STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, *Governor*

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

October 21, 2010

Jane K.Yura
Vice President, Regulation and Rates
77 Beale Street, Mail Coe B10B
P.O. Box 770000
San Francisco, CA 94177

Advice Letter 3065-G-A&B/3562-E-A&B

Subject: Staff Disposition of PG&E's Advice Letter 3065-G-A&B/3562-E-A&B regarding Energy Efficiency Compliance Filing for the 2010-2012 Cycle

Dear Ms.Yura:

The Energy Division has determined that Advice Letter (AL) 3065-G-A&B/3562-E-A&B is in compliance with Ordering Paragraph 15 of Decision (D.)09-09-047, effective January 1, 2010. This disposition letter supersedes the letter that Energy Division sent on May 26, 2010 approving PG&E's Advice Letter (AL) 3065-G /3562-E with effective date of June 1, 2010.

The Utility Reform Network (TURN) and the Division of Ratepayer Advocates (DRA), Local Government Sustainable Energy Coalition (LGSEC) and the City and County of San Francisco (CCSF) submitted protests on December 11th and 14th, 2009. Under General Order 96-B, Section 7.6.1, Energy Division rejects the protests on the basis of the technical review and analysis attached to this disposition letter.

On April 21, 2010, Energy Division (ED) notified PG&E of the need for a Supplemental Advice Letter filing to address three issues of deficiency regarding: 1) PG&E planned budget reductions in PG&E's Strategic Plan program and activity budgets; 2) The timing of commencing PG&E's on-bill financing program; and 3) Budget amounts in view of the Commission's guidelines for direct implementation non-incentive (DINI) expenditures.

PG&E submitted Advice Letter 3065-G-A/3562-E-A on June 30, 2010. After initial review for forecasted energy savings found a change from its original DEER 2008-filed values, Energy Division directed PG&E to supplement AL 3065-G-A/3562-E-A by replacing the affected E3 calculator energy savings and tables.

PG&E submitted a second, supplemental AL 3065-G-B/3562-E-B on September 17, 2010. Energy Division has reviewed this filing for compliance with D.09-09-047, the protests regarding cost effectiveness and changes to energy savings forecast in the E3 calculators, major budget reductions to particular Strategic Planning programs, and budget amounts relating to direct implementation, non-resource program (DINI) expenditures. Energy Division has determined that PG&E's supplemental Advice Letter 3065-G-A&B/3562-E-A&B complies with D.09-09-047.

Please contact Anne Premo of the Energy Division staff at 916-928-4700 (awp@cpuc.ca.gov) or Peter Lai at 213-576-7087 (ppl@cpuc.ca.gov) if you have any questions.

Sincerely,

Julie A. Fitch
Director, Energy Division

Attachments (3) Technical Review and Analysis, Strategic Plan and DINI Budget Change Table and E3 Calculators/DEER Issues.

cc: Bob Finkelstein, TURN
Jeanne M. Sole, City and County of San Francisco
Dennis J. Herrerra, City and County of San Francisco
Linda Serizawa, DRA
Jody S. London, LGSEC
Julie Fitch, Energy Division
Commissioner Dian Grueneich
Administrative Law Judge David Gamson
Bruce Foster, SCE
Akbar Jazayeri, SCE
Sid Newsom, SoCalGas
Megan Caulson, SDG&E
Service List A.08-07-021

Attachment 1

TECHNICAL REVIEW AND ANALYSIS

Ex Ante E3/DEER Compliance Filings

Energy Division Staff finds PG&E's advice letter E3 calculator to be in compliance with D.09-09-047. TURN and DRA cite that PG&E did not comply with D.09-09-047 by not using the ED adjusted E3 Cost-effectiveness Calculator as a starting point for its cost-effectiveness compliance filing. Based on TURN's analysis, the protestants cited that PG&E changed savings inputs in its compliance E3 Calculator from those set forth in the Energy Division adjusted E3 Calculators, and that the changes generally cause the resulting measure of savings to be higher and, by extension, inappropriately inflate the cost-effectiveness of the measures. Energy Division Staff found that the utility did use the Energy Division adjusted E3 Calculator as a starting basis as directed in D.09-09-047, and the utility did use the 2008 DEER Version 2008.2.05 as a starting point when a measure is a DEER measure.

TURN's observed differences in savings input values are generally due to various adjustments made to particular DEER measure cost-effectiveness value parameters that are not transparent when looking at the E3 Calculator. Further explanation of the adjustments made to PG&E E3 calculator is provided in Attachment 3 to this disposition letter. Energy Division Staff finds PG&E's advice letter E3 calculator to be in compliance with D.09-09-047.

Administrative Costs

DRA states that PG&E's administrative costs are higher than the 10% cap ordered by D.09-09-049. Administrative cost restrictions ordered by Decision (D.) 09-09-049, Ordering Paragraph (OP) 13a, page 369, apply to the utility administrative cost portion of overall portfolio costs, excluding third party or local government subcontractor administrative costs. PG&E's "utility" administrative costs are 8.8% of costs. When third party and local government subcontractor costs are included, the overall percentage is 10.8%. PG&E has complied with D.09-09-049, OP 13a.

DRA is also concerned that Third Party and Local Government Partnership Administrative Costs higher than 10% contravene the Commission's intent to control administrative costs. D.09-09-049 does not impose a 10% cap on either Third Party or Local Government Partnership costs. Instead, the decision encourages a 10% target. PG&E complies with this aspect of the decision, with Third Party costs including utility administration costs at 11.8% and Government Partnership costs including utility administration costs at 12.0%.

Budget Caps and Targets

DRA refers to a set budget cap categories as Administrative Costs – 10%, Marketing, Education and Outreach (ME&O) - 6%; Evaluation, Measurement and Verification (EM&V) – 4%; Non-Resource support costs (excluding non-incentive direct implementation (DINI) costs) – 20%. Instead, D.09-09-049 identifies only utility administrative costs as having an absolute cap of 10% of the overall portfolio budget. The ME&O budget target is set at 6% of the overall portfolio budget, not an absolute cap. Similarly, Non-Resource support costs of 20% of the overall portfolio budget are also identified as a budget target. The EM&V budget amount is tentatively set at 4% of the overall portfolio budget, subject to further consideration under the later EM&V Decision 10-04-029, (D.09-09-049, mimeo pp.73-74). In its supplemental filing, PG&E complies with these budget targets as follows:

Administrative Costs – Utility only	8.8%
ME&O	7.9%
Non Resource support costs	12.8%
EM&V	4.0%

Other Administrative Cost Issues
DRA requests an explanation for the apparent increase in PG&E's overhead costs from $74 million in PG&E's July 2009 filing to $94 million in the November PG&E Advice Letter. PG&E responded:

> "The overhead number cited by DRA reflects a shift of $24.3 million for IT costs from the EM&V cost category to overhead.[1] This shift responded to the Decision's directive to categorize costs for portfolio-wide IT services and support as administrative costs. (Decision, p. 50). As further clarified by ED in a memo to the utilities, "EM&V and other portfolio-level IT costs should be charged to administrative costs except in the case that these constitute capital costs . . ." (Energy Division Memo dated October 22, 2009, 2010–2012 Energy Efficiency Portfolio Administrative Costs, provided in PG&E's Advice Letter, Attachment 2).
>
> Costs for portfolio-wide IT services and support have been spread across overhead for all PG&E's EE programs. Thus, the apparent increase in overhead is a reallocation of funds aligned with the directives of the Decision and ED instructions to the IOUs rather than an increase in funds. Certain overhead costs align with labor costs. PG&E decreased the number of fulltime equivalents (FTEs) in all cost categories in the Advice Letter compared to the July 2009 filing, and overhead costs decreased accordingly by about $3.9 million. (This FTE/labor reduction is partially reflected in DRA , p. 6, Table 5 as a $3.1 million decrease in HR Support/Development costs). The IT cost reallocation masks the nearly $4 million reduction in overhead related to labor decreases."

[1] The IT costs reallocated from EM&V to overhead are for ongoing support for PG&E's legacy MDSS system through the 2010–2012 program cycle and do not include the cost to upgrade to a new system as that request was deferred to PG&E's general rate case, as discussed in Attachment 2 of PG&E's Advice Letter.

Energy Division confirms that PG&E's explanation correctly states the directions of D.09-09-047 and Energy Division's subsequent guidance regarding IT costs.

Overhead Costs as a Percentage of overall Administrative Costs
DRA states that PG&E's overhead costs are 81% of administrative costs (DRA, p.6, Table 4). PG&E responded to DRA as follows**:**

> "The number cited by DRA's Table 4 is a typographical error. In fact, in Table 5, DRA shows that PG&E's overhead costs are 61% of administrative costs, and in Table 6, that Southern California Edison's overhead costs are 81% of administrative costs (DRA, pp. 6–8). The numbers were inadvertently switched in Table 4."

Energy Division observes that the overhead costs are a high percentage of administrative costs but the Commission has imposed no limit or formula restricting overhead costs under the category of Administrative Costs.

Strategic Plan Program Budgets
CCSF, DRA and LGSEC state that PG&E's original advice letter budgets may put the Strategic Plan's objectives at risk. Energy Division's initial compliance review revealed that three Strategic Plan programs had significant budget reductions and program changes, and requested budget augmentation to comport with the Program Implementation Plans (PIPs) filed in July 2009 and in compliance with the decision. These programs and the requested augmentation amounts are: Emerging Technologies (ET) $8 million, Zero Net Energy (ZNE)

Buildings $6-12 million, and Local Government (LGP) Innovator Pilots $4.5-$5 million. Energy Division also requested clarifications and improved implementation timing for the On Bill Financing program.

In response, PG&E submitted three supplemental advice letters, cited below. These advice letters were approved in June, 2010 as follows:

Subject	Advice Letter	Approval Date
On Bill Financing	3118-G-A/3667-E-A	6/30/2010
Emerging Technologies	3118-G-A/3667-E-A	6/30/2010
Innovator Pilots	3081-B-B/3597-E-B	6/1/2010
ZNE Pilot	3078-G-B/3594-E-B	6/7/2010

Energy Division has reviewed the supplemental Compliance AL 3065-G-A&B/3562-E-A&B for budget changes and confirms that these Strategic Plan programs now have augmented budgets of:$8 million for Emerging Technologies transferred from the portfolio budget, $6 million for ZNE, with $4.6 million transferred from the portfolio budget and $1.4 million from the EM&V budget, and $4.5 million for Local Government Innovator Pilots transferred from the portfolio budget. PG&E has complied with Energy Division's budget change requests.

Direct Implementation, Non incentives and Rebates (DINI)

In its request to supplement funding for the Emerging Technologies subprograms, the ZNE Pilot, and LGP Innovator pilots, Energy Division also requested reductions to the cost category of DINI by about $27 million to bring this categorical back towards the soft target of 20% of the portfolio budget. Energy Division suggested that cost shifts within the budget could provide the funding, without changing the overall portfolio budget approved by D.09-09-049. To accommodate this combined request, PG&E's budget reflects a major fund shift of $52 million from DINI Core and Third Party Programs with approximately $10 million more from Third Party Administrative Costs, redistributing the majority of it ($47.6 million) to Direct Implementation Incentives. (See Table 5 of the Supplemental Compliance AL 3065-G-A&B/3562-E-A&B reproduced as Attachment 2 to this Disposition Letter) The Energy Division request to shift DINI costs and the budget shifts cited above also affected the portfolio energy savings, causing PG&E to rebalance its portfolio for cost effectiveness.

CFLs

DRA requests detailed fund-shifting reporting to ensure an absence of transfers to the category of Basic CFLs, as ordered by the Decision (DRA, p. 13).
:
As noted in PG&E's Advice Letter, "Funds will not be shifted into the Residential Basic Lighting subprogram, per D.09-09-047 (at p. 140)." (PG&E Advice Letter, p. 9–10, Table 5, footnote b).
The fund-shifting categories in PG&E's Advice Letter found in Table 5 fully comply with D.09-09-047, which created fund-shifting categories for each of the statewide program areas and EM&V (Decision, p. 310). As stated in D.09-09-047, the IOUs are required to report any fund shifting activity on EEGA in advance of the first report, due July 2010 (Decision, OP 43e, p. 389).

Energy Division notes that the reporting template is still under development with Energy Division and will include the necessary detail to ensure compliance with limitations on fund shifting, including respecting absolute limits on the Basic Residential Lighting subprogram budget.

DRA also states that it does not see a mandate for IOUs to conduct an outreach campaign to encourage customers to install stored CFLs (DRA, p. 14). PG&E differs from DRA in interpreting the following Decision guidance as a mandate, "We direct the utilities to submit in their compliance filing an outreach campaign focused on getting these bulbs out of storage and into sockets." (Decision, p. 143).

In response, PG&E filed with its Advice Letter an Attachment 4*, Plan for Encouraging Customers to Install Stored CFLs into Sockets*. This plan describes a CFL marketing campaign delivered in 2009 that included messages promoting the immediate use of CFLs in storage and noted that it will work with the other IOUs on future campaigns, based upon available funding.

HVAC

DRA requests that the utilities provide rationale for cutting HVAC programs, given the prominent role that HVAC plays in the Strategic Plan, as well as in providing energy savings and peak energy savings (DRA, p. 12).

In order to comply with D.09-09-047, all utilities had to rebalance their portfolios to meet the required budget reductions and reallocations between programs. PG&E states that "given the budget reductions, PG&E's decision to reduce HVAC program funding was based on these programs' consistent failure to achieve cost effectiveness against metrics. Should the metrics for cost-effectiveness change or should the HVAC program demonstrate sufficient cost-effectiveness in this cycle, PG&E will request additional funding from the Commission for this program. The Decision specifically encourages such funding augmentation, "As actual experience is gained over the next three years the utilities can request budget augmentations as circumstances warrant …" (D. 09-09-047, Mimeo, p. 76).

San Francisco Energy Watch Program

CCSF protests the reduction in the San Francisco Energy Watch program from $12 million in PG&E's July 2009 filing to $11.54 million in PG&E's Advice Letter (CCSF, pp. 2–3). Many programs including the San Francisco Energy Watch program saw a budget decreases reflecting the Decision's budget reductions. CCSF's reduction was 4% of its request. PG&E responds that it understands that any reduction creates problems for its partners and hopes to work with partners to nonetheless create significant energy savings in California through efficient implementation of energy efficiency programs that offer attractive products to carefully targeted customers.

Attachment 2

PG&E AL 3065-G-A&B/3562-E-A&B

TABLE 5
SUMMARY OF PG&E CHANGES FROM COMPLIANCE AL
BY PROGRAM AND COST CATEGORY
($M)

Program	Admin	Marketing	Direct Implementation Non-Incentives (DINI)	Direct Implementation Incentives	Change from Compliance AL
Strategic Plan Programs					
Emerging Technologies	$0.8	$0.8	$6.4	$0.0	$8.0
Innovator Pilots	$0.3	$0.0	$4.2	$0.0	$4.5
Zero Net Pilots (excludes EM&V) *	$0.8	($0.0)	$3.9	$0.0	$4.6
Total Strategic Plan Programs	**$1.8**	**$0.8**	**$14.5**	**$0.0**	**$17.1**
Core Statewide Programs					
Residential	($0.1)	$0.0	($31.9)	$31.0	($1.0)
Commercial	($0.4)	$0.0	($7.1)	$0.0	($7.5)
Industrial	($0.2)	$0.0	($2.8)	$0.0	($2.9)
Agricultural	($0.2)	$0.0	($3.2)	$0.0	($3.4)
Total Core Statewide Programs	**($0.9)**	**$0.0**	**($45.0)**	**$31.1**	**($14.8)**
Third Party Programs					
TP-Residential	($1.2)	$0.3	($1.3)	$2.2	($0.0)
TP-Commercial	($9.4)	$0.4	($1.2)	$6.1	($4.1)
TP-Industrial	$0.7	($0.6)	($3.8)	$5.3	$1.7
TP-Agricultural	($1.8)	($0.3)	($0.2)	$2.4	$0.0
TP-HVAC	$0.0	$0.0	($0.5)	$0.5	$0.0
TP-WE&T	$0.1	$0.0	($0.1)	$0.0	$0.0
Total Third Party Programs	**($11.7)**	**($0.1)**	**($7.1)**	**$16.5**	**$2.4)**
Total Change	**($10.7)**	**$0.7**	**($37.6)**	**$47.6**	**$0.0**

. * Not shown in totals, $1.4M funding for ZNE Pilot Program authorized from EM&V budget.

Attachment 3
E3 Calculators/DEER Issues

Decision Language

In D.09-09-047, the Commission adopted PG&E's 2010-2012 energy efficiency portfolio and budgets, effective January 1, 2010, but directed the utility to file a compliance advice letter within 60 days of the effective date of the Decision.

Per D.09-09-047, Ordering Paragraph No. 15 "[t]he utilities shall, within 60 days of the effective date of this decision, file a "compliance" Advice Letter (AL) containing the following information:

> g. The individual utility E3 calculators as modified by Energy Division to use as the base starting point for modeling the portfolio mix of measures and budget changes. Energy Division shall notify the assigned Administrative Law Judge and Commissioner of significant deviations from the modified E3 calculators.

Also, per the same Decision, Ordering Paragraph 48,

> Both DEER 2008 and non-DEER measure ex ante values established for use in planning and reporting accomplishments for 2010-2012 energy efficiency programs shall be frozen, based upon the best available information at the time the 2010-2012 activity is starting.

The Commission further clarified that the DEER 2008 values referred to in the decision are the complete set of data denoted as 2008 DEER version 2008.2.05, dated December 16, 2008, as currently posted at the DEER website (http://www.deeresources.com) maintained by Energy Division.

In accordance with D.09-09-047, PG&E included its E3 Calculator as part of the compliance AL filing 3065-G/3562-E submitted on November 23, 2009. PG&E submitted supplemental AL on June 30, 2010, to address deficiencies that Energy Division raised on the initial AL filing. PG&E filed a second supplemental AL on September 17, 2010, to submit revised E3 Calculator that matches the DEER energy savings for Appliance Recycling Program as directed by Energy Division.

E3 Calculator Adjustments

Energy Division made adjustments in the E3 Calculator for PG&E for the following measure groups: compact florescent lamps (CFLs), custom projects, appliance recycling - refrigerators and freezers, and room air-conditioners (not a DEER measure), and HDTVs. These adjustments were incorporated into the "ED-adjusted E3 Calculator" that was posted on the CPUC website in October 2009, which the Commission directed the utilities to use for their compliance advice letters per Ordering Paragraph 15.g. in D.09-09-047.

For Upstream CFLs, to adjust the DEER gross energy and demand savings value, Energy Division adjusted the DEER gross energy and demand savings value by using an installation rate based on the 2006-2008 EM&V value of 67% for residential and 90% for non-residential, whereas PG&E in its July 2009 filing assumed 76% for all. To estimate interactive-effects, Energy Division utilize DEER values based on saturation of air-conditioning and gas/electric/heat pump/other heating from the most recent utility specific appliance saturation study results. This reduces HVAC interactive effects, less negative Therms (from less gas heating) impact and less positive electric (due to less air-conditioning and more electric heat). PG&E assumed 47% air-conditioning and 100% gas furnace saturation.

For custom savings, Energy Division used an 80% gross savings realization rate for all major custom measures that were not using DEER values, whereas PG&E assumed 100% for core gas and electric. The realization rate of 80% is derived from the 2004-2005 Standard Performance Contract Program Final EM&V Report. The report value was actually 0.79 which was rounded up to 0.80 for this adjustment. Energy Division adjusted a few of PG&E's electric custom measure costs to match Southern California Edison Company's (SCE) costs. PG&E estimated a $0.20 to $0.60 customer cost per kWh of savings. This is a year 2000 vintage cost estimate that is too low.

For the Appliance Recycling Program, as in CFLs, Energy Division utilized DEER values based on air-conditioning and gas/electric/heat pump/no/other heating saturation from the most recent utility specific appliance saturation study results to estimate interactive effects. (PG&E used 100% air-conditioner and gas furnace saturation). Energy Division also used DEER values for units either 'removed and replaced' or 'removed and recycled' from conditioned and unconditioned area split based on ADM 04-05 ARP EM&V project surveys. 'Removed and replaced' means that the recycled unit transfer is prevented; however, the customer that could not get the recycled unit goes on to acquire another unit. PG&E assumed that 95% of refrigerators and 87% of freezers are replaced. Energy Division also adjusted DEER values to assumed replacements with a minimal Energy Star compliant unit, since DEER values are based on a typically used unit. Lastly, ED separated refrigerators and freezers into two lines; used PG&E's detail backup to get unit counts separated for refrigerators and freezers.

ED additionally made adjustments for two measures that are non-DEER measures. For room air-conditioners, the most recent survey data indicates room air-conditioner units utilize between 15-20% of the amount of electricity per ton of unit size as do central air-conditioning units. Instead of using this 15-20% value, Energy Division assumed that room a/c units with higher efficiency will save 50% as much as a central a/c DEER unit per ton of size. PG&E assumed that room air-conditioners save 90% of central air-conditioners per unit size.

For HDTV's, ED assume the average savings of program unit is 20% of Energy Star qualified HDTV consumption (program units must exceed Energy Star by 15% so this provides for some non-Energy Star units purchased otherwise). ED also assumes Neilson survey data for late afternoon (12% viewers) provides an average of 12% of units on during peak period (this is likely high as the Neilson data is for households not TV's and many households have multiple TV and it is unlikely that the new unit is always the one viewed during the peak period). ED also used the DEER default NTG of 0.7, and an assumed EUL of 7.5. PG&E assumed a Unit Energy Savings baseline of 2006 LCD and Plasma HDTV's for 153kWh/unit-year, a NTG of 0.8, and an EUL of 9.8.

<u>TURN and DRA Protests</u>

On December 14, 2009, TURN and DRA submitted protests to the Utility Advice Letters Implementing 2010-2012 Energy Efficiency Portfolio Budgets And Other Directives Pursuant to D.09-09-047.[1] TURN's and DRA's protests stated, among other items, that the utilities have not fully updated their energy savings assumptions as ordered by the Commission in performing cost-effectiveness calculations.

In their protests, TURN and DRA cited that the utility changed savings inputs from those set forth in the ED-adjusted E3 Calculators. TURN stated that there were some substantial discrepancies between the ED-adjusted E3 calculators that the utility was instructed to use as starting bases, and the E3 calculators used in the utility compliance filing. TURN believes that the utility made these changes without Commission authority. The changes generally caused the resulting measures' savings to be higher and, by extension, inappropriately inflate the cost-effectiveness of the measures (as measured by the Total Resource Cost, or TRC). TURN provided its spreadsheet analysis of the perceived differences between the ED-adjusted E3 vs. the utility's compliance filing E3 Calculator.

TURN's protest questions whether the utilities' 2010-12 energy efficiency portfolios as filed in their advice letters are cost-effective or likely to deliver the expected energy savings. TURN points out that using the ED-adjusted E3 Calculators the utility-requested budget level yields a lower TRC for PG&E' (TRC is 1.01) whereas the utility's compliance filing TRC is 1.24.

TURN reviewed and analyzed the utility's compliance filing E3 Calculator to assess the extent to which each utility had used the ED-adjusted E3 calculators as the basis. TURN determined that there were some substantial discrepancies between the ED-adjusted E3 calculators and the E3 calculators used in the utilities' compliance filing. TURN therefore sought to assess whether these changes would impact savings levels or have a substantial effect on the cost effectiveness of the portfolio or its programs. TURN looked at three key measure parameter values – net-to-gross values (NTG), estimated useful life values (EUL), and unit savings (kWh and kW). These parameters were chosen because they have large effect on utility's energy efficiency measure savings forecasts.

In its analysis of PG&E's E3 Calculator, TURN first identified the measures where any of the key parameter values (NTG, EUL, or unit savings) differed between the ED-adjusted E3 and the E3 filed by the IOUs. Of those measures, it then identified the measures for which there was an increase in the key parameter values between the ED-adjusted E3 and the IOUs compliance filing E3. For the resulting subset of measures with an increase in these key parameter values, TURN then found the total net savings for the measure and the proportion of total portfolio savings each measure accounted for. TURN screened measures to focus on those measures accounting for at least 1.5% of total portfolio savings, a subset it deemed the "high impact measures" due to their relatively high impact on the portfolio performance. For these high impact measures (HIM), TURN calculated the savings that would have resulted if the net savings were modified by the change in unit savings it identified in the first step of the analysis.

TURN's analysis indentified that of the more than 165 measures in PG&E's E3, the utility adjusted almost all of the kWh savings upward by a range of 25-36%, and kW savings upward by a range of 25-44%, and therm savings by upward of 25-61%. The TURN identified HIM

[1] The other advice letters addressed in the TURN and DRA protests are: Southern California Edison AL 2410-E, San Diego Gas and Electric AL 2127-E/1903-G and Southern California Gas Company AL 4041-G.

includes consumer electronics (residential), and non-residential: retrocommissing (3rd party), controls and variable speed drives (3rd party), screw-in CFL interior (upstream – traditional, commercial), screw-in CFL interior (upstream specialty, commercial), screw-in CFL interior (direct-install, 3rd party), linear fluorescents interior (direct install, 3rd party), interior controls (downstream, commercial), other interior lighting (commercial), custom (3rd party), compressed air (3rd party), cooling & motors (3rd party).

TURN analysis also identified 10 changes to measure effective useful lives. One is the consumer electronics and nine are for measures within Government Partnership Programs. The magnitude of the EUL increases ranges from 40% to nearly 300%.

TURN believes that Energy Division's 2006-08 ex post EM&V results will illuminate the need to require the utility compliance filing to reflect the best available information. DRA concurs in that because DEER and non-DEER values will be frozen throughout the 2010-12 EE cycle, it is essential to use the most up-to-date data possible.

In its protest, DRA agreed with TURN's analysis and conclusions. DRA further states that the lack of adjustment in Utility filings to comply with the Commission's order is particularly concerning given that the Utility portfolios do not yet reflect the most up-to-date non-DEER values to be approved by Energy Division (ED) or other savings and cost inputs into E3 calculators.

PG&E Response and Energy Division Conclusion

In its December 21, 2009 response to the protests, the PG&E stated that it has fully complied with Decision 09-09-047 and Energy Division's instructions regarding cost-effectiveness calculations and categorization of costs. The utility stated that it followed ED's guidance on which energy savings assumptions to use.

On December 28, 2009, Staff sent a data request to PG&E requesting the utility to provide clear, detailed rationale supporting each value that appears different in its November 2009 compliance E3 Calculator from those in the ED-adjusted October 2009 E3 calculator. Additionally, it is not clear why some other values in the ED-adjusted October 2009 E3 Calculator were changed in PG&E's compliance filing E3 Calculator, such as why there is a participant's cost for Appliance Recycling Program, and why EULs for some measures such as CFL fixtures, linear fluorescents, etc., and Whole Buildings for government partnerships and 3rd party programs have increased 10 years. Staff requested the utility to use the spreadsheet for PG&E that TURN attached to its protest as the starting point to provide the utility rationale supporting each value that was changed.

PG&E responded to the data request on January 15, 2010. The utility stated that the Decision 09-09-047 required budget alterations necessitated PG&E to alter its compliance filing measure mix from that proposed in its July 2009 filing. Once the underlying measure mix is changed, the summary-level E3 calculator will necessarily change as well, even if all other assumptions remain constant. It is the measure mix changes in PG&E's Compliance filing that accounts for the majority of changes noted in TURN's spreadsheet. PG&E's specific responses are summarized below:

1. PG&E agreed that the appliance recycling participant cost is zero in the ED-adjusted E3 Calculator and it inadvertently did not incorporate this adjustment in its Compliance filing.

2. The expected useful life (EUL) for some measures was increased as a result of PG&E removing assumptions related to remaining useful life (RUL) and reverting to the DEER 2008 EUL assumptions. Subsequent to discussion with Energy Division, PG&E adjusted its RUL assumption in its Compliance filing to be consistent with the 2008 DEER EULs and with other IOUs. The RUL adjustment assumptions accounts for all of the EUL changes noted by TURN, with the exception of consumer electronics.
3. All EUL changes shown on the TURN spreadsheet are government partner–related measures and due to PG&E removing its original RUL assumptions from the filing, as discussed in 2 above.
4. As to Unit Savings differences, the change in measure mix is the primary factor altering the core program unit kWh, kW, and therm savings shown in the TURN spreadsheet. Changes in third party unit kWh, kW and therm savings are due to the expectation of vendor performance improving as contract negotiations proceeded and clarity was gained regarding the measure mix and savings third parties would be able to deliver during the upcoming program cycle.
5. Consumer Electronics savings were initially based on PG&E's initial workpaper submitted in 2008. PG&E updated its assumption based on its revised workpaper submitted in August 2009, which employs updated assumptions in line with DEER 2008 therm interactive effects. Workpapers are the only available source for measure savings as this measure is not in DEER 2008 and no relevant EM&V results are available.
6. As for room air-conditioners, PG&E continued to use its July 2009 values based on workpaper submitted in PG&E's 2009 quarterly report. Workpapers are the best available source for measure savings, as this measure was not included in DEER 2008 and no new EM&V results were available at time of compliance filing.
7. As for calculated measures, PG&E did not incorporate the 20% discount for energy savings impacts stating that this is the first time such a discount was employed and that ED did not provide support for the discount. PG&E did not apply the upfront discount, as the adjustments to the kWh and therms saved are made during the project review process, prior reporting savings to the CPUC.

On March 1, 2010, Staff sent a follow-up data request asking PG&E to identify clearly the basecase DEER measure parameter values and the measure mix composition that resulted in the new weighing value for those measures affected by changes in measure mix in the summary-level E3 Calculator measure groupings. In addition, Staff stated to the utility that DEER 2008 EUL assumptions should be used in parallel with RUL estimates, and asked how PG&E distinguish between incremental energy saving and incremental cost for a measure that is replaced on burnout versus the full energy saving and full cost for a measure that is an early retirement, given PG&E's removal of the RUL assumptions.

PG&E responded on March 16, 2010, with a spreadsheet that provides a detailed comparison of the energy savings per unit for the core deemed program measures used by PG&E in its July 2009 E3 Calculator and its November 2009 compliance advice letter E3 Calculator. The spreadsheet illustrates how changes in measure mix at the measure level maps to each of the measure groups in the E3 Calculator. In response to Staff's EUL/RUL question, PG&E states that PG&E employed DEER 2008 EUL values consistent with the other IOUs in its compliance advice letter. This treatment was discussed during a conference call between PG&E and Natalie

Walsh of Energy Division prior to PG&E filing its compliance advice letter. Based upon that discussion, PG&E altered its measure life assumptions to be consistent with the other IOUs. PG&E believes that measure life assumptions should be consistently applied to all IOUs and be included as part of the ex-ante assumptions in place for the 2010-2012 portfolio.

In general, Staff is satisfied with the utility's clarifications for the discrepancies noted in TURN's protest and Staff's questions. Additionally, Staff's review of PG&E's updated E3 Calculator submitted as part of its June 30, 2010 supplemental filing to be in compliance with D.09-09-047. Staff finds that PG&E did use the ED-adjusted E3 Calculator as starting bases for its compliance E3 Calculator filing. The ex-ante savings assumptions for custom measures are dealt with through the non-DEER workpaper review process per the November 18, 2009 Administrative Law Judge Ruling Regarding Non-DEER Measure Ex Ante Values.

In an E3 Calculator, there are various adjustments that can be made to a particular measure group energy savings cost-effectiveness parameter value that are not transparent simply by looking at the input values to the Calculator. It is this opaqueness that leads TURN to find apparent discrepancies in its comparison analysis of the utility's E3 Calculator. For example, the upstream lighting CFL adjustments such as installation rates, interactive effects and residential and non-residential sales split to gross savings are all not transparent in the E3 Calculator input sheet. All these adjustments are made to the gross savings value prior to entering the savings values into the Calculator. On top of this, the utility adjusted the number of individual measure units estimated to be installed per budget adjustment in D.09-09-047. This change in individual measures units reweighs the measure group ex ante assumptions that are inputs to the E3 Calculator.

Regarding DRA's protest comment on ED's review of utility's non-DEER measures, Phase 1 of that process as described in the November 18, 2009 Administrative Law Judge Ruling Regarding Non-DEER Measure Ex Ante Values is completed. The ED engineering review summary of non-DEER high impact measures was posted on the Base camp website for the utilities on May 3, 2010. On July 12, 2010 ED sent by email to the utilities its recommendations on the non-DEER HIM workpaper that were reviewed.

Pacific Gas and Electric Company™

Jane Yura
Vice President
Regulation and Rates

Mailing Address
Mail Code B10B
Pacific Gas and Electric Company
P.O. Box 770000
San Francisco, CA 94177
Fax: 415.973.6520

June 30, 2010

Advice 3065-G-A/3562-E-A
(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: **Supplement: Compliance Advice Letter Implementing PG&E's 2010-2012 Energy Efficiency Portfolio Budget and Other Directives Pursuant to Decision 09-09-047**

Pacific Gas and Electric Company (PG&E) hereby submits its supplemental compliance advice letter (AL) for its 2010-2012 Energy Efficiency (EE) Portfolio per Ordering Paragraph 15 and other directives of Decision (D.) 09-09-047 (EE Decision) and Energy Division staff. This supplemental AL incorporates a shift in funding of $18.5 million to increase the budgets of several programs that support the California Long-Term Energy Efficiency Strategic Plan (Strategic Plan) as recently approved by Energy Division.[1] This AL also incorporates the budget approved for PG&E's Prescriptive Whole House Retrofit Program and Local Whole House Performance Program in AL 3087-G-A/3608-E-A on March 11, 2010.

This filing supersedes in its entirety AL 3065-G/3562-E filed on November 23, 2009. Tables detailing the revised budget and savings, the revenue and rate impacts, revenue requirement by funding source and other requirements in compliance with the EE Decision are discussed herein and made available electronically, in excel format at:
http://apps.pge.com/regulation/search.aspx?CaseID=828.

Purpose

This advice letter presents the detailed program budgets and projected portfolio savings for PG&E's 2010-2012 EE Portfolio. The AL is filed in compliance with the

[1] Innovator Pilots Program AL 3081-G-B/3597-E-B was approved 6/1/10; and Zero Net Energy Pilot Program AL 3078-G-B/3594-E-B was approved 6/7. On-Bill Financing/Emerging Technology AL 3118-G-A/3667-E-A filed 6/17/10 including tariff changes originally filed as part of the EE Compliance AL, is expected to be approved effective July 1, 2010.

EE Decision that adopted an overall budget of $1,338 million (M) for PG&E for the three-year program cycle beginning January 1, 2010, through the end of 2012. The adopted budget is a $295M reduction from the budget PG&E requested in its second amended Application (A.) 08-07-031 and supplemental testimony dated July 2, 2009.

The EE Decision adopted a number of modifications to PG&E's July 2, 2009, statewide and local program budgets, mandated caps and targets for certain budget categories, established annual and cumulative energy savings goals, and provided a number of other directives that are incorporated in this compliance advice letter, as detailed below. The portfolio supports programs that will yield savings during the program cycle of 2010-2012 and supports the long term market transformation objectives of the Strategic Plan adopted in D.08-09-040 by the Commission on September 18, 2008.

<u>Background</u>

On July 21, 2008, PG&E, and the other investor-owned utilities (IOUs), filed their initial 2009-2011 EE portfolio applications. (PG&E's A.08-07-031) On September 18, 2008, the Commission adopted the Strategic Plan. Following the review of the portfolio applications by the Energy Division, in compliance with the Strategic Plan and as directed through a series of Commission rulings, PG&E and the other IOUs amended their applications on March 2, 2009. As a result of D.09-05-037, issued May 21, 2009, PG&E and the other IOUs supplemented their portfolio requests on July 2, 2009. On September 24, 2009, the Commission issued D.09-09-047 adopting three-year portfolio budgets for 2010-2012. Ordering Paragraph (OP) 15 of this decision directed the IOUs to "within 60 days of the effective date of this decision, file a 'compliance' advice letter" providing detailed program budgets, savings and cost effectiveness forecasts, information on other directives contained in the decision, updated application tables, and revised tariffs as needed to implement the 2010-2012 EE portfolio programs effective January 1, 2010. (EE Decision, pp. 370-371) The EE Decision also requires a number of additional advice letters and new reporting requirements that are not addressed herein.

On November 23, 2009, PG&E filed EE AL 3065-G/3562-E to implement its 2010-2012 EE program budgets and tariffs changes in compliance with EE Decision. The EE decision adopted an overall portfolio budget of $1,338M, a $295M reduction from the EE portfolio budget that PG&E requested in its second amended Application 08-07-031 and supplemental testimony dated July 2, 2009. On December 18, 2010, ED suspended the Compliance AL to allow more time for staff review.

In a memo dated April 21, 2010, Energy Division staff directed PG&E to revise its 2010-2012 portfolio program budgets as filed in the Compliance AL to increase funding to the Zero Net Energy (ZNE) Pilot Program, Innovator Pilots Program and Emerging Technologies (ET) Program; and make offsetting decreases to other programs implementation costs. ED also directed PG&E to launch its On-Bill Financing (OBF) program using an off-bill solution by July 1, 2010, and to file an abbreviated OBF PIP.

On April 8, 2010, the Commission issued Evaluation, Measurement and Verification (EM&V) D.10-04-029 (EM&V Decision) that determined EM&V processes for the 2010-2012 EE portfolio, including clarification of the initial allocation of the EM&V budget to IOUs and ordered an update to the avoided cost used for electric and gas energy efficiency results.

Budget

The following budget-related compliance items are incorporated into this advice letter:

TABLE 1
BUDGET-RELATED COMPLIANCE ITEMS

Cite	Compliance Item	AL Reference
OP 02	EE program cycle shall start on January 1, 2010; and be in effect for 2010 through the end of 2012.	**p.1**
OP 03	The budget for PG&E's EE portfolio for 2010-2012 shall be $1.338 billion.	**Table 2**
OP 13.a	Administrative costs for utility EE programs (excluding third party and/or LGP budgets) are limited to 10% of total EE budgets. Administrative costs shall be closely identified by and consistent across, utilities. Administrative costs shall not be shifted into any other cost category. Utilities shall not reduce the non-utility portion of LGP and third-party implementer administrative costs, as compared to levels contained in budgets approved herein, unless those levels exceeded 10% in the July 2009 utility supplemental applications in this proceeding.	**Table 3** **Table 4** **Attachment 2: ED Memo** **Attachment 5: Appendix A Table 4.2**
OP 13.b	ME&O costs for EE are set at 6% of total adopted EE budgets, subject to the fund-shifting rules in Section II, Rule 11 of the EE Policy Manual.	**Table 4**
OP 13.c	Non-resource costs (excluding non-resource direct implementation costs) are set at 20% of the total adopted EE budgets.	**Table 4**
OP 13.d	IOUs will not unduly reduce Strategic Plan non-administrative costs as compared to resource program direct implementation non-incentive costs.	**Table 4**
OP 14	Program planning, design and project management costs may be categorized as direct implementation non-incentive costs for this program cycle. Strategic planning program costs should be allocated as follows: (1) administrative and logistical costs related	**Table 3** **Attachment 5: Appendix C – Budget Workbook**

Cite	Compliance Item	AL Reference
	to workshops on Strategic Planning issues may be considered "administrative costs"; (2) program planning/design/project management and information gathering costs related to specific Strategic Plan related non-resource program and resource programs may be considered "direct implementation non-incentive costs"; (3) market, cost assessment and other studies as called for or suggested by the Strategic Plan should be considered part of EM&V planning and policy costs.	
OP 15.a	AL should include an allocation of administrative costs among programs, subject to 10% cap required by OP13; shall include a detailed breakdown of all administrative costs required to support EE programs including regulatory costs and other partial support functions.	**Table 3** **Attachment 1** **Attachment 5: Appendix C – Budget Workbook**
OP 15.c	AL should include an allocation of EM&V costs, subject to the tentative 4% cap required by OP 51 [sic – actually OP 50].	**Table 4** **Footnote 2**
OP 15.d	AL should establish budgets for program year 2010-2012. The adopted budgets shall add any unspent/uncommitted funds and FF&U for electric. The revenue changes authorized shall be consolidated with other year-end rate changes occurring for each utility to be effective January 1, 2010.	**Table 7**
OP 21.a	PG&E's funding for Prescriptive Whole House Retrofit Program is $46 million.	**Table 2**
OP 22	PG&E's funding for Basic CFLs is $30 million.	**Table 2**
OP 39	PG&E shall fund its share of the statewide local government EE best practices coordinator at $75,000 per year.	**Table 2**
OP 40	PG&E's proposed financing program is approved with modifications. PG&E to increase its target lending pool to $18.5 million for its EE financing program.	**Table 2**
OP 41	PG&E's request for funding for capital projects is denied without prejudice and PG&E may request funding for these projects in its next General Rate Case.	**Table 1**
p. 140	We require that PG&E reduce funding levels for the Basic CFL Program by 50%, and commensurately increase its funding for the Advanced Lighting Program by 50%.	**Table 2**

a) Overall Budget Decrease Compared to July 2009 Supplemental Filing

The EE Decision adopted an overall three-year budget for PG&E of $1,338M that is $295M less than PG&E's July 2009 proposed budget of $1,633M. (EE Decision, p. 76) In addition to adopting an overall budget, the EE Decision adopted specific budgets for PG&E's Residential Program subprograms: Prescriptive Whole House Retrofit sub-program ($46M)[2], Residential Basic

[2] AL 3087-G-A/3608-E-A adopted the final budget along with the Program Implementation Plan for the Prescriptive Whole House Retrofit core subprogram of the Residential Statewide Program.

Lighting sub-program ($30M), and Residential Advanced Lighting sub-program ($33 M); On-Bill Financing Revolving Loan Pool ($18.5M); and Local Government Statewide EE Best Practices Coordinator ($225K). The EE Decision also adopts a 10 percent cap on PG&E's administrative costs; a 10 percent target for third party and government partnership program administrative costs; sets a 6 percent target for PG&E's local Marketing, Education and Outreach (ME&O) efforts,[3] sets a 20 percent target on direct implementation non-incentive costs for resource programs, and adopts other budget-related parameters as shown in Table 1 above.

Specific program budgets recently approved by advice letter are ZNE Pilot Program (total of $13.65M, $12.25M in program funds and $1.4M in EM&V funds), Innovator Pilots Program ($8.83M) and Emerging Technologies ($31.2M – expected to be approved effective July 1, 2010). PG&E has also updated the budgets for Third Party Programs in this filing to reflect the completed contract negotiations.

Table 2 shows PG&E's proposed 2010-2012 EE Portfolio budget identifying the changes from PG&E's July 2009 proposed budget that are needed to deliver a cost-effective portfolio that can meet the energy savings goals within the budget and budget-related parameters and DEER and non-DEER measure savings assumptions. Table 2 represents PG&E's full portfolio including administrative, marketing, direct implementation incentives and non-incentive costs, and EM&V.[4] The rationale for the changes and success at meeting the various parameters are discussed in more detail below.

---

[3] On November 2, 2009, the Energy Division confirmed by e-mail that the Statewide ME&O budget is excluded from the 6% target; EE Decision Table 6 at page 77 is in error as it includes PG&E SW ME&O budget within the cap.

[4] EM&V D.09-09-047 adopts an overall EM&V budget target of 4%. This includes the $1.4M in EM&V funds for ZNE Pilots, as approved in AL 3078-G-B/3594-E-B, to be funded from EM&V allocated for Overarching Policy and Support Projects and specifically, for Strategic Plan Update Studies. The initial allocation of total EM&V funds to IOUs is 27.5 percent pursuant to D.10-04-029 (at p. 11). See also Attachment 5: Appendix A, Table 5.1.

TABLE 2
2010-2012 ADOPTED BUDGET COMPARED TO PG&E'S JULY 2 PROPOSED BUDGET ($M)

Line No.	Program/Cost Element	Jul-09 Requested 2009-2011 Budget	Compliance AL-Supplement Proposed 2010-2012 Budget	Change
1a	Residential	$187.5	$164.8	($22.7)
1b	Residential Whole House	$4.0	$46.0	$42.0
1c	Residential Basic Lighting Program	$60.0	$30.0	($30.0)
1d	Residential Advanced Lighting Program	$22.1	$33.3	$11.2
1e	Third Parties – Residential	$12.3	$14.1	$1.8
2a	Commercial	$182.9	$158.2	($24.7)
2b	Third Parties – Commercial	$163.8	$161.5	($2.4)
3a	Industrial	$98.3	$73.4	($24.9)
3b	Third Parties – Industrial	$85.4	$86.3	$0.9
4a	Agricultural	$77.0	$54.8	($22.2)
4b	Third Parties - Agriculture	$19.7	$23.2	$3.5
5	New Construction	$51.8	$38.5	($13.3)
6	Lighting Market Transformation	$0.4	$0.5	$0.0
7a	HVAC	$90.1	$57.2	($32.9)
7b	Third Parties - HVAC	$0.9	$1.5	$0.6
8	Codes and Standards	$19.0	$19.6	$0.6
9	Emerging Technologies	$46.6	$31.2	($15.4)
10a	Workforce Education and Training	$46.9	$41.2	($5.8)
10b	Third Parties - WE&T	$3.3	$3.3	$0.0
11	Statewide Marketing Education and Outreach	$24.9	$24.9	$0.0
12	Statewide DSM Coordination and Integration	$1.2	$1.2	$0.0
13	Local DSM Coordination and Integration	$7.3	$7.3	$0.0
14a	Government Partnerships (a)	$199.5	$172.0	($27.5)
14b	GP – SW Coordinator	$0.0	$0.2	$0.2
15	Third Parties - Reserve	$44.9	$0.0	($44.9)
16	Zero Net Pilots (excludes EM&V)	$30.7	$12.3	($18.4)
17a	On-Bill Financing Program	$19.6	$9.3	($10.2)
17b	On-Bill Financing Revolving Loan Pool	$9.9	$18.5	$8.6
18	EM&V Expense (includes $1.4 million approved for ZNE pilots)	$112.2	$53.5	($58.7)
19	EM&V Capital RRQ	$8.8	$0.0	($8.8)
20	Zero Net Lab/Demo Home/Other Capital RRQ	$1.8	$0.0	($1.8)
21	**Total**	**$1,632.9**	**$1,338.0**	**($294.9)**

(a) Includes Institutional Partnerships, Local Government Partnerships, Green Communities, Innovator Pilots, and Local Government Energy Action Resources (LGEAR).

b) Balancing Budget Caps, Targets and Support for Strategic Plan

Table 3 summarizes the $295M reduction by budget category illustrating where the reductions were made in light of the budget caps, targets and other directives. As illustrated in Table 3, the highest percentage reduction of costs (excluding EM&V) has occurred in the Administrative category.

The EE Decision (at OP 13) directs IOUs to not unduly reduce Strategic Plan non-administrative costs as compared to resource program direct implementation non-incentive costs. PG&E's portfolio provides $181M in support of the Strategic Plan which constitutes13.5 percent of the total portfolio. Included in the support for the Strategic Plan is $18.5M for the OBF revolving loan pool. This level of Strategic Plan support represents an increase of 1.5 percent of the total portfolio budget compared to the level of support PG&E provided in its July 2009 filing of 12 percent of the total portfolio.

TABLE 3
SUMMARY OF BUDGET CHANGES FROM JULY 2009 FILING BY COST CATEGORY ($M)

Line No.	Program/Cost Element	Admin	Marketing	Direct Implementation Non-Incentives	Direct Implementation Incentives	EM&V	Total Change
1a	Residential	($3.9)	($11.2)	($4.7)	($2.8)	$0.0	($22.7)
1b	Residential Whole House	$2.4	$0.1	$8.5	$31.1	$0.0	$42.0
1c	Residential Basic Lighting Program	($2.0)	($8.0)	($2.7)	($17.3)	$0.0	($30.0)
1d	Residential Advanced Lighting Program	$0.8	$0.2	$2.1	$8.1	$0.0	$11.2
1e	Third Parties – Residential	($1.7)	$0.3	$1.0	$2.2	$0.0	$1.8
2a	Commercial	($21.8)	($0.5)	($0.1)	($2.3)	$0.0	($24.7)
2b	Third Parties – Commercial	($21.3)	($0.8)	$11.6	$8.2	$0.0	($2.4)
3a	Industrial	($2.9)	($1.4)	($5.4)	($15.3)	$0.0	($24.9)
3b	Third Parties – Industrial	($0.2)	($0.8)	($2.1)	$4.0	$0.0	$0.9
4a	Agricultural	($3.8)	($2.1)	($7.5)	($8.7)	$0.0	($22.2)
4b	Third Parties – Agricultural	($2.4)	($0.3)	$3.9	$2.4	$0.0	$3.5
5	New Construction	($3.4)	($2.3)	($0.4)	($7.1)	$0.0	($13.3)
6	Lighting Market Transformation	($0.2)	$0.0	$0.2	$0.0	$0.0	$0.0
7a	HVAC	($2.6)	($1.0)	($6.0)	($23.2)	$0.0	($32.9)
7b	Third Parties - HVAC	($0.0)	$0.0	$0.1	$0.5	$0.0	$0.6
8	Codes and Standards	($0.2)	$0.0	$0.8	$0.0	$0.0	$0.6
9	Emerging Technologies	($4.3)	($1.0)	($10.1)	$0.0	$0.0	($15.4)
10a	Workforce Education and Training	($2.7)	$0.0	($3.1)	$0.0	$0.0	($5.8)
10b	Third Parties - WE&T	($0.2)	$0.0	$0.2	$0.0	$0.0	$0.0
11	Statewide Marketing Education and Outreach	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
12	Statewide DSM Coordination and Integration	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
13	Local DSM Coordination and Integration	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
14a	Government Partnerships (a)	($20.0)	($1.7)	$1.3	($7.2)	$0.0	($27.5)
14b	GP – SW Coordinator	$0.0	$0.0	$0.2	$0.0	$0.0	$0.2
15	Third Parties - Reserve	($4.1)	$0.0	($13.3)	($27.4)	$0.0	($44.9)
16	Zero Net Pilots	($0.4)	($0.0)	($18.0)	$0.0	$0.0	($18.4)
17a	On-Bill Financing Program	($5.9)	($0.4)	($3.9)	$0.0	$0.0	($10.2)
17b	On-Bill Financing Revolving Loan Pool	$0.0	$0.0	$8.6	$0.0	$0.0	$8.6
18	EM&V Expense	$0.0	$0.0	$0.0	$0.0	($58.7)	($58.7)
19	EM&V Capital RRQ	$0.0	$0.0	$0.0	$0.0	($8.8)	($8.8)
20	Zero Net Lab/Demo Home/Other Capital RRQ	$0.0	$0.0	($1.8)	$0.0	$0.0	($1.8)
21	**Total Change**	($101.0)	($31.0)	($40.6)	($54.9)	($67.4)	($294.9)
22	Percentage Change versus July 2009 Filing	(41.2%)	(22.7%)	(7.6%)	(9.2%) (b)	(55.8%0	(18.1%)

(a) Includes Institutional Partnerships, Local Government Partnerships, Green Communities, Innovator Pilots, and LGEAR.
(b) The Direct Implementation Incentive reduction would be 1.7% percent excluding mandated reductions in Basic Lighting ($30M) and Third Party Reserve ($27M).

All expenses resulting from this advice letter will be recorded and recovered through the EE balancing accounts and have been broken out in accordance with the allowable costs categories as clarified in the Energy Division memo dated October 22, 2009, shown in Attachment 1. A more detailed breakdown is shown in Attachment 5, Appendix C – Program Budget Workbook.

As shown in Table 4, these changes result in an overall portfolio that meets all program caps and targets with one exception. The portfolio direct implementation cost, including that for government partnerships and third parties, for delivery of resource programs is 24 percent of the total portfolio, rather than the 20 percent target. This is partially due to the increase in costs included in this category by the EE Decision, including the increase to PG&E's Residential Whole House sub-program funding ($8.5M). Further, third party and government partnership direct implementation costs are included in the 20 percent target. If these costs were excluded, PG&E's direct implementation program delivery non-incentives would be 12 percent of the total portfolio.

TABLE 4
SUMMARY OF TOTAL BUDGET COMPARED TO CAPS AND TARGETS
($M)

Line No.	Program/Cost Element	Table 6 from D.09-09-047	Compliance AL	% of Budget	Budget Cap/Target
1	Administration – PG&E	$134.0	$119.0	8.9%	10%
2	Administration – 3P/GP		$25.2	5.2%	10%
3	Local Marketing including 3P/GP	$80.0	$80.6	6.0%	6%
4	SW Marketing	$25.0	$24.9		n/a
5	Direct Implementation – Program Delivery Non-Incentives	$275.0	$321.0	24.0%	20%
6	Direct Implementation – Incentive		$541.4		n/a
7	Direct Implementation – Non-Incentives Programs (a)	$198.3	$172.3		n/a
8	EM&V		$53.5	4.0%	4%
9	**Total Budget**		**$1,338.0**		

(a) The programs and subprogram included in this category are: Codes and Standards, Emerging Technology, Workforce, Education and Training, DSM Integration, Lighting Market Transformation, Continuous Energy Improvement, Audits, ZNE Pilots, OBF, Builder Energy Code Training, Green Building Tech Support, Innovator Pilots, Green Communities and HVAC Training.

The EE Decision indicates adjustments the CPUC made to PG&E budget categories to reach the overall budget of $1,338M in Table 6 - PG&E Budget Adjustment Categories (at p. 77). For comparison, Table 4 above includes a column that shows the corresponding values from Table 6. PG&E's breakdown of costs by category aligns with EE Decision Table 6, with two corrections: 1) for administrative costs, Table 6 did not reflect the reallocation or removal of third-party and government partnership administrative costs from the 10 percent admin cap; and 2) for ME&O, Table 6 did not reflect removal of statewide ME&O budget from the 6 percent cap.

In the memo dated April 21, 2010, Energy Division directed PG&E to reduce resource program direct implementation non-incentive (DINI) budgets to provide sufficient funds for the vast majority - approximately 90 percent – of the portfolio budget transfers needed to augment the Strategic Plan programs. Energy Division suggested that the reductions come from Third Party and Core Statewide Programs.

As shown in Table 5, PG&E increased its Strategic Plan programs (ZNE Pilots, Innovator Pilots and Emerging Technologies) by $17.1M from the original compliance AL.[5] To absorb the increase without changing the total portfolio budget, Core Statewide Programs, including shifts approved for the Prescriptive Whole House Retrofit subprogram, were reduced by $14.8M (a decrease of $45M in DINI and $0.9M in Admin partially offset by a $31.1M increase in incentives). In addition and as a result of final contract negotiations, Third Party Programs were reduced by $2.4M (a $18.9M decrease in admin, marketing and DINI partially offset by a $16.5M increase in incentives). The overall impact in the proposed portfolio, including the Whole House and Third Party Program shifts, is a DINI reduction of $52.1M, $37.6M greater than the Strategic Plan Program budget increase.

[5] The total increase approved for these Strategic Plan programs was $18.5M, including $1.4M in EM&V funding for the ZNE Pilot Program not shown in Table 5.

TABLE 5
SUMMARY OF CHANGES FROM COMPLIANCE AL BY PROGRAM AND COST CATEGORY ($M)

Line No.	Program	Admin	Marketing	Direct Implementation Non-Incentives (DINI)	Direct Implementation Incentives	Change from Compliance AL
	Strategic Plan Programs					
1	Emerging Technologies	$0.8	$0.8	$6.4	$0.0	$8.0
2	Innovator Pilots	$0.3	$0.0	$4.2	$0.0	$4.5
3	Zero Net Pilots (excludes EM&V)	$0.8	($0.0)	$3.9	$0.0	$4.6
4	**Total Strategic Plan Program**	**$1.8**	**$0.8**	**$14.5**	**$0.0**	**$17.1**
	Core Statewide Programs					
5	Residential	($0.1)	$0.0	($31.9)	$31.0	($1.0)
6	Commercial	($0.4)	$0.0	($7.1)	$0.0	($7.5)
7	Industrial	($0.2)	$0.0	($2.8)	$0.0	($2.9)
8	Agricultural	($0.2)	$0.0	($3.2)	$0.0	($3.4)
9	**Total Core Statewide Programs**	**($0.9)**	**$0.0**	**($45.0)**	**$31.1**	**($14.8)**
	Third Party Programs					
10	Third Parties – Residential	($1.2)	$0.3	($1.3)	$2.2	($0.0)
11	Third Parties – Commercial	($9.4)	$0.4	($1.2)	$6.1	($4.1)
12	Third Parties – Industrial	$0.7	($0.6)	($3.8)	$5.3	$1.7
13	Third Parties – Agricultural	($1.8)	($0.3)	($0.2)	$2.4	$0.0
14	Third Parties - HVAC	$0.0	$0.0	($0.5)	$0.5	$0.0
15	Third Parties - WE&T	$0.1	$0.0	($0.1)	$0.0	$0.0
16	**Total Third Party Programs**	**($11.7)**	**($0.1)**	**($7.1)**	**$16.5**	**($2.4)**
17	**Total Change**	**($10.7)**	**$0.7**	**($37.6)**	**$47.6**	**$0.0**

c) Overall Budget by Fund-shifting Categories

The EE Decision authorized revisions to the fund-shifting rules creating fund-shifting categories for each of the statewide program areas and EM&V. In Table 6, PG&E provides a summary of its proposed portfolio by fund-shifting category, including its local programs. PG&E proposes these categories to report fund-shifting activity as required by the EE Decision (at OP 43.e) subject to further discussion with Energy Division as part of the overall development of the 2010-2012 reporting requirements.

TABLE 6
2010-2012 ADOPTED BUDGET BY FUNDSHIFTING CATEGORIES
($M)

Line No.	Program/Cost Element	Supplemental Compliance AL Proposed 2010-2012 Budget
	Core Statewide Programs	
1	Residential	$274.2
2	Commercial	$158.2
3	Industrial	$73.4
4	Agricultural	$54.8
5	New Construction	$38.5
6	Lighting Market Transformation	$0.5
7	HVAC	$57.2
8	Codes and Standards	$19.6
9	Emerging Technologies	$31.2
10	Workforce Education and Training	$41.2
11	Statewide Marketing Education and Outreach	$24.9
12	Statewide DSM Coordination and Integration	$1.2
	Government Partnerships	
13	Government Partnerships (a)	$142.4
14	Innovator Pilot Program	$8.8
15	Green Communities	$21.0
16	**Third Party Programs**	$290.0
	Other Local Programs	
17	Local DSM Coordination and Integration	$7.3
18	Zero Net Energy Pilots (excluding EM&V)	$12.3
19	On-Bill Financing Program	$9.3
20	On-Bill Financing Revolving Loan Pool	$18.5
21	**EM&V** (including $1.4 million approved for ZNE Pilots)	$53.5
22	**Total**	**$1,338.0**

(a) Includes Institutional Partnerships, Local Government Partnerships and LGEAR.

d) Illustrative Authorized Funding In Rates by Program Years 2010-2012

The EE Decision adopted a total budget for 2010-2012 of $1,338M and ordered (at p. 296-297) that the amount to be recovered in rates be reduced by the amount of unspent EM&V funds from 2006-2008 and 2009. The carryover of EM&V available funds was estimated at $40.5M but subject to final reconciliation as prior program year EM&V evaluation efforts come to a close. The EE Decision also set a proxy net benefit ratio for PG&E's portfolio at 85% electric and 15% gas to be used for setting rates until the compliance advice letter could be approved (at p. 318).[6]

Based on PG&E's portfolio presented in this AL, the forecast net benefit split is 82% electric and 18% gas. The net benefit split is used to allocate the total authorized EE funding to electric and gas customers. It is also used to allocate the authorize funding and expenditures recorded in the one-way expense balancing accounts. The further allocation to electric public goods charges (PGC) and procurement is shown in Table 7.[7]

Table 7 shows PG&E's proposed annualized funding equal to 1/3 of the total 2010-2012 authorized budget. For illustrative purposes, the total annual authorized funding is then reduced by 1/3 of the estimated $40.5M EM&V carryover funds to show the amount to be recovered in rates. The total to be included in rates for 2011 and 2012 may differ from the amounts shown below based on a true-up of the available EM&V funds, changes to the total EE funding level, or other change that might be authorized by the Commission.

[6] See 2010 Annual Gas True-up AL 3518-E-A and 2010 Public Purpose Program (PPP) Gas Surcharge AL 3057-G. Any over or under collection of revenues resulting from use of the proxy split to set 2010 rates, rather than the 82%/18% split proposed herein, will be incorporated into 2011 gas and electric PPP rates.

[7] The net benefit change from the original compliance AL is a 1% shift from electric to gas (from 83%/17% to 82%/18%) resulting from the update to the avoided cost values used to calculate portfolio cost effectiveness in compliance with the EM&V Decision.

TABLE 7
2010-2012 EE AUTHORIZED FUNDING BY SOURCE (ILLUSTRATIVE)

	Three-Year Total	Annualized	Allocation by Source (before carryover & FF&U)
Total 2010-2012 Authorized Funding	$1,338,000,000	$446,000,000	
Carryover EM&V (estimate)	$(40,500,000)	$(13,500,000)	
Total to be Recovered From Customers in Rates (before FF&U)	$1,297,500,000	$432,500,000	
Electric Public Goods Charge (PGC-EE) (with FF&U) (a)	$362,011,386	$120,670,462	27%
Electric Procurement Funding (with FF&U)	$712,849,421	$237,616,474	55%
Gas PPP Surcharge Funding	$233,550,000	$77,850,000	18%
Total to be Recovered From Customers in Rates (with FF&U on electric)	$1,308,410,807	$436,136,936	100%

(a) The PGC-EE funding level for 2010 is unchanged from 2009 as filed in AL 3634-E on March 16, 2010. The procurement funding is the difference between the PGC-EE authorized funding and the total EE funding allocated to electric customers.

The gas and electric bill impacts based on this split are shown in Attachment 2 (See also Attachment 5: Appendix A – Table 6.1, 6.1a, and 6.1b).

Cost Effectiveness

This section of PG&E's advice letter incorporates information on the following cost-effectiveness-related compliance items:

TABLE 8
COST EFFECTIVENESS-RELATED COMPLIANCE ITEMS

Cite	Compliance Item	AL Reference
OP 15.b	AL should include a complete cost-effectiveness showing including anticipated risk/reward incentive payments (or other incentive payments developed in Rulemaking 09-01-019).	Table 9
OP 15.g	AL should use the individual utility E3 calculators as modified by ED as the base starting point for modeling the portfolio mix of measures and budget changes.	See Section d)
OP 24.a	CAHP incentive levels shall be adjusted to provide participants an average 50% of the incremental measure cost at 20% above of Title 24.	Built into Residential Program funding shown in Table 2
OP 24.b	IOUs to offer a $1,000 performance bonus per unit that is built at or above Title 24 by 30% and participates in the NSHP at the Tier 2 level.	Built into Residential Program funding shown in Table 2

Cite	Compliance Item	AL Reference
OP 48	Both DEER and non-DEER measure ex ante values established for use in planning and reporting accomplishments for 2010-2012 EE programs shall be frozen, based on the best available information at the time the 2010-2012 activity is starting.	See Section c)
OP 49	IOUs may apply a conservative deemed assumption that 50% of savings persists following the expiration of a given measure's life.	Table 11
OP 58	The avoided cost values used for this portfolio are adopted.	Avoided costs were updated pursuant to D.10-04-029 OP 5.
p. 288	OBF loan pool funds are removed from portfolio cost effectiveness calculations. Loan defaults are an expense to the portfolio. "As utilities finalize their plans for financing programs, we direct them to make these adjustments to the portfolio cost effectiveness calculations in their compliance filings."	Table 9 – Portfolio TRC reflects this treatment

a) Cost-Effectiveness Evaluation

In developing program budgets, PG&E has emphasized an increased Total Resource Cost (TRC) to meet the Commission policy of ensuring that energy efficiency opportunities are cost-effective for customers. (EE Decision, p. 68) As shown in Table 9, PG&E's 2010-2012 EE Portfolio achieves a TRC of 1.23 compared to the TRC of 1.15 proposed in PG&E's July 2009 supplemental application.

PG&E's TRC evaluation includes anticipated risk-reward or other incentive payments based on the currently adopted mechanism developed in Rulemaking 06-04-010.[8] This evaluation was performed using the E3 calculator assumptions in accordance with Energy Division instructions.

This higher TRC helps ensure that overall PG&E's EE portfolio provides a positive net benefit to customers, along with the many other benefits of increased energy efficiency. This higher TRC also aligns with the Commission policy to create a margin of safety that ensures optimized delivery of energy efficiency opportunities in a cost-effective manner. (EE Decision, p. 69)

[8] The risk reward incentive mechanism for 2009-2012 is to be reviewed in new Rulemaking 09-01-019.

TABLE 9
PG&E PORTFOLIO TRC

Line No.	July 2009 TRC	Supplemental Compliance AL TRC
1	1.15	1.23

b) Savings Goals

The EE Decision adopted aggressive 2010-2012 savings goals of 3,110 gigawatt-hours, 703 megawatts, and 48.9 MM therms for PG&E. (at p. 45) To meet these goals, PG&E follows the Commission's directive to "apply a conservative deemed assumption that 50% of savings persist following the expiration of a given measure's life." (EE Decision, p.38) To achieve the savings goals, while ensuring the 50% cumulative measure make-up, PG&E has placed high priority on programs that provide energy savings. Absent this priority, California would not achieve the urgently needed energy savings expected from PG&E's EE programs.

In the event that the Commission revises energy savings or cumulative goal assumptions underlying PG&E's proposed achievements, PG&E may need to request additional funding, as well as determine the existence of additional savings potential.

Table 10 shows PG&E's forecast of its energy efficiency accomplishments for 2010 through 2012.

TABLE 10
PG&E 2010 – 2012 ANNUAL FORECASTED SAVINGS

Line No.		2010	2011	2012	2010-2012
1	Demand Reduction (MW)	239	283	314	836
2	Energy Savings (GWh)	1,235	1,459	1,654	4,348
3	Gas Savings (MMth)	17.6	20.0	27.9	65.5

Note: Any changes to underlying energy savings assumptions as a result of Energy Division's review or other process will result in a revision to the forecasted accomplishments presented herein.

Table 11 shows annual 2010-2012 CPUC goals adjusted to include effective useful life (EUL) drop-off. The EUL adjustments take into account the authorized assumption that the IOUs are not responsible for more than 50% of savings following the expiration of a given measure's life, as stated in the EE Decision (at OP 49).

TABLE 11
PG&E CUMULATIVE SAVINGS TARGETS

Line No.		CPUC 2010-2012 Goals	50% EUL Drop-off	Cumulative Targets (CPUC Goals + EUL Drop-off)
1	MW	703	96	799
2	GWh	3,110	601	3,711
3	MMTh	48.9	0.6	49.5

c) Ex-Ante Freeze to DEER and Non-DEER Measures

The portfolio presented in this advice letter uses DEER and non-DEER energy savings assumptions in accordance with guidance from the Energy Division and the Commission. As ordered in the EE Decision, the Energy Division developed a collaborative process with IOUs to finish the review and approval of DEER and non-DEER values to be used for forecasting and reporting savings for the 2010-2012 program cycle, including non-DEER measure work papers. This collaborative process adopted in ALJ Ruling dated November 18, 2009, is still underway. As of June 30, 2010, the DEER values have been locked down, but certain non-DEER workpapers are still being finalized with Energy Division and the other IOUs.

Compared to DEER and non-DEER values used in the original Compliance AL, PG&E has corrected its Appliance Recycling participant cost (now set to zero as noted in PG&E's response to data request ED 028/EEGA 1207); revised avoided cost values as updated in the E3 calculators by ED pursuant to the EM&V Decision,[9] and made other adjustments to reflect more conservative non-DEER workpapers discussed with Energy Division since filing the original compliance AL.

d) PG&E's E3 calculators as modified by Energy Division

As shown in Attachment 5, PG&E's revised Appendix H, made available at http://apps.pge.com/regulation/search.aspx?CaseID=828, provides PG&E's E3 calculators following the guidance provided by the Energy Division and updated

[9] The E3 calculators were revised to reflect the Energy Division's update to the electric and gas avoided costs for energy efficiency resources, including a green house gas adder of $30/tonne, using the most recent Commission-adopted Market Price Referent. The E3 calculators were also updated to reflect Energy Division's update to incorporate more recent natural gas price data.

for avoided costs pursuant to D.10-04-029 (OP 5). These E3 calculators serve as the basis for modeling the portfolio mix of measures and the budget changes. The individual partnership and third party E3 calculators are also provided now that contract negotiations are complete.

Other Directives

The following other directives are discussed in this section of PG&E's advice letter:

TABLE 12
OTHER DIRECTIVES-RELATED COMPLIANCE ITEMS

Cite	Compliance Item	AL Reference
OP 15.h	AL should include a list of all bridge funding programs, showing the adopted budgets per program and any fund additions, fund shifts, deletions; this listing will then add or delete all programs and budgets in compliance with this decision, showing all fund additions, shifts, and deletions, to final program budgets.	Table 13
p. 143	AL should include an outreach campaign focused on getting CFLs out of storage and into sockets.	Attachment 3

a) Bridge Funding Program List

Table 13 lists the bridge funding programs by the fund-shifting categories applicable in 2009, along with fund additions approved in Resolution G-3439. PG&E did not employ any fund-shifting in 2009 as expenditures did not exceed authorized funding levels.

TABLE 13
SUMMARY OF 2009 BRIDGE FUNDING PROGRAMS
($000)

Line No.	PG&E 2006-2009 Funding Shifting Categories	2009 Bridge Funding	Augmented Funding per Resolution G-3439	Total 2009 Funding
1	Mass Market	$183,819	$2,196	$186,015
2	Non-Residential Targeted Market	148,917	37,497	186,413
3	Residential Targeted Market	7,654	2	7,656
4	Education and Training (a)	12,518	475	12,993
5	Codes and Standards	2,472	725	3,197
6	Emerging Technologies	5,748		5,748
7	Statewide Marketing & Info	4,560		4,560
8	EM&V	29,255		29,255
9	Total 2009 Funding	$394,943	$40,895	$435,838

(a) Includes third party education and training programs

b) Plan for Encouraging Customers to Install Stored CFLs into Sockets

Attachment 3 details PG&E's outreach campaign to encourage customers to use any CFLs that may presently be stored in their homes, as required by the EE Decision (at p 143).

Tables

The following tables-related directives are discussed in this section of PG&E's advice letter:

TABLE 14
TABLES-RELATED COMPLIANCE ITEMS

Cite	Compliance Item	AL Reference
OP 15.f	AL should include all portfolio application tables and budget and savings placemats, updated to reflect changes.	Attachment 5 – Appendix A and C
OP 15.i	AL should include Standard Rate and Bill Impact Tables by major customer class, showing changes from existing bridge funding rate and revenue allocation levels to decision-compliant rate and revenue increases or decreases as applicable; the average rate for bundled-service customers and the associated usage will accompany these tables.	Attachment 5 – Appendix A
OP 15.j	AL should include Standard revenue and funding tables, identifying the adopted budgets, the applicable unspent/unallocated funds to be used to reduce the budgets; and identifying applicable electric FF&U; a second set of tables shall identify revenues to be collected under each	Attachment 5 – Appendix A

Cite	Compliance Item	AL Reference
	funding source--PGC funds, procurement funds, and gas PPP funds, by year.	
p. 320	The utility compliance filing shall include an update to all application tables and budgets and savings "placements" submitted per utility in Excel, and also using the E3 calculators as modified by Energy Division for conformance with DEER, as updated December 2008. The placemats for budgets and programs will be sorted identically.	Attachment 5 – Appendix A, C, and H

As ordered by the EE Decision, PG&E has revised all of its portfolio application tables and E3 calculators in this advice letter.

A summary of the revised portfolio tables is shown in Attachment 5, with the electronic files in excel format available at PG&E's website.

- Go to http://apps.pge.com/regulation/search.aspx?CaseID=828
- Make sure the case selected is "Energy Efficiency 2009-2011 Portfolio"
- For Document Type select "Other Doc"
- For Party select "PGE"
- For Date select "11/23/2009"
- Then click "Search"

If you have any difficulties opening files, please contact Lauren Rohde at ldri@pge.com.

Other Corrections

To clarify the record, PG&E is including a list of corrections/clarifications that it has identified in the EE Decision. The list is shown in Attachment 4.

Effective Date

PG&E is filing this compliance advice letter as Tier 2 to be approved by **July 30, 2010**, which is 30 days from the filing date.

Protests

Per Energy Division's guidance, the comment period for this advice letter is shortened to ten days. 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 **July 10, 2010**, which is 10 days after 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 of protests 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:

Jane Yura
Vice President, Regulation and Rates
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, California 94177

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

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 Lists for A.08-07-021 and R.09-011-014. Address changes to the General Order 96-B service list and all electronic approvals should be directed to email PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: **http://www.pge.com/tariffs.**

Jane Yura - OB

Vice President – Regulation and Rates

<u>Attachments:</u>
Attachment 1: Energy Division memo dated October 22, 2009
Attachment 2: PG&E Gas and Electric Bill Payer Impacts
Attachment 3: Plan for Encouraging Customers to Install Stored CFLs into Sockets
Attachment 4: Corrections/Clarifications to Decision 09-09-047
Attachment 5: 2010-2012 EE Portfolio Tables

cc: Service Lists for A.08-07-021, R.09-011-014

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:

☒ ELC ☒ GAS

☐ PLC ☐ HEAT ☐ WATER

Contact Person: Olivia Brown

Phone #: 415.973.9312

E-mail: oxb4@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) #: 3065-G-A/3562-E-A **Tier:** 2

Subject of AL: Supplement: Compliance Advice Letter Implementing PG&E's 2010-2012 Energy Efficiency Portfolio Budget and other Directives Pursuant to Decision 09-09-047

Keywords (choose from CPUC listing): Compliance, 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

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

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Is AL requesting confidential treatment? If so, what information is the utility seeking confidential treatment for: No

Confidential information will be made available to those who have executed a nondisclosure agreement: N/A

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

Resolution Required? ☐ Yes ☒No

Requested effective date: July 30, 2010 No. of tariff sheets: N/A

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: N/A

Service affected and changes proposed: 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: Jane K. Yura, Vice President, Regulation and Rates
77 Beale Street, Mail Code B10B
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

ADVICE 3065-G-A/3562-E-A
Attachment 1:
Energy Division Memo Dated October 22, 2009
2010-2012 Energy Efficiency Portfolio Administrative Costs

STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, *Governor*

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

October 22, 2009

Shilpa Ramaiya, Pacific Gas and Electric Company
Don Arambula, Southern California Edison
Athena Besa, Sempra Utilities

Re: 2010-2012 Energy Efficiency Portfolio Administrative Costs

Monday afternoon October 19, we had a discussion regarding how administrative costs should be categorized in light of the energy efficiency portfolio decision (D. 09-09-047) and the overall budgets. Energy Division has consulted with the CPUC divisions and attaches some guidance to the questions posed. We also have added to your list of categories provided to us for the discussion.

We hope that we have addressed your concerns in a timely manner. Please feel free to contact either Cathy Fogel at (415) 703-1809 or me should any questions arise.

Yours truly,

Anne Premo
California Public Utilities Commission
Energy Efficiency Planning Section
770 L Street, Suite 1050
Sacramento, CA 95818
(916) 324-8683

cc: Sandy Lawrie, Pacific Gas and Electric Company
Jeanne Clinton, CPUC

2010-2012 Administrative Cost Cap and Targets- Questions, Issues and Recommendations

1) <u>TRAVEL COSTS</u>: IOUs want travel costs for direct implementation non-incentive (DI-NI) and for marketing to be billed to those respective categories, rather than to administrative costs. The allowable costs attachment (ACA) (2006, cited in December 12, 2009 Ruling in D. 08-07-021) is silent on this. The ACA does, however, include EM&V travel in the EM&V category. IOUs would like to charge travel/time for staff participation in Strategic Plan workshops in that category.

Recommendation: a) Travel costs for IOU staff to travel to workshops regarding the Strategic Plan can be billed to EM&V travel; b) Travel costs for DI-NI activities and marketing can be charged to those respective cost categories; c) travel costs to EE conferences may be charged to administrative costs. .

Justification: It is standard practice within the CPUC accounting division to allow travel costs – such as meeting with customers, etc -- to be charged to the applicable program area (ie, to DI-NI or to Marketing and Outreach (M&). Travel costs by IOU staff should be limited, but this will be achieved via the cost targets for M&O and DI-NI.

2) <u>CONFERENCE TRAVEL AND FEES/UTILTY SPONSORSHOP OF CONFERENCES:</u> The IOUs suggest that all travel and fees related to EE conferences are appropriate administrative costs. However, ED has conferred with CPUC accounting and we jointly recommend that IOU sponsorship of conferences, i.e. "platinum" "gold" level sponsorships of conferences, are explicitly prohibited as allowable IOU EE conference costs. Sempra reports that its sponsorship of such conferences are currently billed as corporate costs; SCE argues that IOU membership fees in smaller trade oriented associations sometimes includes free entry into related conferences.

Recommendation: IOU sponsorships of EE conferences (i.e., "platinum" "gold" level donations) be explicitly prohibited from inclusion in EE budgets as administrative costs. IOUs may join membership-based issue-specific (i.e. HVAC) trade organizations that include as a component of membership benefits entry into conferences. Other staff travel costs to participate in EE conferences are also allowable administrative costs.

Justification: IOU sponsorship of major national EE conferences is corporate marketing, not EE program work. IOU staff may participate in such large conferences through regular entry fees in the case that IOU staff are presenting or have targeted educational or networking goals for specific conferences; these are justifiable EE administrative costs.

3) <u>BENEFITS/PENSIONS/PAYROLL TAXES</u>: IOUs want to place <u>vacation and sick</u> leave costs relating to labor costs for DI, M&O in those categories, stating that "these follow labor charges." The ACA places these costs in the administrative cost category, but for EM&V states that benefits, payroll tax, and pensions are in the EM&V cost category. All IOUs currently place all EE staff pensions and benefits in the GRC; SCE also includes EE payroll taxes in the GRC, whereas Sempra and PG&E currently place those under administrative costs.

Recommendation: IOUs should be allowed to continue to place EE pension and benefit costs in the GRC. However, the IOUs should be required to consistently place EE payroll taxes as general

EE administrative costs (i.e. SCE should change its current practice of placing these costs in the GRC). Labor vacation and sick leave costs should follow labor as the IOUs have proposed.

Justification: It is CPUC standard practice to allow IOUs to recoup benefit and pension costs in the GRCs, whereas payroll taxes are typically recouped as administrative costs. It is also standard CPUC practice to allow vacation and sick leave costs to follow labor costs (i.e., to DI-NI, DI, M&O).

4) INFORMATION TECHNOLOGY COSTS: IOUs want IT costs related to tracking systems for individual programs to be charged to M&O/DI respectively, and that only overall portfolio IT equipment and work should be charged to administrative costs.

Recommendation: IOUs should be permitted to charge program-specific IT costs to the relevant DI/M&O program categories. EM&V and other portfolio-level IT costs should be charged to administrative costs except in the case that these constitute capital costs, such as the recent PG&E request for MDSS cost recovery through the EE portfolio (that request was denied and PG&E referred to the GRC to recoup those costs).

Justification: The ACA is silent on including IT costs in the EM&V category, thus these are reasonably included – as overall portfolio IT costs – in the administrative cost categories, except when these are capital costs, as noted above. It is reasonable that individual programs must have unique and high-quality IT systems developed; such systems are critical for program implementation and savings tracking. Comparison data for costs in other states indicate that IT is frequently not included in the administrative cost category, and thus it is reasonable for the CPUC to not require that all IT costs are placed in administrative costs.

5) INCLUSION OF LOCAL GOVERNMENT AND THIRD PARTY M&O AND DIRECT IMPLEMENTATION (NON-INCENTIVE) (DI-NI) COSTS IN THE 6% AND 20% COST CAPS: In recent discussions between EE and IOU staff, some confusion arose as to whether LGP/3rd Party M&O and DI-NI costs are subject to the 6% and 20% cost targets.

Recommendation: LGP and3rd Party M&O and DI-NI costs are subject to the 6% and 20% overall portfolio cost targets.

Justification: D. 09-09-047 is silent on ring-fencing LGP/3rd Party costs outside of the cost caps. Controlling these costs is important in order to increase incentives offered directly to customers. It should be noted, however, that the M&O and DI-NI cost targets are targets, not caps (p. 71 & 72; OP 13) and that in the compliance filing an accompanying IOU explanation of why exceeding these caps is critical to program implementation should be sufficient to justify exceeding these targets if special circumstances can be explained. Special circumstances may be warranted in a variety of cases. For instance, in the case of SCE, up to $50 million in non-resource program direct implementation costs were either not identified by ED in our analysis (OBF program) or added as part of the budget adjustment ($32 million for LGP Strategic Plan innovative programs).

IOU Proposed Mapping of CPUC's Adopted Definitions, CAP'S and Target's:

Administrative Activities – 10% CAP *[see citation 1 below]*

- Responding to Data Requests (pg 50)
- Responding to Financial & Regulatory Audits (pg 50)
- Support related to Regulatory Filings (Monthly & Quarterly Reports and Annual Reporting) (pg 50)
- Human Resources Support (pg 49)
    - Payroll taxes
    - Payroll support
- Membership dues
- Travel & Conference Costs (Labor, Fee's, Lodging, Transportation, etc.) (pg 49 and 50). IOU Sponsorship ("platinum" "gold" "silver" level etc) is prohibited as an EE allowable travel cost. Such costs should be recouped in the GRC.
- Information Technologies Support and Services (pg 50)
    - Licensing fees or IT development cost for program specific applications for implementation are part of DI (benchmarking tool or Project Management tool)
- Accounting support (pg 50)
- Strategic Planning Administrative & Logistical Costs Related to Workshops (pg 57)
- Vacation and Sick Leave Related to Administrative Labor – follows labor charges (pg 50)
- Supply Management function activities to ensure oversight of contractors (pg 50)
- Administering contractor payments for services which are non incentive related (pg 50)
- Reporting Data Base (i.e. CRM, Track It Fast, Program Builder, SMART, etc.) (pg 50)
- Facility Related Costs
- Administrative Assistant Activities (pg 49 & 50)
- Utility administrative cost associated with Local Government Partnerships & Third Party programs

10% Administrative Cost "Target" for Third Party and Local Government Partnership Direct Cost (Separate from Utility Cost to administer these programs, *see citation 2 below*) (pg 63)

Marketing Activities (within programs) – Target 6% (pg 238 and 239) See CPUC allowable cost category definitions and ***see citation 3 below***.

- Preparing Collateral
- Distributing Collateral
- Support related to Outreach Events
- Participating in Outreach Events
- Advertising, Media, Radio, Newspaper, Website and Magazine related Marketing Activities
- LGP marketing & outreach related to Long-Term Strategic Planning support
- Vacation and Sick Leave Related to Marketing Labor – follows labor charges (pg 50)
- Marketing-specific IT costs
- Staff travel to undertake marketing-specific work activities (excluding conference participation).

Direct Implementation Activities – **Target 20%** *[see citation 4 below]*

- Employees who have a direct interface with the customer (i.e. Account Executives, Auditors, Engineers, Processors, Inspectors, call center representatives) (pg 50)
- Processing Rebate applications (pg 50)
- Inspecting rebated/incentivized measures (pg 50)
- Engineering related activities (pg 50)
- Measurement Development (Pg 50)
- Education and Training Contractors/Partners/Customers (pg 50)
- Project Management Activities (i.e. Planning Scope of work, working with contractors and customers, setting goals, reviewing goals, reacting to market conditions, and customer calls) (pg 50 and pg 57)
- Program Planning, Development and Design (pg 57)
- Emerging Technologies Program Management Activities (pg 50)
- WE&T Program Management Activities (pg 50)
- On Bill Financing Program Management Activities (pg 50)
- Customer Support (pg 50)
- Energy Audits and Continuous Energy Improvement (pg 50 & 192)
- Market Transformation and Long-Term Strategic Plan Support (pg 51)
- Compiling and maintaining information for projects (pg 50 and pg 57)

- Licensing fees or IT development cost for program specific applications for implementation are part of DI (benchmarking tool or Project Management tool)
- Vacation and Sick Leave Related to Direct Implementation Labor – follows labor charges (pg 50)
- Direct-implementation specific IT costs
- Staff travel to undertake direct implementation-specific work activities (excluding conference participation).
-

Target of 20% on "non-resource" support costs which includes direct implementation non-incentive costs associated with incentive-based programs, such as education and training, engineering support and project management, and long term strategic plan support. (Pg 6)

EM&V Activities:

- Staff travel to participate in Strategic Plan workshops
- Market, cost assessment and other studies as relevant to or suggested in the Strategic Plan

Decision 09-09-047 Citations

Citation 1: Administrative Costs (p.49, OP#13a)

[p.49]

4.4. Administrative Costs

We impose a 10% cap on total administrative costs, defined as overhead (General and Administrative (G&A) Labor and Materials), labor (Management and Clerical), Human Resources (HR) Support and Development, Travel and Conference Fees (Administrative Costs).

Administrative costs are a necessary component of implementing energy efficiency programs. Utilities have a number of administrative duties including reporting to the Commission, internal management controls, and oversight of contractors which must be funded in order to carry out their required programs. Administrative costs,[30] as we have defined them, include:

• Overhead (G&A Labor/Materials): administrative labor, accounting support, IT services and support, reporting databases,

data request responses, CPUC financial audits, regulatory filings support and other ad-hoc support required across all programs.
• Labor (Managerial & Clerical): This category includes utility labor costs related to either management or clerical positions directly related to program administration. SDG&E and SCG also add payroll taxes.
• Travel and Conference fees: This includes labor, travel and fees for conferences.

These Administrative Costs categories do not include EM&V or Marketing

and Outreach. Direct Implementation costs for delivering programs, which are defined as "costs associated with activities that are a direct interface with the customer or program participant or recipient (i.e., contractor receiving training),"
are also excluded.[31] *Direct Implementation includes non-resource programs such as Emerging Technologies, WE&T, Lighting Market Transformation, Zero Net Energy Pilots, local & statewide DSM integration and On-Bill Financing. Also included are direct implementation non-incentive costs associated with incentive-based programs. These costs include engineering project management, customer support, certain sub-programs (e.g., Energy Audits and Continuous Administrative costs are necessary to well-functioning programs, it is our duty to ensure that administrative costs are reasonable and limited to those overhead and labor costs that are truly required to implement quality programs, so that ratepayer funds are used to the greatest degree possible for the programs themselves.*

[30] *A list of allowable administrative costs is attached to the December 2008 Assigned Commissioner's Ruling, at attachment 5-A.*

[31] *February, 2006 ALJ Ruling in R.01-08-028 on reporting requirements for the utility energy efficiency programs.*

[Ordering Paragraph #13a]

a. Administrative costs for utility energy efficiency programs (excluding third party and/or local government partnership budgets) are limited to 10% of total energy efficiency budgets. Administrative costs shall be closely identified by and consistent
across utilities. Administrative costs shall not be shifted into any other costs category. Utilities shall not reduce the non-utility portions of local government partnership and third party implementer administrative costs, as compared to levels contained in budgets approved herein, unless those levels exceeded 10% in the July 2009 utility supplemental applications in this proceeding;

Citation 2: Administrative Costs- third parties and partnerships (p.63)

[p.63]

An administrative cost cap of 10% on third party programs and local government programs is also an important component of containing total portfolio administrative costs. However, imposing a 10% administrative cost cap for each program within these categories would be excessively burdensome for utilities, third party contractors and government partners. Therefore, we direct the utilities to seek to achieve a 10% administrative cost target for third party and local government partnership direct costs (i.e., separate from utility costs to administer these programs). As combined total program categories, third party and local government program administrative costs should strive toward the 10% total administrative cost target. In addition, we agree with comments by LGSEC and CCSF on the Proposed Decision that utilities should not be permitted to unduly shift administrative cost cuts onto local government partnership and

third party implementers. Therefore, we direct the utilities to not reduce the non-utility portions of local government partnership and third party implementer administrative costs, as compared to levels contained in the budgets proposed by the utilities in their

July 2009 applications and approved herein, except where these costs as filed exceed the 10% cost target level.

Citation 3: Marketing Activities (p.73, OP#13b)

[p.73]

Using this data as a guideline for our programs, we reduce the ME&O budget to 6% of the adopted portfolios, which is a reduction from the proposed levels of around 8%, but still above national trends (excluding Vermont as an outlier). This is not a hard cap, as with administrative costs, but a budget target. This target is reasonable. As discussed in the ME&O section, the centerpiece of our ME&O program—the statewide ME&O branding and outreach program— has a budget of $60 million, with additional funding coming from already approved budgets for the LIEE and Demand Response programs. This reduction is also consistent with the direction of D.07-10-032, in which we noted our *concerns about the increasing ratepayer costs of ME&O for California's demand side programs and directed a statewide, integrated approach.*

[Ordering Paragraph #13b]

Marketing, Education and Outreach costs for energy efficiency are set at 6% of total adopted energy efficiency budgets, subject to the fund-shifting rules in Section II, Rule 11 of the Energy Efficiency Policy Manual

Citation 4: Direct Implementation Activities [p.6, 50, 57, OP#13c]

[p.6]

Similarly, we place a target of 20% on non-resource support costs.7

7 This activity includes direct implementation non-incentive costs associated with incentive-based programs, such as education and training, engineering support and
project management, and long term strategic plan support.

[p.50]

Direct Implementation costs for delivering programs, which are defined as "costs associated with activities that are a direct interface with the customer or program participant or recipient (i.e., contractor receiving training)," are also excluded.31 Direct Implementation includes non-resource programs such as Emerging Technologies, WE&T, Lighting Market Transformation, Zero Net Energy Pilots, local & statewide DSM integration and On-Bill Financing. Also included are direct implementation non-incentive costs associated with incentive-based programs. These costs include

engineering project management, customer support, certain sub-programs (e.g., Energy Audits and Continuous Energy Improvement), market transformation and long term strategic plan support.

31 February, 2006 ALJ Ruling in R.01-08-028 on reporting requirements for the utility energy efficiency programs.

[p.57]

We therefore clarify here that we accept utility categorization of program planning, design and project management costs as direct implementation non-incentive costs and
direct our staff to issue a revised guideline describing the details of administrative costs versus direct implementation costs.

[Ordering Paragraph #13c]

Non-resource costs (excluding non-resource direct implementation costs) are set at 20% of the total adopted energy efficiency budgets;

ADVICE 3065-G-A/3562-E-A
Attachment 2:
PG&E Gas and Electric Bill Payer Impacts - Revenues and Rates by Customer Class

Attachment 2

PG&E Electric Bill Payer Impacts - Revenues and Rates by Customer Class

Customer Classes	Proposed Electric Annual Revenue Change $000	Percentage Change In Revenue and Rates (3)	Proposed Electric Average Rate Change $/kwh	Percentage Change In Revenue and Rates (3)
Bundled (1)				
Residential	$10,368	0.2%	$0.00033	0.2%
Commercial - Small	$3,046	0.2%	$0.00033	0.2%
Commercial - Medium	$4,522	0.2%	$0.00032	0.2%
Commercial - Large	$2,577	0.2%	$0.00029	0.2%
Streetlights	$159	0.2%	$0.00038	0.2%
Standby	$63	0.2%	$0.00027	0.2%
Agricultural	$1,253	0.2%	$0.00028	0.2%
Industrial	$3,075	0.2%	$0.00025	0.2%
Direct Access Service (2)				
Residential	$15	0.5%	$0.00034	0.5%
Commercial - Small	$23	0.4%	$0.00032	0.4%
Commercial - Medium	$453	0.7%	$0.00032	0.7%
Commercial - Large	$389	0.7%	$0.00029	0.7%
Agricultural	$6	0.6%	$0.00031	0.6%
Industrial	$888	0.9%	$0.00025	0.9%
Departed Load	$258	1.5%		

(1) Customers who receive electric generation as well as transmission and distribution service from PG&E.

(2) Customers who purchase energy from non-PG&E suppliers.
(3) Proposed revenue and rate changes shown above are relative to 2009 revenue at October 1, 2009, rates.

PG&E Gas Bill Payer Impacts - Revenues and Rates by Customer Class

Customer Classes	Proposed Gas Annual Revenue Change $000	Percentage Change In Revenue and Rates (3)	Proposed Gas Average Rate Change $/therm	Percentage Change In Revenue and Rates (3)
Core Retail Bundled (1)				
Residential - Non-CARE	$6,569	0.28%	$0.00371	0.27%
Residential – CARE	$1,347	0.28%	$0.00371	0.27%
Commercial - Small	$1,268	0.14%	$0.00172	0.14%
Commercial - Large	$328	0.41%	$0.00403	0.41%
Core Retail - Transportation Only (2)				
Residential - Non-CARE	$21	0.74%	$0.00371	0.68%
Residential - CARE	$3	0.74%	$0.00371	0.68%
Commercial - Small	$92	0.47%	$0.00172	0.47%
Commercial - Large	$8	2.46%	$0.00403	2.20%
Noncore- Transportation Only (2)				
Industrial - Distribution	$238	0.70%	$0.00112	0.75%
Industrial - Transmission	$785	1.17%	$0.00065	1.13%

(1) Customers who receive gas procurement as well as transportation service from PG&E.

(2) Customers who purchase gas from non-PG&E suppliers.

(3) Proposed revenue and rate changes compare to total revenues and rates effective January 1, 2009.

ADVICE 3065-G-A/3562-E-A
Attachment 3:
Plan for Encouraging Customers to Install Stored CFLs into Sockets

Attachment 3
Plan for Encouraging Customers to Install Stored CFLs into Sockets

According to a KEMA study, some 42 million basic CFLs purchased through utility programs are currently in storage on customer shelves. In response to this study's findings and other directives from the CPUC, PGE will examine the best ways to reach its customers to encourage the installation of CFLs.

To best serve our customers and provide them appropriate energy management solutions for their needs, CFL messaging may be bundled as part of larger integrated outreach efforts towards residential customers that include other Energy Efficiency, Demand Response, Rates, Bill Management and other programs rather than as a stand-alone CFL effort. The marketing and outreach may also vary based on market segments to increase cost-effectiveness of effort.

Tactics may include direct marketing, email communications, online advertising or other effective means. These communication channels can drive customers to PGE.com or a related site for more detailed information about CFLs.

PG&E will also assess the value of leveraging its government and local partnerships as an additional channel to encourage local residents to take the initiative and install their CFLS now.

Based upon available marketing budget, an outreach campaign can be launched in Q3 or Q4 of 2010.

ADVICE 3065-G-A/3562-E-A
Attachment 4:
Corrections/Clarifications to Decision 09-09-047

Attachment 4
Corrections/Clarifications to Decision 09-09-047

Page	Table	Concern	Decision	Correction
p. 108	Table 10 – Residential Statewide Programs	Total omits PG&E's 7/09 Whole House Performance Program budget of $3,961,186.	$269,652,050	$273,613,236
p. 108	Table 10 – Residential Third Party Programs	Total $s and savings do not match PG&E's 7/09 filing. Note Energy Star Manufactured Homes is included in corrected totals, but are also included in RNC Table 17 (at p. 160)	$9,285,172 3,426,324,191 kwh 621,507 kw 2,113,362 th	$12,258,154 10,773,152 kwh 10,228 kw 507,339 th
p. 122 and OP 21		Text and OP conflict.	IOUs are required to propose changes to the Appliance Recycling Program either within 90 days of the preliminary report (p.122) or within 90 days of the final report (OP 21) being issued.	PG&E assumes that OP 21 is the correct guidance.
p. 129	Table 12 – Statewide Lighting Market Transformation	Admin and total $s do not match PG&E's 7/09 filing.	$308,473 (admin) $458,473 (total)	$299,187 (admin) $449,187 (total)
p. 147	Table 16 – Commercial Statewide Programs	Total $s and savings do not match PG&E's 7/09 filing.	$188,195,450 752,369,598 kwh 145,219 kw 5,612,111 th	$182,922,093 740,793,609 kwh 141,051 kw 5,214,032 th
p. 147	Table 16 – Commercial Third Party Programs	Total $s and savings do not match PG&E's 7/09 filing.	$137,025,667 333,270,751 kwh 58,443 kw 3,922,145 th	$163,812,675 399,826,244 kwh 73,471 kw 4,579,995 th
p. 193	Table 25 – Agriculture Savings - Statewide	Total savings does not match PG&E's 7/09 filing and BTU conversion incorrect.	198.13 GWh; 45.99 kw (ok) 9.21 BTUs	198.43 GWh 9.31 MMth
p. 193	Table 25 – Agriculture Savings - 3rd Party/Local	Total savings does not match PG&E's 7/09 filing; units differ from other tables, BTU	51.78 GWh 6.55 MW 1.29 BTUs	51.687 GWh 6.46 MW 1.28 MMth

Page	Table	Concern	Decision	Correction
		conversion incorrect.		
p. 197	Table 26 – HVAC Third Party	Total $s do not match PG&E's 7/09 filing.	$24,898,632 61,518,796 kwh 16,567 kw 329,799 th	$929,691 372,000 kwh 616 kw 413 th
p. 197	Table 26a – Statewide HVAC Subprograms	IOU line 3 and total not correct.	$3,244,861 (IOU line 3) $156,770,895 (IOU total)	$16,307,920 (IOU line 3) $169,833,954 (IOU total)

ADVICE 3065-G-A/3562-E-A
Attachment 5:
2010-2012 EE Portfolio Supplemental Compliance Advice Letter Tables

Attachment 5
2010-2012 EE Portfolio Tables
Supplemental Compliance AL 3065-G-A/3562-E-A

Available electronically at:
http://apps.pge.com/regulation/search.aspx?CaseID=828

Instructions for Accessing Files:

- Go to http://apps.pge.com/regulation/search.aspx?CaseID=828
- Make sure the case selected is “Energy Efficiency 2009-2011 Portfolio”
- For Document Type select “Other Doc”
- For Party select “PGE”
- For Date select “6/30/10”
- Then click “Search”

If you have any difficulties opening files, please contact Lauren Rohde at ldri@pge.com.

Appendix A – Portfolio Tables (revised 6/30/10)

Table 1.1	PG&E Projected Gross Annual Savings Impacts by Year
Table 1.2	PG&E 2010-2012 Total Projected Gross Portfolio Savings Impacts
Table 1.3	PG&E 2010-2012 Projected Savings Impacts of Resource Programs by Market Sector
Table 1.4	PG&E Total Portfolio Including 3P and Government Partnership Program Measure Grouping – Gross and Net Savings
Table 1.5	PG&E Partnership Measure Grouping – Gross and Net Savings
Table 1.6	PG&E Third Party Measure Grouping – Gross and Net Savings
Table 1.7	Total Resource Cost (TRC) – Gross
Table 1.7a	Total Resource Cost (TRC) – Net
Table 1.8	Program Administrator Cost (PAC) – Gross
Table 1.8a	Program Administrator Cost (PAC) – Net
Table 1.9	PG&E Program List
Table 2.1	PG&E Annual Electric Environmental Benefits – Current E3 Calculator CO2 Adder Values (Gross)
Table 2.1a	PG&E Annual Electric Environmental Benefits – Gross $30/Tonne
Table 2.2	PG&E Annual Gas Environmental Benefits – Current E3 Calculator CO2 Adder Values (Gross)
Table 2.2a	PG&E Annual Gas Environmental Benefits – Gross $30/Tonne

Table 2.3	PG&E 2010-2012 Lifecycle Environmental Benefits – Current E3 Calculator CO2 Adder Values
Table 2.3a	PG&E 2010-2012 Lifecycle Environmental Benefits – Gross $30/Tonne
Table 2.4	PG&E 2010-2012 Green Building Initiative Summary, Current E3 Calculator CO2 Adder Values
Table 2.4a	PG&E 2010-2012 Green Building Initiative (GBI) Summary, $30/tonne
Table 3.1	PG&E 2010-2012 Projected Gross Cumulative Savings Impacts by Year
Table 3.2	PG&E Total Projected Cumulative Savings Impacts by Year Started in 2006
Table 3.3	PG&E 2010-2012 Projected Lifecycle Savings – Gross
Table 3.4	PG&E Third Party Programs (3P) Competitively Solicited Programs – Gross Savings
Table 3.5	PG&E Government Partnerships – Gross Savings
Table 4.1	PG&E Portfolio Budget
Table 4.2	PG&E Portfolio Budget by E3 Formats
Table 5.1	PG&E EM&V Budget
Table 6.1	PG&E Bill Payer Impacts – Rates by Customer Class
Table 6.1a	PG&E Electric Bill Payer Impacts – Revenues and Rates by Customer Class
Table 6.1b	PG&E Gas Bill Payer Impacts – Revenues and Rates by Customer Class
Table 6.2	PG&E Budget by Funding Source

Appendix C – Program Budget and Savings Workbook (revised 6/30/10)

PG&E 2010-2012 Program Budget Workbook

PG&E 2010-2012 Program Savings Workbook

PG&E 2010-2012 Program Budget and Savings

Appendix H - E3 Calculators (revised 6/30/10)

PG&E E3 Calc Engine –
PGE 10-12 4g2.xls

PG&E Program E3s –
3P Input-Output.xls
AGC Input-Output.xls
Com Input-Output.xls
CS Input-Output.xls
GP Input-Output.xls
HVAC Input-Output.xls

IND Input-Output.xls
NC Input-Output.xls
RES Input-Output.xls
Total Portfolio Input-Output.xls

PG&E Subprogram E3s -
Core, Targeted Market, GP, and 3P subprograms

Core

AGC - Deemed - Input-Output.xls
AR - Deemed - Input-Output.xls
BCE - Input-Output.xls
COM - Deemed - Input-Output.xls
HOME EE SURVEY - Input-Output.xls
HVAC - COM UP - Input-Output.xls
HVAC - DIAGNOSTIC - Input-Output.xls
HVAC - QI - NRES - Input-Output.xls
HVAC - QI - RES - Input-Output.xls
HVAC - QM - Input-Output.xls
INDUSTRIAL - Input-Output.xls
MF - Input-Output.xls
RES HOME REBATE - Input-Output.xls
RES LIGHTING ADV - Input-Output.xls
RES LIGHTING BASIC - Input-Output.xls

Targeted Market

AGC Input-Output.xls
Audit-AGC Input-Output.xls
Audit-COM Input-Output.xls
Audit-IND Input-Output.xls
COM Input-Output.xls
IND Input-Output.xls
RNC NC Input-Output.xls
SBD NC Input-Output.xls

Government Partnerships (GP)

GP AMBAG Input-Output.xls
GP CITY OF SAN JOAQUIN Input-Output.xls
GP EAST BAY Input-Output.xls
GP FRESNO Input-Output.xls
GP KERN Input-Output.xls

GP MADERA Input-Output.xls
GP MARIN Input-Output.xls
GP MENDOCINO Input-Output.xls
GP REDWOOD Input-Output.xls
GP SAN FRANCISCO Input-Output.xls
GP SAN JOAQUIN COUNTY Input-Output.xls
GP SAN LUIS OBISPO Input-Output.xls
GP SAN MATEO Input-Output.xls
GP SANTA BARBARA Input-Output.xls
GP SIERRA NEVADA Input-Output.xls
GP SILICON VALLEY Input-Output.xls
GP SONOMA Input-Output.xls
GP LGEAR Input-Output.xls
GP NAPA Input-Output.xls
GP STATEWIDES Input-Output.xls

Third Party (3P)

1 A4 - Matrix Entertainment - Exhibit B-Output.xls
1 Ecology Action - RightLights - E3 Export 091210b-Output.xls
2010-2012 TEAA FINAL 122109-Output.xls
A5 - BIG Green Bldg Exhibit C-Output.xls
A5 - Consol BECT Exhibits C-Output.xls
AirPower-AIM-Exhibit B - E3-Export-09-1130-FINAL-Output.xls
BASE - WWTP - E3 - 091026-Output.xls
Ecos-EcosAir-E3-Export-09-1217-FINAL-Output.xls
EFM-EEPG-E3-Export-09-1130-FINAL-Output.xls
EnerNOC - Exhibit B E3 export for PY2010-2012-Output.xls
Enovity MBPCX E3 2010-2012_FINAL (2)-Output.xls
EnSave - DEEP - E3 - 100105PS v2-Output.xls
ES-LEDAccel-E3-Export-09-1218-FINAL-Output.xls
ETDR_E3_withMFM-Output.xls
GEP - ComprehFoodProc - E3 - 091208-FINAL-Output.xls
Global-EE4Oil-E3-Export-09-1124-FINAL-Output.xls
HMG Final Export file-Output.xls
Honeywell Cool Control Plus Export 3 5 increase -- 11-20-Output.xls
Honeywell SmartVent E3 2010-2012_revision 04_21_10-Output.xls
Intergy - CombMedFacil - E3 - 091107-Output.xls
Intergy Ozone Laundry Final E3-Output.xls
KEMA EAI E3 2010-2012_FINAL-Output.xls
KEMA SCCR - E3 export-Output.xls
LIIF CPEEP E3 2010-2012_FINAL-Output.xls
Lockheed-HIEEP-E3-Export-09-1130-FINAL-Output.xls
Lodging Savers - Exhibit B Final-Output.xls

Matrix Furniture E3 2010-2012_FINAL-Output.xls
Matrix Schools Exhibit B E3 2010-2012_FINAL (2)-Output.xls
Nexant-IRCx-E3-Export-09-1207-FINAL-Output.xls
Nexant-REEP-E3-Export-09-1208-FINAL-Output.xls
Onsite-CPD-E3-Export-09-1215-FINAL-Output.xls
PECI AirCare Plus - E3 export for PY2010-2012-Output.xls
PECI Grocer - E3 export-Output.xls
PGE_PlannerTOU1f_Enovity_2010-12CombinedBoilerPrograms_Export-Output.xls
QuEST - MBTU - E3 - 091104-Output.xls
QuEST CREMP E3 2010-2012_FINAL-Output.xls
QuEST-CalPOP-E3-Export-09-1218-FINAL-Output.xls
QuEST-DCCCP-E3-Export-09-1215-FINAL-Output.xls
RHA - LCP - E3 - 091211-Output.xls
RHA EFP4 (updated 121109b) PG&E_PlannerTOU1f (Extract)-Output.xls
RSG - Dairy - E3 - 100104-Output.xls
RSG - WIES - E3 - 091208-Output.xls
RSG SEE CHES E3 2010-2012_FINAL2-Output.xls
SBRA Exhibit B-Output.xls
Sylvania-HighPerfLtg-E3-Export-09-1222-Output.xls
Synergy-DI4Mobile-E3-Export-09-1214-FINAL-Output.xls
Trane Cool Cash E3 2010-2012_FINAL-Output.xls
Trane Cool Schools E3 2010-2012_FINAL-Output.xls
Tribal Properties Final E3 Export-Output.xls
VaCom - IRPP - E3 - 091112-Output.xls

PGE Summary.xls

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

Aglet
Alcantar & Kahl
Ameresco
Anderson & Poole
Arizona Public Service Company
BART
BP Energy Company
Barkovich & Yap, Inc.
Bartle Wells Associates
Bloomberg New Energy Finance
Boston Properties
Brookfield Renewable Power
C & H Sugar Co.
CA Bldg Industry Association
CAISO
CLECA Law Office
CSC Energy Services
California Cotton Ginners & Growers Assn
California Energy Commission
California League of Food Processors
California Public Utilities Commission
Calpine
Cameron McKenna
Casner, Steve
Chris, King
City of Glendale
City of Palo Alto
Clean Energy Fuels
Coast Economic Consulting
Commerce Energy
Commercial Energy
Consumer Federation of California
Crossborder Energy
Davis Wright Tremaine LLP
Day Carter Murphy
Defense Energy Support Center
Department of Water Resources
Department of the Army
Dept of General Services
Division of Business Advisory Services
Douglass & Liddell
Downey & Brand
Duke Energy
Dutcher, John
Economic Sciences Corporation
Ellison Schneider & Harris LLP
Foster Farms
G. A. Krause & Assoc.
GLJ Publications
Goodin, MacBride, Squeri, Schlotz & Ritchie
Green Power Institute
Hanna & Morton
International Power Technology
Intestate Gas Services, Inc.
Lawrence Berkeley National Lab
Los Angeles Dept of Water & Power
Luce, Forward, Hamilton & Scripps LLP
MAC Lighting Consulting
MBMC, Inc.
MRW & Associates
Manatt Phelps Phillips
McKenzie & Associates
Merced Irrigation District
Mirant
Modesto Irrigation District
Morgan Stanley
Morrison & Foerster
NRG West
New United Motor Mfg., Inc.
Norris & Wong Associates
North America Power Partners
North Coast SolarResources
Occidental Energy Marketing, Inc.
OnGrid Solar
Praxair
R. W. Beck & Associates
RCS, Inc.
Recon Research
Recurrent Energy
SCD Energy Solutions
SCE
SMUD
SPURR
Santa Fe Jets
Seattle City Light
Sempra Utilities
Sierra Pacific Power Company
Silicon Valley Power
Silo Energy LLC
Southern California Edison Company
Sunshine Design
Sutherland, Asbill & Brennan
Tabors Caramanis & Associates
Tecogen, Inc.
Tiger Natural Gas, Inc.
Tioga Energy
TransCanada
Turlock Irrigation District
U S Borax, Inc.
United Cogen
Utility Cost Management
Utility Specialists
Verizon
Wellhead Electric Company
Western Manufactured Housing Communities Association (WMA)
eMeter Corporation