-4818 as follows:

"The Normal Replacement (NR) type includes measure installations where the existing equipment has failed or no longer meets current or anticipated needs or is being replaced due to normal remodeling or upgrading or replacement activities that are expected and undertaken in the normal course of life or business."

The draft revised Rulebook requires adjustments to project savings claims to avoid claiming savings that would have occurred without the program, such as for normal replacement measures described above. Is such an adjustment the optimal way to avoid free ridership claims? If not, what is the optimal way the Rulebook could ensure below-code savings for normal replacement measures are treated appropriately in NMEC project savings claims, and why?

3. Custom projects vs. site-level NMEC: The draft revised Rulebook confirms that custom rules apply to NMEC except where specifically noted otherwise in the Rulebook. Are there additional exceptions to custom rules that should be made for NMEC? Please describe and provide your rationale for any recommended exceptions.
4. Program influence: The draft revised Rulebook requires program influence documentation for site-level NMEC similar to custom projects, and for the Accelerated Replacement measure type. However, unlike custom project requirements, the Rulebook does not require demonstration of continued equipment viability.
 - a. Is this a reasonable approach to ensuring appropriate savings claims?
 - b. Please provide suggestions for practical and feasible ways the CPUC can confirm projects are accelerated (for projects with measures that are not behavioral, retrocommissioning and operational).
5. Fractional Savings Uncertainty (FSU) improvements: The draft revised Rulebook clarifies that meeting FSU thresholds is sufficient to meet modeling goodness-of-fit eligibility criteria. At the same time, FSU for hourly models is a continuing challenge for gas and kilowatt (kW) models. Please provide feedback and recommendations on the proposed use of FSU to assess model goodness-of-fit.
6. Timing of baseline model documentation: A key aspect of NMEC is that baseline model specification is fixed prior to the performance period. This ensures that models are designed for accuracy and not influenced by the amount of performance period savings they yield. Currently documentation regarding baseline models is not always made available to the CPUC until after the performance period.

Provide any recommendation(s) regarding how final baseline models can be verified by the CPUC to have been

fixed by a date that is prior to the performance period. For example, would a time-stamped document uploaded to the Custom Measure and Project Archive be appropriate and feasible?

IT IS SO RULED.

Dated November 17, 2023, at San Francisco, California.

 /s/ VALERIE U. KAO
Valerie U. Kao
Administrative Law Judge