

August 2, 2000

ADVICE 2257-G/2023-E

Public Utilities Commission of the State of California

Pacific Gas and Electric Company (PG&E) in accordance with Ordering Paragraphs 22 and 90 of Decision (D.) 00-07-017, dated July 6, 2000, submits its request for approval of proposed programmatic changes to the multi-family element of the Residential Contractor Program (RCP) and modifications to the measurement and verification (M&V) requirements for PG&E's Small Business Standard Performance Contract (SBSPC) program. Both of these programs are statewide energy efficiency programs. Consequently, each utility administrator will be filing the same program changes. Also submitted in this filing, in compliance with Ordering Paragraph 22 of D. 00-07-017, is PG&E's report on programmatic changes to the Program Year (PY) 2000 statewide multi-family RCP.

BACKGROUND

The Energy Division, in response to concerns raised by parties, held public workshops on December 1 and 2, 1999, to gather comments on the Nonresidential Standard Performance Contract (SPC) and RCP programs. On December 8, 1999, the Energy Division issued a report summarizing each workshop and the comments of participants. Based on input received from the reports and feedback from market participants, San Diego Gas & Electric Company, Southern California Gas Company, Southern California Edison Company and PG&E modified their PY2000 SBSPC and RCP programs.

Subsequently, the four utilities jointly hosted workshops on April 3, 10, and 19, 2000, in the cities of San Francisco, Downey, and Stockton, respectively, to present the revised programs and to receive feedback from the public. The workshops were well attended. Feedback was generally positive and there were no objections to the utilities moving ahead with the proposed program changes. Where possible, comments received from those workshops were incorporated into the PY2000 programs. Other comments received from parties not incorporated into the PY2000 programs are being considered for PY2001.

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Ordering Paragraph 22 of D. 00-07-017 requires the utilities to request approval of the use of calculated savings for specific measures in the multi-family RCP program and to submit "...a report to the Energy Division identifying precisely the proposed programmatic changes, including to utilize calculated savings for some measures, modify incentives, and simplify the application process, and explaining the basis for the changes." Additionally, Ordering Paragraph 90 requires the utilities to "...use the advice letter process for instituting changes in incentives, measurement and verification (M&V) requirements and customer limits in the SPC as was the case in PY1999 and the RCP multi-family element."

RCP MULTI-FAMILY PROGRAM CHANGES

As discussed previously, the utilities, based on feedback from market participants and other parties, revised their RCP Multi-family program for PY2000. The significant changes to the PY2000 program from PY1999 are as follows:

- Introduction of calculated savings and simplified forms that accompany this approach. The change was made in response to concerns/issues raised by contractors and Energy Efficiency Service Providers (EESPs) that the PY1999 process was too complicated and costly to implement;
- Modification of the incentive structure and inclusion of an incentive bonus for measures installed in dwelling units and installation of multiple measures. These changes were made in order to insure that incentive levels are adequate to generate market response without offering an amount that represents too large of a percentage of the installed measure cost. Bonuses are offered to encourage contractors to provide services to hard-to-reach customers, such as tenants in apartment units and to promote better project comprehensiveness (multiple measures at project sites).
- Modification of the payment structure from 50% at installation and 50% at the end of one year to 70% at installation and 30% at the end of one year. This adjustment resulted from contractors' concerns about cash flow difficulties associated with the 50%/50% payment structure.

A more detailed description of the programmatic changes is provided in the report prepared on the April RCP workshops and is included as Attachment A to this filing.

Ordering Paragraphs 22 and 90 require utilities to request approval of certain programmatic changes before implementing, for which PG&E is now seeking

authorization. First, in accordance with Ordering Paragraph 22, PG&E is seeking approval of the use of calculated savings. The revised RCP-MF program would allow calculated savings for lighting, water heater controllers, refrigerators, clothes washing machines, and dishwashers.

Approval of the use of the calculated savings methodology, rather than specific values, will enable utilities to update input values over time as new information becomes available. For example, the Department of Energy (DOE) may add a new model refrigerator to the Energy Star list of qualifying units that should be incorporated into the program. An additional example is the completion of a study that yields different lighting operating hours than those currently assumed as part of the calculated savings methodology. The ability to periodically update information will provide the utilities with flexibility to refine inputs and add measures without filing an advice letter. A detailed description of the calculated savings for the RCP Multi-family values is included in Attachment B.

Ordering Paragraph 90 identifies changes in incentive levels as one of the specific programmatic change that requires Commission approval before implementation. As discussed above, the PY2000 incentive levels have been revised. In most cases, incentives will be higher than in PY1999, since there are three different bonus options available and some individual incentive levels were increased. The only case where incentive levels would be lower is for lighting projects in common areas where the building owner pays the energy bill. In the PY1999 program, all savings required site-specific measurement. In PY2000 the calculated savings option is proposed. This effectively increases the incentives, since the cost of monitoring would no longer be required by the project sponsor. In cases where the project sponsor believes that using the measured savings approach will yield larger energy savings than allowed under the calculated approach, a higher incentive is generally available. The revised RCP-MF program provides the structure shown in Attachment B to this filing.

SBSPC PROGRAM CHANGES

In May 2000, the utilities completed their revisions to the SBSPC program based on calculated savings. PG&E believes that the use of calculated savings constitutes a change to the M&V requirements and therefore has not released the revised program. Pursuant to Ordering Paragraph 90, PG&E requests approval for the inclusion of calculated savings methodology in the M&V procedures and requests that the Commission approve the use of the calculated savings methodology, rather than specific values, since input values may be updated over time as new information becomes available.

For example, if a newly completed study yields updated values for lighting operating hours, those values may need to replace the existing values. Additionally, if an algorithm is developed to provide calculated savings for a new measure, the measure should be added to the program without the need to seek Commission approval, provided the methodology is consistent with the current calculated savings methodology. This latitude will provide the utilities with flexibility to refine program inputs and add measures in a more timely manner. A detailed description of the calculated savings approach for the SBSPC program is included in Attachment C-1.

PG&E also requests approval to include a participation incentive bonus for comprehensive projects. The PY2000 SBSPC program proposes a bonus for projects involving more than one type of retrofit. The retrofit types are: Lighting, HVAC, Gas, and Other. A Project Sponsor is eligible for two participation incentives if a project has two types of retrofits, each of which produces 30 percent or more of the total project energy savings. A Project Sponsor is eligible for three participation incentives if the project has three types of retrofits, each of which produces 25 percent or more of the total project energy savings. A Project Sponsor is eligible to receive all four participation incentives if each of the four types of retrofit produces at least 20 percent of the total energy savings.

To qualify for these bonus incentives, the project must be at one customer site, and the savings for this customer site must meet or exceed the minimum savings requirements (10,000 kWh). The bonus is open to all Project Sponsors. The only limitation is that a Project Sponsor can only receive one participation incentive for each retrofit type in a program year. For example, if a Project Sponsor had received a participation incentive for a lighting project, and then has a project with lighting, HVAC, and gas retrofits that meets the savings percentage requirements, the Project Sponsor would receive only the HVAC and gas retrofit participation incentives.

PUBLIC INPUT PROCESSES

Ordering Paragraph 21 of D.00-07-017 directs the utilities to receive input from stakeholders a minimum of twice annually and to hold at least one workshop prior to filing the PY2001 applications in each service territory. Since the revised RCP program will not be fully operational until the Commission approves the use of calculated savings, and public workshops were recently held in April of this year, PG&E respectfully requests that the workshops held in April be considered sufficient public input prior to filing the PY2001 applications.

PG&E program staff is routinely in contact with contractors to discuss the programs. Public meetings will be held prior to the development of new program designs and

whenever market conditions or program changes are significant enough to warrant a public discussion of market or program changes. Any public meetings will be noticed potentially using various venues such as program websites, contact lists maintained by the utility, and qualifying agencies (e.g., EGIA and the League of California Homeowners). Summaries of meeting results will be made available upon request. These meetings along with the April workshops and the continued availability of program staff for individual discussions are believed to provide significant opportunity for public input.

Ordering Paragraph 61 of D. 00-07-017 also requires utilities to convene a public input process for the SPC programs at least once before filing the PY2001 applications. PG&E requests that the Commission find that the April workshops fulfill the requirements of the Ordering Paragraph given the timing of the issuance of the final decision on the PY2000 programs.

PG&E is routinely in contact with stakeholders such as: contractors, customers and EESPs to continue to discuss the programs. Public meetings will be held prior to the development of new program designs and whenever market conditions or program changes are significant enough to warrant a public discussion of market or program changes. Any public meetings will be noticed potentially using various venues such as program websites and contact lists maintained by the utility. Summaries of meeting results will be made available upon request. These meetings, along with the April workshops and the continued availability of program staff for individual discussions, are believed to provide significant opportunity for public input.

EFFECTIVE DATE OF CHANGES

The RCP Multi-family element and SBSPC are important components of PG&E's PY2000 programs. Approval and implementation of the requested changes will help contribute to increasing program participation, as well as potentially reducing on-peak energy demand and customer bills resulting from this summer's rapidly increasing electric commodity prices.

Therefore, PG&E respectfully requests that the effective date of the approval of this advice letter be commensurate with the date of this filing, **August 2, 2000**.

This filing will not increase any tariff rate or charge, cause withdrawal of service, or conflict with any rate schedules or rules.

Anyone wishing to protest this advice letter may do so by sending a letter within twenty (20) days after the date of this filing. Protests should be mailed to:

IMC Branch Chief
Energy Division
California Public Utilities Commission
505 Van Ness Avenue, Room 4002
San Francisco, California 94102
Facsimile: (415) 703-2200

Copies should also be mailed to the attention of Director, Energy Division, and Jerry Royer, Energy Division, at the address above. A copy of the protest should be sent by U.S. mail and via facsimile to:

Pacific Gas and Electric Company
Attention: Les Guliasi
Manager, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177
Facsimile: (415) 973-7226

The protest shall set forth the grounds upon which it is based, and shall be submitted expeditiously. There is no restriction on who may file a protest.

In accordance with Section III, Paragraph G, of General Order 96-A, PG&E is mailing copies of this advice letter to the utilities and interested parties shown on the attached mailing list and the service list shown below. For mailing list changes, please telephone Nelia Avendano at (415) 973-3529.

Vice President - Regulatory Relations

cc: Service List – A. 99-09-049/050