STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

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

**Revised**

September 17, 2013 Advice Letter PG&E 3356-G/4176-E

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

**Subject: Disposition Approving Compliance Advice Letter Implementing PG&E's 2013-2014 Energy Efficiency Portfolio Pursuant to Decision 12-11-015.**

Dear Mr. Cherry:

The Energy Division has determined that PG&E's Advice Letter (AL) 3356-G/4176-E, as modified in Supplemental AL 3356-G-A/4176-E-A, and Supplemental AL 3356-G-B/4176-E-B (collectively "Compliance AL"), filed pursuant to Ordering Paragraph (OP) 45 of Decision (D.) 12-11-015 (EE Decision), is approved and effective January 1, 2013. This new disposition is to correct the disposition sent on September 3, 2013 that incorrectly stated the update to the gas and electric net benefit split, which has been updated in this disposition.

Ordering Paragraph 45 required the Investor Owned Utilities to file advice letters to show compliance with Commission directives in the EE Decision. The EE Decision approved funding for PG&E's 2013-2014 Energy Efficiency Portfolio, with requested modifications for program budgets, program implementations plans (PIPs), and cost-effectiveness.

PG&E's Compliance AL requests approval to reallocate funds among programs to optimize its portfolio.[1] Specifically, PG&E seeks to utilize unspent funds from 2010-2012 to support committed projects in 2013-2014.

The Compliance AL also requests approval to credit, an estimated $7 million of residual unspent, uncommitted funds, including interest from 2009 and prior years in 2014 rates.[2] The Compliance AL requests approval to update the electric and gas net benefit split from 84 percent electric and 16 percent gas to 82 percent electric and 18 percent gas.

Finally, the Compliance AL requests approval of all the updated PIPs.

[1] PG&E Compliance AL3356-G/4176-E, p 3.
[2] PG&E Supplemental AL3356-G/4176-E-A, p 5.

The AL was timely filed as Tier 2 on January 14, 2013. TURN filed a protest on February 4, 2013. On February 11 2013, PG&E filed a reply to the protest. Upon review of the Compliance AL, Energy Division requested additional information. At the request of Energy Division, PG&E filed a Supplemental AL on April 23, 2013, and a second Supplemental AL on May 29, 2013. There were no protests on the supplemental filings.

Attachment 1 contains a detailed discussion of the protests, the reply to the protest and Energy Division's determination that the AL is compliant with the EE Decision. Attachment 2 provides a detailed quantitative analysis of PG&E's direct implementation non-incentive (DINI) costs, which TURN protested.

Please contact Nils Strindberg of the Energy Division staff at 415-703-5219 (ns2@cpuc.ca.gov) if you have any questions.

Sincerely,

Edward Randolph

Edward Randolph, Director
Energy Division

cc: Service List A.12-07-001 et al.
Shirley Wong, PG&E
Hayley Goodson, TURN
Simon Baker, Energy Division
Hazlyn Fortune, Energy Division

Edward Randolph

**<u>Attachment 1</u>**

## Review and Analysis

## I. Background

On January14, 2013, PG&E submitted Advice Letter (AL) 3356-G/4176-E, to comply with OP 45 of the EE Decision, which states that PG&E:

> "shall file [an] advice letter[s] in compliance with the directives in this decision no later than 60 days after this decision is issued, unless another date is specified herein for a specific program, in the format provided by Commission staff."[3]

Energy Division reviewed Advice Letter (AL) 3356-G/4176-E, and the Program Implementation Plans (PIPs). On March 26, 2013, Energy Divisions requested changes to PIPs and additional supporting documentation to comply with the EE Decision. At the request of Energy Divisions, PG&E submitted Supplemental AL 3356-G-A/4176-E-A on April 23, 2013.

Energy Divisions reviewed the supplemental filing and on May 20, 2013 provided further direction to PG&E deemed necessary to bring the filing into compliance with the EE Decision. On May 29, 2013 PG&E submitted a second Supplemental AL 3356-G-B/4176-E-B. No additional requests for supplemental filings were made by Energy Divisions.

## II. Party Protest, Comments and Reply Comments

TURN timely filed a protest on February 4, 2013. On February 11 2013, PG&E timely filed a reply to the protest.

TURN's protest addressed the following areas: "(1) budget allocation to direct implementation non-incentive (DINI) costs; (2) changes to the budgets and cost-effectiveness calculations of Energy Upgrade California (EUC) program; (3) other budget changes for statewide residential programs, including but not limited to HVAC programs."[4]

First, TURN claimed the PG&E's proposed EE Portfolio did not meet the directive D.09-09-047 which established a target for the IOUs that no more than 20% of their EE Portfolio budget is associated with DINI costs. While TURN acknowledges this directive is a target and not a hard cap, according to their calculations PG&E directs 39.5% of their EE Portfolio budget to DINI costs, "falling woefully short of this (20%) target." TURN agrees with the EE Decision[5] that the Commission should further scrutinize this budget prior to the 2015 portfolio filings.

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[3] D.12-11-015, p 141.
[4] TURN Protest, p.1.
[5] D.12-11-015, p 98.

TURN also protested the reductions in the customer rebate budget for the Energy Upgrade California (EUC) program. TURN notes that they don't believe the customer rebate budget is large enough to meet PG&E's high participation scenario of 9,800 that the EE Decision which directs the IOUs to "meet or exceed."[6] TURN acknowledged this target should also incorporate BayREN program activities, and recommended the Commission work this issue out in PG&E's April 1, 2013 Compliance Advice Letter for changes to EUC. TURN's protest also mentioned that all labor costs were included in the Total Resource Cost (TRC) calculation for EUC rather than incremental labor cost.

Finally, TURN protested the budget for the residential HVAC and the Energy Advisor subprograms. Specifically, TURN was concerned about a budget decrease to the residential HVAC programs given the Commission direction "to update their targets and focus on market transformation."[7] TURN also found the addition of $20 million of funds shifted into the Energy Advisor program as "incentives and rebates" troubling, as there was no mention of the program having rebates and incentives in the original PIPs. Finally, TURN asserted that despite a 40% increase in the budget for Energy Advisor, the GWh savings have decreased by 29% and that the program now fails the TRC and Program Administrator Cost (PAC) tests.

In PG&E's their response to the TURN protest, they claimed that TURN inaccurately calculated what programs should be included toward the 20% target for PG&E's DINI costs. PG&E claims that the numerator should not include non-resource programs, and the denominator should include PG&E's program budget. Furthermore, PG&E welcomes further guidance on this cost category as TURN also mentioned.

PG&E also maintains the proposed budget for EUC is sufficient to meet the target of 9,800 households in their high-participation scenario. PG&E asserts that TURN misinterpreted the direction in EE Decision with regard to labor costs and cost-effectiveness calculations, and notes that in the EE Decision, Conclusion of Law 58, clearly states, and "It would be incorrect to change the cost-effectiveness methodology for the EUC program to eliminate labor costs. Incremental labor costs may make sense to eliminate, but this proposal should be evaluated in R.09-11-014 or its successor." [8]

Finally, PG&E contends that they did not miscategorize "incentives and rebates" costs for the Energy Advisor program, and references the EE Policy manual which defines financial incentive as "Financial support (characterizing rebates, low interest loans, and free technical advice)[9] that is provided to customers to motivate energy efficiency projects. PG&E concludes that audits and behavior programs are appropriate program costs in-line with technical advice. PG&E mentions that the Energy Advisor budget increase was consistent with Commission guidance to expand behavior based program activities, and accordingly they have increased Home Energy Reports to meet this requirement.

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[6] D.12-11-015, p 70-71.
[7] D.12-11-015, P 76.
[8] D.12-11-015, p124-125.
[9] Energy Efficiency Policy Manual 4.0, Appendix B, p.6.

## III. Discussion

*20% Target for Non-Incentive Program Implementation Costs*

In D.09-09-047, the Commission set a 20% target for applicable DINI costs subject to the target.[10] Energy Divisions agrees with PG&E that TURN wrongly included all DINI costs towards the 20% target. Energy Divisions believes that the language in D.09-09-047 is clear that DINI costs for non-resource programs, as well as other exempt programs (such as codes and standards and financing) should not be included when calculating whether a utility is aligned with the target for DINI costs.

Energy Division finds that the following formula for determining the applicable DINI percentage is consistent with D. 09-09-047:

$$\frac{\text{[Total DINI cost, excluding REN and CCA programs]} - \text{[Exempt program DINI costs]}}{\text{[Total IOU budget, excluding REN and CCA programs]}}$$

Notes:

- REN and CCA programs are excluded because the IOUs do not manage and/or administer them.
- For PG&E's 2013-14 portfolio, programs exempt from the DINI costs target include non-resource programs or subprograms (i.e., Emerging Technologies, Workforce Education and Training, Lighting Market Transformation, local and statewide Integrated Demand Side Management, Continuous Energy Improvement, Strategic Energy Resources, and Ozone Laundry) and other exempt programs (i.e., Codes and Standards, and Finance programs).
- Government partnership and third-party programs budgets are included in both the numerator and denominator.
- Statewide ME&O budgets are included in the denominator. The 2013-14 statewide ME&O budget applications are pending in A.12-08-007 et al., therefore the IOUs' proposed budgets are used.

Energy Division's initial calculations indicated that PG&E's DINI costs were potentially as high as 30%, thus well beyond the 20% target. However, upon further examination with PG&E, PG&E pointed out that Energy Divisions had not included carry over costs from the previous cycle in the EE Portfolio budget total. PG&E also found that they had misclassified certain IT costs as DINI, when they should have been administrative costs. Finally, PG&E claimed that they had approximately $14M in non-resource DINI costs embedded in Government Partnerships, which PG&E believes should be excluded from the DINI total. Energy Division agrees with PG&E that these costs should be excluded from the DINI target, and upon making these corrections, Energy Division found that PG&E's DINI costs came in at 26.1%. With these corrections, Energy Division finds PG&E's DINI target acceptable and in-line with the other IOUs. However, as directed in D.12-11-015, Energy Division will investigate the DINI cost category prior to the next portfolio filings. Energy Division strongly encourages PG&E to find ways to reduce their DINI costs to align closer to the 20% target.[11] Energy Division is aware that

[10] D.09-09-047, p 74.
[11] D.12-11-015, p 98.

PG&E has identified opportunities to further reduce these costs, and we expected PG&E to implement these changes, as well as find additional savings opportunities.

*Energy Upgrade California Program Budget and Requirements*

The EE Decision is clear that the high participation scenario that the Commission directed did not include the Regional Energy Networks (RENs), and specifically says the targets "are understood to exclude Energy Upgrade California (EUC) participation targets for the RENs within the areas where RENs ultimately implement the EUC-modified Basic Path".[12] Energy Division also commends PG&E for having ambitious targets for EUC and projecting more program uptake than all of the other IOUs combined.[13]

With PG&E budget for customer rebates filed in the Compliance AL, Energy Divisions agreed with TURN that the rebate budget was likely insufficient to meet customer uptake. However, in the Supplemental AL filed on April 23, 2013, PG&E increased their budget for EUC from $25.7M to $28.6M and the customer rebate budget from $13.4M to $16.4M. Energy Division recognizes that there is still a risk that the proposed rebate budget may fall short of meeting the 9,800 jobs target, especially if most of the program uptake is in the (generally has average rebates of over $2,000) Advanced Home Upgrade. Additionally, PG&E has assured Energy Division staff that they will shift funds into EUC rebates if uptake is higher than they predict and funds devoted to customer rebates begin to run low. Thus Energy Division thinks that the budget for customer rebates that PG&E proposed in their Supplemental AL is likely sufficient to meet program demand.

*TRC Calculation for Energy Upgrade California, all vs. incremental labor costs*

Energy Division finds merit in PG&E's reply to TURN on incremental labor costs as OP 24 of the EE Decision specifically notes, "Pacific Gas and Electric Company….shall not remove labor costs from the cost-effectiveness calculations for the Energy Upgrade California program."[14]

*Budget Changes to HVAC and Energy Advisor Program*

Energy Division disagrees with TURN's protest that that HVAC budget is insufficient or that Energy Advisor improperly includes budget dedicated for rebate and incentives. Staff compared PG&E's Supplemental AL to the other IOUs and finds PG&E's residential HVAC budget and program targets appropriate and the most robust of all the IOUs. Energy Division has no issue with the proposed budget changes for Energy Advisor and activities recommended within because PG&E Supplemental AL provided a more complete summary of its program offerings, as such the PIP now includes: planned comparative energy use reports, targeted household numbers, savings targets, budget, TRC and EM&V plans.

[12] D.12-11-015, p 70.
[13] D. 12-11-015, p 71.
[14] D.12-11-015, p 136.

Pacific Gas and Electric Company

**Brian K. Cherry**
Vice President
Regulatory Relations

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San Francisco, CA 94177

Fax: 415.973.7226

May 29, 2013

**Advice 3356-G-B/4176-E-B**
(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

**Subject**: **Second Supplemental: Compliance Advice Letter Implementing PG&E's 2013-2014 Energy Efficiency Portfolio Pursuant to Decision 12-11-015**

## Purpose

Pacific Gas and Electric Company (PG&E) hereby submits its second supplemental compliance advice letter (AL) for its 2013-2014 Energy Efficiency (EE) portfolio based on guidance from the California Public Utilities Commission (CPUC or Commission) Energy Division staff (Staff).

This AL supplements PG&E's AL 3356-G-A/4176-E-A (first supplemental AL) filed on April 23, 2013, and incorporates the programmatic revisions requested by Staff on May 21, 2013.

The revised program implementation plans (PIPs) are available electronically at:
http://apps.pge.com/regulation/search.aspx?caseID=828

Attachment 1 provides instructions for accessing the revised PIPs electronically, and information on obtaining the PIPs in diskette format.

## Background

PG&E filed AL 3356-G/4176-E on January 14, 2013, in compliance with Decision 12-11-015 (EE Decision). The AL was suspended on February 5, 2013, to allow Staff more time to review the filing. The first supplemental AL filed on April 23, 2013, superceded the original AL in its entirety. This second supplemental AL responds to Staff guidance provided May 20, 2013.

## Program Implementation Plans (PIPs)

Staff requested that PG&E provide additional information in its Residential, Commercial, Industrial and Agricultural PIPs, as discussed below.

PG&E is providing revised clean and redlined versions of these PIPs with this AL, as described in Attachment 1. The revisions to the PIPs provided in this second supplemental AL are highlighted and are in addition to the redlines shown in the PIPs included in the first supplemental AL. The clean PIP versions incorporate all of the revisions made in both supplemental ALs.

Upon approval of this AL, PG&E will submit the approved PIPs to Staff for posting on the Commission's Energy Efficiency Groupware Application (EEGA) website at http://eega.cpuc.ca.gov/.

**Residential Program - Plug Load and Appliance Subprogram**

Staff requested that PG&E update its Plug Load and Appliance (PLA) subprogram in its Residential PIP as follows: clarify plans for Business and Consumer Electronics (BCE) incentives for 2013-2014; clarify whether the program is only running though 2013 due to commitments; and update the subprogram Total Resource Cost (TRC) and savings estimates, as needed. Accordingly, PG&E added the following note in the Residential PIP for the PLA subprogram at footnote 12, p. 25:

"PG&E is continuing its TV incentive program through 2013 due to pre-existing commitments with participating retailers and partners, Sacramento Municipal Utility District (SMUD) and Northwest Energy Efficiency Alliance (NEEA). In particular, delays in and significant fluctuations in key values in the BCE Impact Evaluation, as well as positive results in the Northwest, contributed to the program's continuation. The measures will be discontinued at the end of 2013."

PG&E has also added note 6 to Table 11 (Incentives tab in excel file): "PG&E will discontinue its TV measures at the end of 2013."

This clarification does not change the TRC or savings estimates filed in the first supplemental AL.

**Commercial, Industrial and Agricultural Programs - Continuous Energy Improvement Subprogram**

Staff requested that PG&E add quanitative program targets to its Commercial, Industrial and Agricultural Continuous Energy Improvement (CEI) subprograms.

PG&E has added CEI targets for the 2013-14 program cycle that are combined for the statewide Commercial, Industrial and Agricultural Programs. The following table has been added to the clean versions of the Commercial PIP at p. 131, Industrial PIP at p. 85[1] and Agricultural PIP at p. 90.

[1] PG&E also inserted a sentence that was inadvertently omitted in the Industrial Calculated Incentive subprogram of its Industrial PIP in Section viii at the bottom of p. 60.

| **Continuous Energy Improvement (CEI)** | **Program Target for 2013-2014** |
|---|---|
| Large/Midsize Participants to Meet Short-Term Milestones | 13 |
| CEI Participants that will create an Energy Plan | 13 |

These targets will be incorporated in the advice letter updating PPMs for the 2013-2014 energy efficiency portfolio cycle to be filed June 3, 2013.

**Effective Date**

PG&E requests this AL be approved concurrent with Advice 3356-G-A/4176-E-A with an effective date of January 1, 2013. As stated in the EE Decision (OP 46), PG&E is authorized to implement the programs and activities approved in the EE Decision and utilize its approved funding while these advice letters are pending.

**Protests**

As instructed by Staff and pursuant to General Order 96-B (GO 96-B), Section 7.5.1, due to the limited nature of this supplemental advice letter the protest period will not be reopened.

**Notice**

In accordance with GO 96-B, Rule 4, a copy of this advice letter is being sent electronically and/or via U.S. mail to parties shown on the attached list and Service Lists A.12-07-001 and R.09-11-014. Address changes to the GO 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 letters can also be accessed electronically at: http://www.pge.com/tariffs.

Brian Cherry /slw

Vice President – Regulatory Relations

cc: Service Lists for A.12-07-001 and R.09-11-014
Hayley Goodson, TURN

Attachment 1

# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY
## ENERGY UTILITY

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

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

| Utility type: | Contact Person: **Shirley Wong** |
|---|---|
| ☑ ELC ☑ GAS | Phone #: **(415) 972-5505** |
| ☐ PLC ☐ HEAT ☐ WATER | E-mail: **slwb@pge.com and PGETariffs@pge.com** |

| EXPLANATION OF UTILITY TYPE | (Date Filed/ Received Stamp by CPUC) |
|---|---|
| ELC = Electric GAS = Gas ☐<br>PLC = Pipeline HEAT = Heat WATER = Water | |

Advice Letter (AL) #: **3356-G-B/4176-E-B** **Tier: 2**

Subject of AL: **Second Supplemental: Compliance Advice Letter Implementing PG&E's 2013-2014 Energy Efficiency Portfolio Pursuant to Decision 12-11-015**

Keywords (choose from CPUC listing): Compliance

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

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: **D.12-11-015**

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: 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: ________________________________________

Resolution Required? ☐ Yes ☑No

Requested effective date: **January 1, 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:

Service affected and changes proposed:

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**
**ED Tariff Unit**
**505 Van Ness Ave., 4th Floor**
**San Francisco, CA 94102**
**E-mail: EDTariffUnit@cpuc.ca.gov**

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

**PACIFIC GAS AND ELECTRIC COMPANY**

**2013-2014 ENERGY EFFICIENCY PORTFOLIO**

**SECOND SUPPLEMENTAL COMPLIANCE ADVICE LETTER 3356-G-B/4176-E-B**

**ATTACHMENT 1**

*The revised Appendix B: Program Implementation Plans listed below will be posted* under 4/23/13 date on PG&E's website by the close of business May 29, 2013. The documents may be accessed as follows:

1) Go to: htpp://apps.pge.com/regulation/
2) Click on "Search for Public Case Documents"
3) Select “Energy Efficiency 2013-2014 Portfolio” from the dropdown menu
4) Select 04/23/2013 and PGE as the party to narrow the search criteria
5) Click Search

As an alternative to accessing the appendices on PG&E’s website, PG&E will provide a copy by diskette(s) of the appendices to any party upon request. Please direct a request for a copy of these materials to PG&E as follows: Josephine Wu, Case Coordinator, Regulatory Affairs, Regulatory Support and Metrics, Telephone: (415) 973-3414, Facsimile: (415) 973-3574, e-mail: JWWD@pge.com

**APPENDIX B: PROGRAM IMPLEMENTATION PLANS (CLEAN AND REDLINE)**

1. Residential Program (Revised 5/29/13)
2. Commercial Program (Revised 5/29/13)
3. Agricultural Program (Revised 5/29/13)
4. Industrial Program (Revised 5/29/13)

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

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