STATE OF CALIFORNIA Edmund G. Brown Jr., Governor

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

February 14, 2012 Advice Letter 3235-G-A/3901-E-A

Brian Cherry
Vice President, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, CA 94177

Subject: PG&E's Advice Letter 3235-G-A/3901-E-A

Dear Mr. Cherry:

Energy Division staff have determined that PG&E Advice Letter 3235-G-A/3901-E-A (January 13, 2012) is in compliance with D. 09-09-047 and the December 22, 2011 Assigned Commissioners Ruling (ACR) Clarifying Fund Shifting Rules and Reporting Requirements. The supplemental advice letter filing provided additional clarification and corrections to Advice Letter 3235-G-A/3901-E filed on September 12, 2011. The effective date of this approval is February 10, 2012.

PG&E filed Advice Letter (AL) 3235-G/3901-E on September 12, 2011 to request authority to: (1) implement fund shifting between energy efficiency programs within PG&E's approved 2012-2012 portfolio that goes beyond the pre-authorized fund shifting levels; and (2) make other program modifications, including one measure-level incentive adjustment and one program closure. In total, PG&E requested authority to shift some $35 million in program funds.

The Utility Reform Network (TURN) filed a protest to AL 3235-G/3901-E on October 3, 2011. The California Energy Efficiency Industry Council and the Natural Resources Defense Council filed responses to the AL, also on October 3rd. PG&E responded to TURNs protest on October 10, 2011. Energy Division suspended the AL on October 11, and subsequently filed a request for Supplemental Information on December 23, 2011. PG&E filed its response in a Supplemental Advice Filing 3235-G-A/3901-E-A on January 13, 2012.

An "Assigned Commissioners Ruling (ACR) Clarifying Fund Shifting Rules and Reporting Requirements" was issued on December 22, 2011 further clarifying fund shifting rules governing PG&E's Supplemental Advice Letter filed January 13, 2012. Energy Division has confirmed that PG&E complied with these updated fund shifting rules in Advice Letter 3235-G-A/3901-E (January 13, 2012). PG&E supplemental advice letter addressed additional questions from Energy Division.

Attachment 1 contains a technical review and analysis of how Energy Division staff determined that the supplemental advice letter complies with D. 09-09-047 and the December 22, 2011 ACR, and resolves the TURN protests.

Please contact Cathy Fogel of the Energy Division staff at 415-703-1809 (cf1@cpuc.ca.gov) if you have any questions.

Sincerely,

Edward Randolph
Director, Energy Division

cc: Service List R. 09-11-014
Marybelle C. Ang, TURN staff attorney
Audrey Chang, Executive Director, CEEIC
Noah Horowitz, Director, CEES, NRDC
Simon Baker, Energy Division
Hazlyn Fortune, Energy Division

Attachment 1

Technical Review and Analysis

I. Background:

PG&E AL 3235-G/3901-E requested approval of program changes in two areas: 1) Shifting Funds to Optimize Portfolio Performance; and 2) Implementation of Other Program Design Modifications. PG&E stated that the requests under area one were intended to promote generation of additional energy savings, improve the overall portfolio cost-effectiveness, and support high demand programs and market sectors. PG&E's request in area two included one measure-level incentive level change and one program closure. PG&E stated that implementation of the fund shifts and other modifications would achieve a total resource cost of 1.31 for the portfolio.

In AL 3235-G/3901-E, PG&E indicated fund shifting requests in the areas of: statewide residential energy efficiency ($14.5 million); statewide commercial energy efficiency ($19.1 million); new construction/Zero Net Energy Pilot Program ($5.9 million); Demand Side Management (DSM) Coordination and Integration Program ($1 million); non-statewide programs ($13.5 million); Codes and Standards program ($1.35 million); and, the Emerging Technologies Program ($12.6 million). In the program design modification area, PG&E requested authority to revise rebate levels in the Residential Advanced Consumer Lighting Subprogram for various LED lighting products. It also requested authorization to close the Cool Control Plus Third-Party Program effective October 2011.

Ordering Paragraph 43(b) of D. 09-09-047 requires the investor owned utilities (IOUs) to file an advice letter for shifts of funds of more than 15% per annum within and between any of the twelve statewide energy efficiency programs, third party programs, or government programs for the entire portfolio cycle. It thus requires an advice letter filing for fund shifting within and between14 categories of programs. The decision was silent, however, on the applicability of the 15% fund shifting rule to local utility, on-bill and other financing programs.

D. 09-09-047 summarizes fund shifting rules in the Energy Efficiency Policy Manual pertaining to statewide Emerging Technologies, Marketing, Education and Outreach, and Codes and Standards. As stated in D. 09-09-047, the Energy Efficiency Policy Manual and again in the December 22, 2011 Fund Shifting Assigned Commissioner Ruling, an advice letter is required for shifts that would reduce any of these programs by more than 1% of budgeted levels.

The December 22, 2011 Assigned Commissioners Ruling (ACR) Clarifying Fund Shifting Rules and Reporting Requirements addressed the lack of clarity regarding fund shifting rules for local, on-bill and other programs. To address this omission the ACR created a fifteenth category called to which the 15% fund shifting rules would also apply. It stated that this "Other EE Programs" category includes local programs, financing programs, and any other programs not otherwise categorized. It then clearly defined the "third party" program category as including any third-party programs that are competitively bid and count towards the 20% competitive requirement. It defined

"Government Programs" as including local government partnerships and state / institutional government partnerships.[1]

The December 22, 2012 ACR also restated that no program or subprogram shall be eliminated except through the advice letter process. In addition, it stated that "changes to incentive levels or modifications to program design (such as changes to customer eligibility requirements) will not trigger Energy Division or formal Commission review. Program administrators will notify the Commission of all incentive level changes that take place through the Program Implementation Plan Addendum process."[2]

With this clarified guidance, PG&E filed advice letter PG&E AL 3235-G-A/3901-E-A to reflect these updated fund shifting and other rules and to respond to Energy Division questions on the AL issued on December 23, 2011. PG&E had previously responded to TURN's October 3, 2011 protest letter in a reply filed on October 10, 2011.

PG&E AL 3235-G-A/3901-E-A requested fund-shifting authority for PG&E's Residential, Third Party, Government Partnerships, "Other" EE Programs, and Emerging Technologies Program (ETP). The supplemental advice filing provided additional clarification and corrections to Advice 3235-G/3901-E. Table 1 Summarizes PG&E's fund shifting request, as contained in Attachment A to AL 3235-G-A/3901-E-A.

Energy Division has reviewed PG&E's fund shifting request as summarized in Table 1 and concurs that it complies with adopted fund shifting rules.

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[1] "Assigned Commissioners Ruling (ACR) Clarifying Fund Shifting Rules and Reporting Requirements" (December 22, 2011), Attachment A at 2.

[2] Assigned Commissioners Ruling (ACR) Clarifying Fund Shifting Rules and Reporting Requirements (December 22, 2011), Attachment A at 2.

Table 1: PG&E Fund Shifting Request, Supplemental AL 3235-G-A/3901-E-A

Program #	Main Program Name / Sub-Programs	2010-12 Authorized Budget (Compliance AL 3065-G-A&B/3562-E-A&B)	2010-12 Rebalanced Budget (AL 3235-G-3901-E)	Budget Shifts	% Annual Change in Fund Shift by Category [2]	Advice Filing Triggered
1. Residential Programs						
PGE21001	Home Energy Efficiency Surveys Program	$21,018,892	$23,618,892	$2,600,000		
PGE21002	Residential Lighting Incentive Program for Basic CFLs	$30,000,231	$29,000,231	($1,000,000)		
PGE21003	Advanced Consumer Lighting Program	$33,342,987	$33,142,987	($200,000)		
PGE21004	Home Energy Efficiency Rebates	$71,719,478	$66,133,504	($2,000,000)		
PGE21005	Appliance Recycling Program	$20,241,876	$13,961,376	($1,000,000)		
PGE21006	Business and Consumer Electronics Program	$31,006,237	$31,006,237	$0		
PGE21007	Multifamily Energy Efficiency Rebates Program	$20,856,887	$19,514,043	($300,000)		
PGE21008	Whole House Performance Program	$46,000,035	$29,700,022	($12,500,000)		
	TOTAL RESIDENTIAL PROGRAMS	$274,186,622	$246,077,292	($14,400,000)	-16%	Yes
9. Emerging Technologies						
PGE21081	Assessments	$19,106,905	$14,072,326	($5,034,579)		
PGE21082	Scaled Field Placement	$3,606,389	$974,675	($2,631,714)		
PGE21083	Demonstration / Showcasing	$3,653,659	$1,546,620	($2,107,039)		
PGE21084	Market and Behavioral Studies	$2,807,096	$1,175,743	($1,631,353)		
PGE21085	Technology Supply Side Efforts	$1,066,782	$548,199	($518,583)		
PGE21086	Incubation	$959,035	$282,314	($676,720)		
	TOTAL EMERGING TECHNOLOGIES PROGRAM	$31,199,866	$18,599,878	($12,599,989)	121%	Yes
12. DSM Coordination & Integration						
PGE2111	Statewide DSM Coordination & Integration	$1,200,000	$1,070,815	($129,185)		
	TOTAL DSM COORDINATION & INTEGRATION	$1,200,000	$1,070,815	($129,185)	-32%	Yes
13. Government Partnerships						
PGE2126	Institutional/Statewide Government Partnerships	$38,839,695	$57,666,146	$14,000,000		
Various	Local Government Partnership Programs	$103,585,824	$110,630,649	$4,750,000		
	TOTAL GOVERNMENT PARTNERSHIPS	$142,425,519	$168,296,795	$18,750,000	39%	Yes
14. Third Party Programs						
	TOTAL THIRD PARTY PROGRAMS	$289,979,191	$320,785,343	$16,307,193	17%	Yes
15. Other Programs						
PGE21251	Innovator Pilots Program	$8,826,248	$7,464,935	($920,000)		
PGE21252	Green Communities	$20,975,784	$15,646,995	($4,280,000)		
PGE2112	Zero Net Energy Pilots (excluding EM&V)	$12,250,007	$5,698,239	($5,857,204)		
PGE2114	On-Bill Financing (Includes Loan Pool Amount)	$27,844,983	$27,844,983	$0		
PGE2113	Integrated DSM					
PGE21131	Integrated Marketing	$3,500,000	$3,413,840	($86,160)		
PGE21132	Integrated Education & Training	$300,000	$215,770	($84,230)		
PGE21133	Integrated Sales Training	$1,500,000	$1,213,775	($286,225)		
PGE21134	Integration Support	$2,000,000	$1,585,801	($414,199)		
	TOTAL LOCAL PROGRAMS	$77,197,021	$63,084,338	($11,928,019)	-46%	Yes
	GRAND TOTAL	$1,338,000,000	$1,338,000,000	$0	0%	

II. Party Protests and Responses, and PG&E Replies

This section reviews party protests and responses to PG&E's AL PG&E AL 3235-G/3901-E. Energy Division received no protests or responses to PG&E AL 3235-G-A/3901-E-A.

- **NRDC and CEEIC response regarding proposed fund shifts out of Codes and Standards programs.**

Both the California Energy Efficiency Industry Council (CEEIC) and the Natural Resources Defense Council (NRDC) filed response letters to PG&E's AL 3235-G/3901-E on October, 3, 2011. Both letters responded to PG&E's AL by indicating the importance of codes and standards (C&S) programs in achieving adopted energy efficiency (EE) goals. CEEIC pointed out in particular that Energy Division's 2010-2012 Energy Efficiency EM&V Plan indicated that the investor owned utilities C&S programs were responsible for producing 14.5% of statewide EE savings.[3]

In response to these comments, PG&E subsequently stated in its October 10, 2011 letter that it would withdraw its request to shift $1.35 million out of its C&S Program and adjust the requested increase to third party programs by the same amount.[4] In its Supplemental Advice Filing 3235-G-A/3901-E-(January 13, 2012), PG&E did not request authority for fund shifting out of its C&S programs.

Energy Division confirms that PG&E's revised Supplemental Advice Filing 3235-G-A/3901-E-(January 13, 2012) maintains C&S program budgets as originally authorized in D. 09-09-047.

- **The Utility Reform Network (TURN) filed a protest to AL 3235-G/3901-E on October 3, 2011. TURN requested that PG&E show how its request to shift funds away from certain programs approved in D. 09-09-047, such as PG&E's Energy Upgrade California5 program, is in compliance with D. 09-09-047.**

In its letter, TURN protested PG&E's proposed reduction of the statewide residential energy efficiency program budget by $14.5 million, noting that in doing so PG&E would reduce its target for homes to treat under its Energy Upgrade California (EUC) program from 15,500 to 6,000 homes. In its October 10, 2011 response, PG&E stated that it had a robust EUC program, but that the original statewide target for the number of homes to be treated by the EUC on a statewide basis represented a "high level walk down" equal to 1% of California's 13 million homes. PG&E implied, but did not state, that the originally approved and budgeted targets for the EUC program were unrealistically high.

On May 24, 2011, PG&E provided Energy Division with an analysis of low, medium and high homeowner participation scenarios for the Energy Upgrade California program in its service territory in response to a data request. Having reviewed these scenarios, Energy Division confirms that PG&E's requested $12,000 budget decrease in its whole house Energy Upgrade California program to $30 million for the 2010-2012 period is highly likely to leave sufficient program funds to reach at least 7,000 homes total for the 2010-2012 period, based on PG&E's submitted "medium" and "high" 2012 participation scenarios. Since PG&E achieved approximately 1,500 jobs in 2011, the first year of the operation of PG&E's full EUC program (PG&E operated a EUC pilot program in 2009-2010), a nearly fourfold increase in participation rates in 2012 alone strikes Energy Division staff as a reasonable as well as achievable growth

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[3] Response to PG&E Advice Letter 325-G/3901-E "Request for Authority to Shift Funds and Make Other Program Modifications Pursuant to D. 09-09-047 and D. 11-07-030." California Energy Efficiency Industry Council, October 2, 2011.

[4] PG&E's Protest Reply on The Utility Reform Network's (TURN) Protest of PG&E's Advice 3235-G/3901-E and Comments from Natural Resources Defense Council and California Energy Efficiency Industry Council, PG&E, October 20, 2011, p. 1.

[5] Incorrectly called the "California Energy Upgrade" program in TURNs protest letter.

rate. Should PG&E verge on expending the rebalanced EUC budget before the end of 2012, Energy Division would expect PG&E to replenish funds to meet incentive demands at that time.

- **In its protest letter, TURN requested that PG&E provide the budget expenditures to date for each program and subprogram, and provide results of its analysis and breakdown of the energy savings, demand reduction, and cost-effectiveness based on the adopted changes to ex-ante savings per D. 11-07-030 for each subprogram, with and without fund-shifting.**

PG&E responded to TURN's concerns by providing in its October 10, 2011 Protest Reply two attachments that summarize the budget shifts between programs.[6] Attachment 1 indicates the approved budget, the proposed rebalanced budget, the overall fund shift/program, and the percentage budget change by program. Attachment 2 indicates forecast program and subprogram Total Resource Cost (TRC), and energy, demand and therm savings values with the: (1) approved budget; (2) implementation of updated ex-ante savings values as per D. 11-07-030; and (3), with updated ex-ante values and the proposed budget rebalancing. Subsequently, Attachment 1 to Advice Letter 3235-G-A/3901-E-A indicated the proposed program and subprogram budget shifts following program categorization guidance indicated in the December 12, 2011 Fund Shifting ACR.

Energy Division has reviewed these attachments and believes that they demonstrate credible analysis performed by PG&E to develop the proposed fund shift requests. Energy Division also believes that this analysis provides sufficient information on the specific programs and subprograms impacted as requested by TURN.

- **TURN asked that PG&E confirm that none of the net shift of $19 million for the Commercial EE program proposed in AL 3235-G/3901-E will be spent on commercial basic CFLs and linear fluorescents.**

In its October 10, 2011 reply to TURN's protest, PG&E confirmed that fund shifts with its statewide Commercial Program will not result in any additional incentives for basic CFLs, but that linear fluorescents remain an important energy use reduction opportunity and will remain part of the product mix delivered by PG&E's Statewide Commercial programs.

Energy Division accepts this explanation as reasonable.

- **TURN asked PG&E to explain its conclusion that the current LED light produce incentives are too low, and that the proposed incentives are appropriate to increase participation, specifically requesting reconciliation of PG&E's proposed LED incentives of $15 given recent news regarding LED pricing.**

In Advice Letter 3235-G/3901-E (September 12, 2011), PG&E sought authorization to revise rebate levels in its Residential Advanced Consumer Lighting Subprogram for

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[6] PG&E's Protest Reply on The Utility Reform Network's (TURN) Protest of PG&E's Advice 3235-G/3901-E and Comments from Natural Resources Defense Council and California Energy Efficiency Industry Council, PG&E, October 20, 2011, pgs. 8-11.

various LED light products. Specifically, PG&E requested authority to increase the incentive level "to 'up to $15' for all LED products, including screw-in any hardwired bulbs. All other normal incentive levels within Advanced Consumer Lighting program would remain unchanged."[7]

In its Supplemental Advice Letter 3235-G-A/3901-E-A (January 13, 2012), PG&E clarified that the initial products targeted for this incentive change are ENERGY STAR® approved PAR and MR-16 lamps as well as recessed downlight retrofit kits. PG&E also indicated that it would develop additional work papers for LED products at the time that a significant number of offerings within a product category (e.g. Globe) become ENERGY STAR® certified[8].

In additional information provided in its supplemental advice letter, PG&E made a case for the proposed incentive levels for these identified products being: (1) reasonable based on studies summarized in the filing; and, (2) reasonable based on the practices of other utilities in the United States. The Supplemental filing also addressed TURNs concern that PG&E might incent at the $15 level LED lamps already priced at $15 each by providing information on the price levels of the ENERGYSTAR® products would be targeted for the incentive increase. PG&E stated that the lamps identified by TURN in its protest are not ENERGY STAR® certified, considered of an inferior quality, and are not proposed by PG&E to receive the higher rebate level.

After carefully reviewing the information provided, Energy Division agrees that PG&E's request to increase the incentive level to "up to $15" for ENERGY STAR® approved PAR and MR-16 lamps, and recessed downlight retrofit kits is reasonable. Energy Division also agrees that PG&E's request to identify additional LED products that may be appropriate for the increased incentive levels as they become ENERGY STAR® certified is reasonable.

III. Additional Requests

As noted in Section I above, in Advice Letter 3235-G/3901-E (September 12, 2011) PG&E requested authority for program modifications including: 1) measure level incentive changes for LED bulbs; and, 2) authority to eliminate one third party program (the Cool Control Plus Third Party program).

Energy Division agreed in Section II above that the measure level incentive changes (LEDs) requested by PG&E are reasonable. Energy Division received no protests regarding PG&E's request for authority to end the Cool Control Plus Third Party program, noted that PG&E stated that Honeywell Cool Control requested this program closure, and therefore agrees that terminating this program is reasonable, effective October 2011.

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[7] Advice 3235-G/3901-E, "Request for Authority to Shift Funds and Make Other Program Modifications Pursuant to D. 09-09-047 and D. 11-17-030," PG&E, September 12, 2011, pg. 7.

[8] Advice 3235-G-A/3901-E-A. "Supplemental Filing: Request for Authority to Shift Funds and Make Other Program Modifications Pursuant to D. 09-09-047 and D. 11-07-030," PG&E, January 13, 2012, pg. 8.

Pacific Gas and Electric Company

Brian Cherry
Vice President
Regulation and Rates

Pacific Gas and Electric Company
Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177

Fax: 415.973.6520

September 12, 2011

Advice 3235-G/3901-E
(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: Request for Authority to Shift Funds and Make Other Program Modifications Pursuant to D.09-09-047 and D.11-07-030

Pursuant to Decision ("D.") 09-09-047 and D.11-07-030, Pacific Gas and Electric Company ("PG&E") hereby submits this filing to request authority to shift funds between Energy Efficiency ("EE") programs within its approved 2010-2012 portfolio and to make other program modifications.

Purpose

The purpose of this advice filing is to request authority to (1) implement fund shifting between EE programs within PG&E's approved 2010-2012 portfolio that goes beyond the pre-authorized fund shifting levels; and (2) make other program modifications, including one measure-level incentive adjustment and one program closure.

Background and Regulatory Authority

In D.11-07-030, issued July 14, 2011, the California Public Utilities Commission ("CPUC" or "Commission") adopted changes to PG&E's *ex ante* energy savings assumptions for key EE measures. These changes effectively reduced the amount of energy savings and demand reduction the PG&E can claim for its EE portfolio, as well as the overall portfolio cost-effectiveness. In part, and along with the other factors described in this advice filing, the overall reduction in the program's cost-effectiveness that resulted from adoption of the new savings values prompted PG&E to review its program performance and submit this fund shifting proposal to improve program performance.[1] Consistent with D.11-07-030,

[1] On September 2, 2011, the Commission issued a proposed decision ("PD") and alternate decision ("AD") that would provide further direction to PG&E to modify its EE portfolio to address the impacts of Senate Bill ("SB") 87, a bill that could significantly impact funding for PG&E's natural gas EE programs. The PD and AD provide guidance to PG&E, San Diego Gas & Electric Company and Southern California Gas Company regarding priorities and financing for these gas

PG&E submits this advice letter "consistent with the applicable Ordering Paragraphs of Decision 09-09-047 regarding fund shifting, program design, and reporting requirements." In compliance with D. 11-07-030, PG&E's fund shifting request is "consistent with the adopted *ex ante* workpapers" as set forth in D.11-07-030.

In D.09-09-047, the Commission set forth fund shifting rules to provide the investor-owned utilities ("IOUs") with a level of flexibility to shift funds between and among energy efficiency programs to respond to market conditions and customer needs. Specifically, the Commission affirmed that for the 2010-2012 program cycle, the "[f]und shifting rules are set forth in Section II, Rule 11, of the Energy Efficiency Policy Manual."[2] The Commission also updated certain aspects of the fund shifting requirements found in the Energy Efficiency Policy Manual for the 2010-2012 program cycle. As set forth in D.09-09-047, the following are the relevant, applicable fund shifting rules for the requests made in this advice letter:

- **Rules Applicable to Shifting Funds Among Program Categories**

In cases where the IOUs wish to shift funds among resource and non-resource program categories[3], D.09-09-047 directs that the IOUs:

> "shall file an Advice Letter for shifts of funds of more than 15% per annum within and between any of the twelve statewide energy efficiency programs, third-party programs, or governmental programs for the entire portfolio cycle."[4]

D.09-09-047 left unchanged the fund shifting rules applicable to Codes and Standards, Emerging Technologies, and Statewide Marketing and Outreach.[5] As such, the IOUs are required to submit an advice letter for shifts among programs or categories that would reduce any of these program budgets by more than one percent of budgeted levels.[6]

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utilities' on-going Public Purpose Programs. These potential changes have not been addressed in this advice letter. Consistent with the anticipated Commission direction to address the impacts of SB 87, PG&E anticipates that it may file an advice letter to address any additional changes to its natural gas EE programs, which could result in a subsequent rebalancing of PG&E's EE portfolio.

[2] D.09-09-047, p.308 and OP43; Energy Efficiency Policy Manual, Sec. II, Rule 11, App. A at p.37.

[3] This fund shifting request reflects Energy Division's current guidance with respect to the scope of program categories.

[4] D.09-09-047, OP 43.

[5] D.09-09-047, p.311, OP 43(d).

[6] Energy Efficiency Policy Manual, Sec. II, Rule 11, App.A, at p. 37.

- **Rules Applicable to Implementation of Particular Program Modifications**

D.09-09-047 states that for the 2010-2012 EE programs, "the utilities shall not eliminate any program or sub-program except through the advice letter process."[7]

D.09-09-047 left unchanged the advice letter requirements applicable to implementation of incentive level adjustments as stated in the Energy Efficiency Policy Manual, Version 4.0, which states:

> "If the proposed incentive level change impacts a statewide program offering and is more than 50% of the original incentive level on a cumulative basis, the utility administrator will follow the advice letter process described in these rules."[8]

<u>Request for Approval</u>

Through this advice letter, PG&E requests approval of changes in the following two areas:

A. **Shifting Funds to Optimize Portfolio Performance** – Shift funds to promote generation of additional energy saving, improve the overall portfolio cost-effectiveness, and support high-demand programs and market sectors Per D.09-09-047, the fund shifts that require advice letter approval are described in the text of this advice letter and are also referenced in Attachment A hereto.[9]

B. **Implementation of Other Program Design Modifications** – Including (1) one measure-level incentive level change and (2) closure of one third-party program that has reached market saturation.

PG&E forecasts that implementation of the fund shifts and modifications as further discussed in this advice filing would achieve a TRC of 1.31 and would exceed the goals established by the Commission for PG&E's 2010-2012 EE portfolio while maintaining customer satisfaction and program quality.[10]

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7 D.09-09-047, Section 9.1.2, page 310.

8 Energy Efficiency Policy Manual, Sec. II, Rule 11, App. A, at p. 37.

9 For clarity, Attachment A references all fund shifts between categories, some of which are within the fund-shifting authority provided in D.09-09-047 and do not require advice letter approval. In particular, funds shifts for the Industrial Energy Efficiency Program and Agricultural Energy Efficiency Program are within current fund-shifting authority and are, therefore, not part of the request for approval made in this advice filing.

10 The TRC would increase to 1.34 if electric and gas TRC benefits are included for 2006-09 CFLs installed in 2010 per CPUC D.10-12-049.

Upon approval of this Advice Letter, PG&E will update its Program Implementation Plans ("PIPs") through the PIP Addendum process to reflect all program modifications as described herein.

A. Shifting Funds to Optimize Portfolio Performance

The fund shifts described in this advice filing will increase both the overall portfolio cost-effectiveness, as well as the total amount of energy savings the portfolio generates. PG&E seeks authority to shift funds from programs that are either on track to meet their performance targets and are forecasted to come in under budget or forecasted to operate with a reduced program budget over the remaining portion of the portfolio cycle. Funds from these programs will be used to ensure sufficient funding for Commercial and Third-Party programs, which are experiencing a high demand for services and are delivering cost-effective projects that benefit small and medium business customers. Funds will also be shifted to further support institutional and local government partnerships, where a significant level of interest has generated a pipeline of projects that exceeds current funding levels. As such, these fund shifts will provide necessary augmented funding for high demand programs and market sectors.

1. Fund Shift Requests Among Resource and Non-Resource Program Categories (15% Per Annum Trigger)

   Each fund shift within or among statewide program categories of more than 15 percent per annum must be approved through advice letter. In accordance with this requirement, PG&E requests authority to implement each of the following fund shifts:

   a. Residential Energy Efficiency Program

      PG&E seeks authority to reduce funding for the Statewide Residential Energy Efficiency Program by $14.4 million. Within the Residential program, PG&E proposes to shift $2.6 million to the Home Energy Efficiency Surveys Program, and shift $17 million from programs projecting to be underspent at the end of the program cycle, including a reduction of $12.5 million from the Whole House Program (also known as Energy Upgrade California).

      The current funding level of the Whole House Program was directed by the Commission based on an aspirational market target of 130,000 homes for the State of California by the end of

2012. However, market adoption has not risen to a level that will require the initial funding amount. PG&E is seeking to reduce the funding for this program in line with forecasted uptake based on best available data as of this filing, which will also result in a reduction in the program's targets for the remainder of this cycle. PG&E's program originally targeted 1% of residential homes, or 15,500 homes, to be treated under the Whole House Program in this program cycle. Based on current data, PG&E's revised target for this program cycle is 6,000 homes. The revised budget will fully-fund the Whole House program given expected volumes, including ARRA-funded program promotion by the CEC and local governments.

b. Commercial Energy Efficiency Program

PG&E seeks authority to increase funding for the Statewide Commercial Energy Efficiency Program by $19.1 million. Within the Commercial program, PG&E proposes to reduce funding for the Nonresidential Audits Program by $5 million that is anticipated to be unspent at the end of the program cycle, increase funding to the Calculated and Deemed Incentive programs by $11 million, and increase funding by $13.1 million to Third-Party implementers that serve the Commercial market sector.

c. New Construction Program/Zero Net Energy Pilot Program

PG&E seeks authority to reduce funding for the Statewide New Construction Program by $5.9 million and revise two of the Zero Net Energy ("ZNE") Pilot Program targets. Specifically PG&E plans to: 1) reduce the number of project consultations; and 2) reduce the number of technical assessments. In spite of this reduced scope, PG&E expects to achieve the ZNE pilot program objectives and generate considerable lessons-learned in alignment with California's Long-Term Energy Efficiency Strategic Plan goals. The remaining program elements would remain unchanged. PG&E has no plans to reduce funding for EM&V-related studies.

d. DSM Coordination and Integration Program

PG&E seeks authority to reduce funding for the Statewide and Local DSM Coordination and Integration programs by $1 million. The IDSM Task Force expects that the development of the cost-effectiveness methodology will be delayed, which will likely defer certain program expenses. As discussed with Energy Division staff, this represents an efficient use of funds as it is advisable to sequence events to take advantage of Energy Division's IDSM EM&V Omnibus Study and Research Plan. With the funding reduction for PG&E's local program, PG&E proposes to reduce the number of sales training workshops and Education and Training course offerings, starting in the spring of 2012.

e. Non-Statewide Programs

PG&E seeks authority to increase funding for the non-statewide programs by $13.5 million. Within this category, PG&E proposes to increase funding to Institutional and Local Government Partnerships by $18.75 million and to decrease funding for the Innovator Pilots program by $920,000 and the Green Communities Pilot Program by $4.28 million. Significant interest in institutional and local government partnership projects has created a current pipeline of projects that exceeds the three-year budget. The proposed budget increase will pay for incentives for these additional projects as well as the associated project management costs. The budget reductions for the pilot programs are funds anticipated to be unspent. As such, the remaining program budgets will adequately fund the pilot programs for the remainder of the cycle.

2. Fund Shift Requests Among Codes and Standards and Emerging Technologies Program Categories (1% Budget Trigger)

Each fund shift that would reduce any of these budget categories by more than one percent must be approved through advice letter. In accordance with that requirement, PG&E requests authority to implement each of the following fund shifts:

a. Codes and Standards Program

PG&E seeks authority to reduce funding for the Statewide Codes and Standards Program by $1.35 million. PG&E proposes to scale back advocacy support for state (Title 20) and federal appliance standards and building codes (Title 24). Research, analysis, and IOU comments in response to federal standards proceedings, technical support for existing Title 24 proposals, and support for development of manuals would be reduced. In addition, due to reductions in the statewide Codes and Standards budgets and uncertainty of measure selection by the California

Energy Commission, the statewide Codes and Standards team propose a revised statewide objective for Title 20 measure of five CASE studies. With these program modifications, PG&E projects that the funds remaining after the fund shift will be sufficient for the remainder of the cycle, and the program would meet its targets in providing role-based training classes, Reach Code adoptions, and Title 24 CASE studies.

b. Emerging Technologies Program

PG&E seeks authority to reduce funding for the Statewide Emerging Technologies Program by $12.6 million. The program is currently overfunded and therefore, PG&E projects that it will be able to conduct the remainder of the projects for this cycle and meet the program's statewide commitments with the proposed budget reduction.

B. Program Design Modifications

PG&E seeks approval of two program design modifications not directly associated with fund shift requests in Section A. First, PG&E requests authority to increase the incentive for Light-emitting diode (LED) measures in its Residential Advanced Consumer Lighting Program. Secondly, PG&E requests approval to close one Third Party Program due to market saturation.

1. Measure Level Incentive Change

Changes to the incentive level that impact a statewide program offering by more than 50 percent of the original incentive level on a cumulative basis, require approval by advice letter. In accordance with this requirement, PG&E seeks authority to revise rebate levels in Residential Advanced Consumer Lighting Subprogram for various LED light products, which are currently limited to between $5-$10 depending on lumen output and/or whether the product is a lamp or a fixture.

Because of the high initial costs for LED lights, the current incentive amounts are insufficient to significantly increase market adoption. Thus, PG&E requests authority to increase the incentive level to "up to $15" for all LED products, including screw-in and hardwired bulbs. All other normal incentive levels within Advanced Consumer Lighting are unchanged.

2. Third-Party Program Closure

Elimination of any program or sub-program requires approval by advice letter. In accordance with that requirement, PG&E seeks authority to close the Cool Control Plus Third-Party Program.

Honeywell Cool Control has advised PG&E of their desire to close the Program effective October 2011. This decision is based on the current market saturation level as reflected in reduced customer demand and program activity.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **October 3, 2011,** which is 21[11] days from the date of this filing. Protests should be mailed to:

CPUC Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Avenue
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Copies also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. Mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Brian Cherry
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177

[11] Because the end of the protest period falls on a weekend, PG&E is therefore moving the protest period to the following business day.

Facsimile: (415) 973-6520
E-mail: PGETariffs@pge.com

Effective Date

PG&E is filing this as a Tier 2 advice letter pursuant to GO 96-B and requests that this advice filing be approved by Energy Division no later than **October 12, 2011**, which is 30 days from the filing date.

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the service list for R.09-11-014. Address changes to the General Order 96-B service list and all electronic approvals should be directed to e-mail PGETariffs@pge.com. For changes to any other service list, please contact the Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Advice letter filings can also be accessed electronically at http://www.pge.com/tariffs/.

Brian Cherry/ent

Vice President – Regulation and Rates

cc: Service List R.09-11-014

Attachments

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY

ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **Pacific Gas and Electric Company (ID U39 M)**

Utility type:	Contact Person: Linda Tom-Martinez
☑ ELC ☑ GAS	Phone #: (415) 973-4612
☐ PLC ☐ HEAT ☐ WATER	E-mail: lmt1@pge.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: **3235-G/3903-E** **Tier: 2**

Subject of AL: **Request for Authority to Shift Funds and Make Other Program Modifications Pursuant to D.09-09-047 and D.11-07-030**

Keywords (choose from CPUC listing): Energy Efficiency

AL filing type: ☐ Monthly ☐ Quarterly ☐Annual ☑One-Time ☐ Other ____________________________

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.09-09-047, D.11-07-030

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: No

Summarize differences between the AL and the prior withdrawn or rejected AL[1]: ____________________

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for:

Confidential information will be made available to those who have executed a nondisclosure agreement: ☐ Yes ☐ No

Name(s) and contact information of the person(s) who will provide the nondisclosure agreement and access to the confidential information: ____

Resolution Required? Yes ☐ ☑No

Requested effective date: **October 12, 2011** No. of tariff sheets:

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected:

Service affected and changes proposed[1]: N/A

Pending advice letters that revise the same tariff sheets: N/A

Protests, dispositions, and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Tariff Files, Room 4005
DMS Branch
505 Van Ness Ave.,
San Francisco, CA 94102
jnj@cpuc.ca.gov and mas@cpuc.ca.gov

Pacific Gas and Electric Company
Attn: Brian Cherry
Vice President, Regulation and Rates
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

PG&E Proposed 2010-2012 EE Fundshifts

Program / Sub Program		Authorized Budget	Current Budget	Net Funds Transferred Out	Net Funds Transferred In	Revised Budget
Statewide Programs		**$ 1,084,407,466**	**$ 1,078,776,292**	**$ (35,207,193)**	**$ 21,657,193**	**$ 1,065,226,292**
1	Residential Energy Efficiency Program	288,274,078	275,407,523	(14,400,000)	0	261,007,523
2	Commercial Energy Efficiency Program	319,647,310	328,225,791	0	19,058,199	347,283,991
3	Industrial Energy Efficiency Program	159,680,735	157,992,655	0	2,009,995	160,002,649
4	Agricultural Energy Efficiency Program	78,045,046	80,640,333	0	588,999	81,229,332
5	New Construction Program	50,787,267	50,092,704	(5,857,204)	0	44,235,499
6	Statewide Lighting Market Transformation Program	462,565	462,565	0	0	462,565
7	Residential and Commercial HVAC Program	58,727,572	58,901,463	0	0	58,901,463
8	SW Codes and Standards	19,642,285	19,642,285	(1,350,000)	0	18,292,285
9	SW Emerging Technologies	31,199,866	31,199,866	(12,599,989)	0	18,599,878
10	SW Workforce Education & Training	44,492,361	42,762,725	0	0	42,762,725
11	SW Marketing, Education & Outreach	24,948,382	24,948,382	0	0	24,948,382
12	Integrated DSM	8,500,000	8,500,000	(1,000,000)	0	7,500,000
Non-Statewide Program		**$ 200,072,534**	**$ 205,703,708**	**$ -**	**$ 13,550,000**	**$ 219,253,708**
13	Non-Statewide Program	200,072,534	205,703,708	0	13,550,000	219,253,708
EM&V		**$ 53,520,000**	**$ 53,520,000**	**$ -**	**$ -**	**$ 53,520,000**
Total		**$ 1,338,000,000**	**$ 1,338,000,000**	**$ (35,207,193)**	**$ 35,207,193**	**$ 1,338,000,000**

Note: The IOUs have applied the fundshifting rules from D.09-09-047, consistent with current Energy Division guidance.

PG&E Gas and Electric
Advice Filing List
General Order 96-B, Section IV

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Barkovich & Yap, Inc.
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Casner, Steve
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Occidental Energy Marketing, Inc.
OnGrid Solar
Praxair
R. W. Beck & Associates
RCS, Inc.
Recurrent Energy
SCD Energy Solutions
SCE
SMUD
SPURR
San Francisco Public Utilities Commission
Seattle City Light
Sempra Utilities
Sierra Pacific Power Company
Silicon Valley Power
Silo Energy LLC
Southern California Edison Company
Spark Energy, L.P.
Sun Light & Power
Sunshine Design
Sutherland, Asbill & Brennan
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Tiger Natural Gas, Inc.
TransCanada
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United Cogen
Utility Cost Management
Utility Specialists
Verizon
Wellhead Electric Company
Western Manufactured Housing Communities Association (WMA)
eMeter Corporation