Table C
Audit Objectives and the Methods Used to Address Them

	AUDIT OBJECTIVE	METHOD
1	Review and evaluate the laws, rules, and regulations significant to the audit objectives.	Reviewed various laws and CPUC decisions related to the audit.
2	Determine the amount of funds collected from ratepayers for energy efficiency programs overseen by the CPUC from 2012 through 2022 and how much those programs have expended and perform the following related analyses: a. To the extent possible, determine the amount of ratepayer funds spent in the following ways: i. Across various economic sectors, including public, commercial, residential, industrial, agricultural. ii. Across census tracts and geographic regions. iii. On low-income Californians. iv. On gas appliances. v. On pay-for-performance programs by type. b. Determine what technologies and improvements energy efficiency programs are funding and incentivizing, including natural gas and HVAC technologies and appliances and pay for-performance programs. Identify any programs that enable fuel substitution to electricity versus programs that do not include electrification.	• Made data requests to CPUC and utilities to collect information on spending. • Analyzed that data, including by economic sector, and identified trends in spending. • Analyzed energy efficiency spending by census tract to identify the amount of funds spent in disadvantaged communities. • Reviewed available data in an attempt to identify spending on gas appliances. Ultimately, we determined that the CPUC's historical data cannot provide this information. • Reviewed the Energy Savings Assistance Program and its associated expenditures. • Identified and analyzed funds spent on programs and interventions with performance related incentives. • Reviewed available data to identify the amount of funds spent on specific technologies that energy efficiency programs have installed. • Reviewed fuel substitution guidelines and related data to determine how efficiency programs encourage electrification.

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	AUDIT OBJECTIVE	METHOD
3	To the extent possible, review the effectiveness of a selection of the CPUC's energy efficiency programs by measuring energy savings, greenhouse gas reductions, and cumulative savings on energy bills from 2012 through 2022, distinguishing between electricity and gas.	• Used utilities' reported efficiency program data that we obtained from the CPUC to determine the following: – From 2012 through 2022, we judgmentally selected five electric and five natural gas energy efficiency programs. From 2012 through 2022, we determined whether the programs were cost-effective, their greenhouse gas reductions, and total annual bill savings. From 2012 through 2016, the CPUC data does not contain projected energy savings. Therefore, we focused our review on the period from 2017 through 2022 to identify if the selected programs met energy-savings projections. – Using utilities' energy efficiency program data obtained from the CPUC, from 2018 through 2022, we judgmentally selected five electric and five natural gas energy efficiency programs. We determined whether the programs met energy-savings projections and cost-effectiveness, including their greenhouse gas reductions and total annual bill savings. – From 2012 through 2022, we determined whether portfolios met electric and natural gas energy-savings goals and cost-effectiveness, and determined their greenhouse gas reductions. • Interviewed staff from the CPUC and reviewed relevant documentation to assess whether the CPUC monitors energy efficiency programs selected from 2018 through 2022, which do not meet projected energy savings or cost-effectiveness.
4	Review the CPUC's processes for overseeing the design of energy efficiency programs and determine their effects on the adoption of new technology.	• Reviewed relevant CPUC documents and interviewed CPUC staff to determine whether the CPUC's development of the energy efficiency program design process and its program evaluation process follows industry best practices, whether the CPUC abides by these processes, and whether these processes affect programs adopting new technologies. We found the CPUC's efforts to develop new efficiency programs through its evaluation process are reasonable and that the CPUC effectively oversees them. As a result, the CPUC's processes lead utilities to adopt new technologies, but do not lead to utilities expanding their use to a significant level. • Reviewed three EM&V impact studies and interviewed CPUC staff and determined whether the CPUC took action to ensure the implementation of study recommendations.
5	For a selection of programs, determine whether policies or regulatory requirements may have led to some of the programs not spending all of their funding or limiting program participation.	• Selected five energy efficiency programs that operated from 2018 through 2022. • Reviewed a variety of utility documents related to the selected programs and assessed whether policies or regulatory requirements are barriers that could lead some programs not to spend all funding or limit participation. We did not identify any significant barriers that could lead some programs not to spend all of their funding or to limit participation. In most instances, the barriers to spending and participation related to the consolidation or replacement of programs.

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	AUDIT OBJECTIVE	METHOD
6	Review the adequacy of the CPUC's process for determining the effectiveness of energy efficiency programs it oversees and perform the following related analyses: a. To the extent possible, evaluate the CPUC's current, historical, and proposed cost-effectiveness measures for energy efficiency programs, including their effects on the demand for energy and the adoption of new technology, and how recently enacted changes to the law in Assembly Bill 205 (Chapter 61, Statutes of 2022) will affect these processes. b. Compare the CPUC's process for overseeing its energy efficiency programs with the processes used by the California Energy Commission to oversee the California Schools Healthy Air, Plumbing, and Efficiency Program.	• Reviewed the CPUC's policy documents, best practices from other agencies, and the CPUC's documentation of cost-effectiveness calculations to assess whether the CPUC's process is adequate. • Interviewed staff to understand CPUC's cost-effectiveness measurements. • Reviewed the Emerging Technology Programs that introduce and adopt new technologies and interviewed staff to learn how the program relates to cost-effectiveness. We did not identify any direct relationship between the adoption of new technology and the CPUC's cost-effectiveness measure, the TRC. • Reviewed CPUC's memo and decision interpreting AB 205 to determine potential effects on cost-effectiveness. We determined that AB 205 will likely not have an impact on CPUC's current cost-effectiveness measure. Specifically, AB 205 will change how ratepayers pay their energy bills, and CPUC's current cost-effectiveness measure does not include any components related to ratepayer bills. • To understand the CPUC's oversight of efficiency programs, we did the following: – Interviewed CPUC staff to determine the process used to evaluate programs. – Reviewed energy efficiency framework and protocols to determine requirements for conducting EM&V studies. – Reviewed CPUC evaluation data to determine how many energy efficiency programs they evaluated and whether the CPUC uses a risk-based approach to select programs for evaluation. – Reviewed 12 EM&V studies and documented evidence to determine whether the CPUC's oversight ensures studies are conducted properly. – Interviewed staff and reviewed documentation to determine what actions resulted from the findings and recommendations of EM&V studies. – Interviewed staff at the CPUC and collected documentation to identify the CPUC's oversight of energy efficiency programs and determine whether the process ensures that utilities do not accumulate unspent and uncommitted funds. • To understand the process used by the Energy Commission to oversee the CalSHAPE program, we did the following: – Interviewed the program manager and other staff at the Energy Commission and reviewed the program guidelines, notices, and other collected program documentation to identify the CalSHAPE grant process and the Energy Commission's oversight activities as well as whether the process ensures that the program does not accumulate unspent and uncommitted funds. – Reviewed applications from school districts and evaluated the Energy Commission's application review and grant award process by reviewing their internal records. – Reviewed the Energy Commission's accounting records as well as utility fillings to verify program funding. – Compared the CPUC's oversight to the Energy Commission's oversight in order to determine whether there are any best practices from either agency. As we describe in the Audit Results, the two agencies have very different oversight responsibilities.
7	Review and assess any other issues that are significant to the audit.	We did not identify any other issues to review during the course of the audit.

Source: Audit workpapers.