

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



December 12, 2013

Advice Letters 3419-G/4291-E

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

Subject: Request of PG&E for 2011 Energy Efficiency Incentive Award

Dear Mr. Cherry:

Advice Letters 3419-G/4291-E are effective December 6, 2013, per Resolution G-3491.

Sincerely,

A handwritten signature in cursive script that reads "Edward F. Randolph".

Edward F. Randolph, Director
Energy Division

September 30, 2013

Advice 3419-G/4291-E

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: Request of Pacific Gas and Electric Company for 2011 Energy Efficiency Incentive Award**Purpose**

This Advice Letter (AL) requests approval of Pacific Gas and Electric Company's (PG&E's) 2011 Energy Efficiency (EE) Incentive Award in the amount of \$21,561,992. This AL is filed in compliance with Ordering Paragraph (OP) 8 of Decision (D.) 12-12-032, *Approving the 2010-2012 Energy Efficiency Incentive Mechanism and Disbursing 2010 Incentive Awards*.

Background

On December 20, 2012, the Commission adopted D.12-12-032 approving the 2010-2012 EE Incentive Mechanism for PG&E and the other investor-owned utilities (IOUs).¹ The Decision adopted the 2010 incentive award and provides directions for the timing and calculation of incentive awards for 2011 and 2012.

The Decision authorizes PG&E and the other IOUs to file Tier 3 advice letters in the third quarter of 2013 requesting approval in the fourth quarter of 2013 in order to record earnings for program year 2011 by the end of the year.² The 2011 mechanism awards earnings of 5% of annual program expenditures with up to 1% additional incentive levels for activities performed in alignment with the Commission's *ex-ante* review process. The incentive awards for 2011 activity uses the performance score of 68 adopted for PG&E in the Decision.³ Prior to filing the advice letter, the Decision directs the Commission's Utility Audit, Finance and Compliance Branch (UAFCB) to make public the energy efficiency audit report for the IOUs for 2011.⁴ The 2011 UAFCB report for PG&E was completed and made public on September 20, 2013.⁵

¹ Southern California Edison Company, San Diego Gas & Electric Company and Southern California Gas Company.

² D.12-12-032 OP 8

³ D.12-12-032 OP 1

⁴ D.12-12-032 p. 39

⁵ PG&E's 2011 EE Financial Compliance Audit Report: http://www.cpuc.ca.gov/NR/rdonlyres/7CA012CB-799D-484C-BE16-E46146CA8A0A/0/PGE_EE_Financial_Comp_Report.pdf

PG&E requests an EE incentive award of \$21,561,992 for program year 2011, to be recorded in 2013, as described in more detail below.

2011 Incentive Calculation

The incentive is a combination of a 5% management fee and a performance bonus of 0.68% for PG&E totaling 5.68%.

The following table outlines the total 2011 actual audited expenditures (excluding costs associated with Evaluation Measurement & Verification (EM&V) and the On-Bill Financing (OBF) loan pool). Taking 5.68% of the total expenditures for PG&E in 2011 equals \$21,561,992.

	2011 EE Expenditures (excluding EM&V and OBF Loan Pool)	5.68% of total 2011 EE Expenditures
PG&E	\$379,612,543	\$21,561,992

As shown in the UAFCB audit report,⁶ PG&E's actual 2011 energy efficiency expenditures were verified by the UAFCB. One reported cost that the UAFCB recommends PG&E to exclude from its incentive calculation,⁷ is the OBF loan pool of \$664,287, which was removed from the total 2011 actual expenditures the UAFCB verified.

Additional 2011 expenditure details provided by PG&E in response to the UAFCB audit to support the 2011 EE expenditures is included in Attachment A.⁸

As shown in the table below, the 2011 incentive award of \$21,561,992 will be allocated to electric and gas customers on a basis of the electric and gas net benefit factor approved in Advice Letters 3065-G-A/3562E-A and 3065-G-B/3562-E-B to allocate the 2010-2012 EE portfolio expenditures in the gas and electric balancing accounts.

Electric and Gas Allocation	2011 Program EE Incentive Awards
Electric (82%)	\$17,680,833
Gas (18%)	\$3,881,159
Total	\$21,561,992

⁶ UAFCB Audit Report for PG&E, p. B-1, Table B-1

⁷ UAFCB Audit Report for, p. A-2

⁸ PG&E's actual expenditures are \$379,612,543, which is a \$1 difference from the UAFCB report, but has no impact to the earnings calculation.

PG&E respectfully requests that this AL be approved on or before December 19, 2013, so PG&E can recover this amount in electric and gas rates through the Annual Electric and Gas True-Up Advice Letters for rates effective January 1, 2014, as discussed in D.12-12-032.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than **October 21**, which is 21 days⁹ after the date of this filing. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@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 shall also be sent to PG&E either via E-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

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

Facsimile: (415) 973-7226
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that

⁹ The 20-day protest period concludes on a weekend, therefore, PG&E is moving this date to the following business day.

the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

Effective Date

PG&E requests that this Tier 3 advice filing be approved on or before December 19, 2013, so that PG&E can incorporate the approved earnings in 2014 rates.

Notice

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



Vice President, Regulatory Relations

Attachment A: Support for 2011 Expenditures

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: Kingsley Cheng

Phone #: (415) 973-5265

E-mail: k2c0@pge.com and PGETariffs@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) #: **3419-G/4291-E**

Tier: 3

Subject of AL: **Request of Pacific Gas and Electric Company for its 2011 Energy Efficiency Incentive Award**

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.12-12-032

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

Summarize differences between the AL and the prior withdrawn or rejected AL: _____

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

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

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

Resolution Required? ☒ Yes ☐ No

Requested effective date: **December 19, 2013**

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

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

Protests, dispositions, and all other correspondence regarding this AL are due no later than 21 days¹ after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

California Public Utilities Commission

Energy Division

EDTariffUnit

505 Van Ness Ave., 4th Flr.

San Francisco, CA 94102

E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Brian Cherry

Vice President, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

¹ The 20-day protest period concludes on a weekend, therefore, PG&E is moving this date to the following business day.

Attachment A

PG&E's detailed 2011 Program Expenditures are shown below. The 2011 Total Portfolio Expenditures of \$379,612,543 is the sum of the Core, 3P, and LGP Programs and excludes the EM&V and OBF Loan Pool costs.

Table 3 Expenditures				
Summary of Portfolio Expenditures A	Adopted Program Budget B	Cumulative Annual Expenditures C	Percentage of Portfolio Budget D	Percentage of Total Annual Expenditures E
Total Portfolio Expenditures				
Administrative-Implementer	144,242,356	8,353,570	0.7%	2.2%
Administrative-IOU Support	tbd	22,374,917	1.8%	5.9%
Marketing	105,551,639	16,425,171	1.3%	4.3%
Rebates/Incentives/Direct Install	541,353,550	164,600,651	13.0%	43.4%
Direct Implementation	474,832,455	167,858,235	13.3%	44.2%
Total Portfolio Expenditures	\$ 1,265,980,000	\$ 379,612,543	30.0%	100.0%
Core Programs				
Administrative-IOU Support	87,177,575	14,258,317	1.1%	3.8%
Marketing	80,831,327	10,241,460	0.8%	2.7%
Rebates/Incentives/Direct Install	332,030,266	98,402,675	7.8%	25.9%
Direct Implementation	303,734,089	96,415,938	7.6%	25.4%
Sub total	\$ 803,773,257	\$ 219,318,390	17.3%	57.8%
3P Programs				
Administrative-Implementer	35,538,004	6,320,918	0.5%	1.7%
Administrative-IOU Support	tbd	5,070,025	0.4%	1.3%
Marketing	15,299,866	4,698,168	0.4%	1.2%
Rebates/Incentives/Direct Install	140,993,501	41,383,731	3.3%	10.9%
Direct Implementation	98,147,821	45,034,650	3.6%	11.9%
Sub total	\$ 289,979,192	\$ 102,507,491	8.1%	27.0%
LGP Programs				
Administrative-Implementer	21,526,777	2,032,652	0.2%	0.5%
Administrative-IOU Support	tbd	3,046,575	0.2%	0.8%
Marketing	9,420,446	1,485,544	0.1%	0.4%
Rebates/Incentives/Direct Install	68,329,783	24,814,245	2.0%	6.5%
Direct Implementation	72,950,545	26,407,647	2.1%	7.0%
Sub total	\$ 172,227,551	\$ 57,786,663	4.6%	15.2%
EM&V Expenditures				
EM&V IOU	14,718,000	1,847,759	3.5%	32.9%
EM&V Joint Staff	38,802,000	3,767,396	7.0%	67.1%
Total EM&V Expenditures	\$ 53,520,000	\$ 5,615,155	10.5%	100.0%
On-Bill Financing Loan Pool	18,500,000	664,297	3.6%	100.0%

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

1st Light Energy	Douglass & Liddell	OnGrid Solar
AT&T	Downey & Brand	Pacific Gas and Electric Company
Alcantar & Kahl LLP	Ellison Schneider & Harris LLP	Praxair
Anderson & Poole	G. A. Krause & Assoc.	Regulatory & Cogeneration Service, Inc.
BART	GenOn Energy Inc.	SCD Energy Solutions
Barkovich & Yap, Inc.	GenOn Energy, Inc.	SCE
Bartle Wells Associates	Goodin, MacBride, Squeri, Schlotz & Ritchie	SDG&E and SoCalGas
Braun Blaising McLaughlin, P.C.	Green Power Institute	SPURR
California Cotton Ginners & Growers Assn	Hanna & Morton	San Francisco Public Utilities Commission
California Energy Commission	In House Energy	Seattle City Light
California Public Utilities Commission	International Power Technology	Sempra Utilities
California State Association of Counties	Intestate Gas Services, Inc.	SoCalGas
Calpine	Kelly Group	Southern California Edison Company
Casner, Steve	Linde	Spark Energy
Cenergy Power	Los Angeles Dept of Water & Power	Sun Light & Power
Center for Biological Diversity	MAC Lighting Consulting	Sunshine Design
City of Palo Alto	MRW & Associates	Tecogen, Inc.
City of San Jose	Manatt Phelps Phillips	Tiger Natural Gas, Inc.
Clean Power	Marin Energy Authority	TransCanada
Coast Economic Consulting	McKenna Long & Aldridge LLP	Utility Cost Management
Commercial Energy	McKenzie & Associates	Utility Power Solutions
County of Tehama - Department of Public Works	Modesto Irrigation District	Utility Specialists
Crossborder Energy	Morgan Stanley	Verizon
Davis Wright Tremaine LLP	NLine Energy, Inc.	Water and Energy Consulting
Day Carter Murphy	NRG Solar	Wellhead Electric Company
Defense Energy Support Center	Nexant, Inc.	Western Manufactured Housing Communities Association (WMA)
Dept of General Services	North America Power Partners	
Division of Ratepayer Advocates	Occidental Energy Marketing, Inc.	