July 21, 2015

Erik Jacobson
Director, Regulatory Relations
Pacific Gas and Electric Company
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, California 94177


Dear Mr. Jacobson:

Advice Letter 3541-G-C/4550-E-C is effective as of January 1, 2015.

Sincerely,

Edward Randolph
Director, Energy Division
June 15, 2015

Advice 3541-G-C/4550-E-C
(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: Third Supplement: PG&E’s 2015 Energy Efficiency Portfolio
Advice Letter In Compliance With Decision 14-10-046, Ordering Paragraph 16

Purpose

Pacific Gas and Electric Company (PG&E) submits this supplement to supersede Advice 3541-G-B/4550-E-B dated February 25, 2015, filed in compliance with Ordering Paragraph (OP) 16 of Decision (D.) 14-10-046, “Decision Establishing Energy Efficiency Savings Goals and Approving 2015 Energy Efficiency Programs and Budgets” (Decision) and the recent guidance from the California Public Utilities Commission (CPUC or Commission) Energy Division staff (Staff).

Documentation detailing required changes to portfolio cost effectiveness, portfolio budget and savings, and other information is included in Appendices A through D, as described in Attachment 1. These appendices have been updated from the ones filed.

Attachment 1 provides instructions for accessing the revised appendices electronically, information on obtaining the appendices in diskette format, and information about the appendices’ contents.

Attachment 2 provides details on PG&E’s implementation of Staff guidance contained in a memo dated November 3, 2014, entitled “Required Corrections to Measure Level Input Parameters Identified by Staff per D.14-10-046 Order Paragraph 16” (Guidance Memo). This attachment is unchanged from the original AL.

Background

On October 24, 2014, the Commission issued the Decision approving budgets for PG&E, Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E) and Southern California Gas Company (SCG), together the
Investor Owned Utilities (IOUs), the San Francisco Bay Area Regional Energy Network (BayREN), Southern California Regional Energy Network (SoCalREN) and Marin Clean Energy (MCE). On January 9, 2015, the Commission issued D.15-01-002 to correct errors in the Decision, which are incorporated herein.¹

The Decision, as corrected by D.15-01-002, approves PG&E’s total energy efficiency (EE) portfolio budget of $430.1 million, including $379.3 million for PG&E’s program budget, $16.8 million for Evaluation, Measurement and Verification (EM&V), $12.8 million for BayREN’s EE programs, $1.2 million for MCE’s EE programs, and $19.9 million in employee burden benefits to be recovered in EE rates as approved in PG&E’s 2014 General Rate Case (GRC) D.14-08-032.² The Decision also approves PG&E’s request for $3.3 million for Demand Response (DR) funding for integrated demand side management (IDSM).

The Decision (at pp. 30-32) determines that 2015 is the third year of a 2013-2015 portfolio cycle, allowing the IOUs and RENs to use unspent 2013-2014 funds in 2015, to count savings from 2013-2014 towards 2015 goals and cost effectiveness, and to calculate regulatory caps and targets. The Commission directs Staff to undertake EM&V activities for 2013-2014 and 2015 combined. PG&E may continue to shift funds within programs and across programs following existing fund shifting rules.

The Decision (at OP 21 and pp. 31-32) leaves the 2015 program and funding in place until the earlier of when the Commission provides superseding direction, or 2025. For the IOUs, the Commission authorizes annualized funding levels at 2015 levels through 2025, unless changed. For the RENs, the Commission authorizes the use of a Maximum Contract Amount for each year after 2015 at 2015 funding levels, through 2025, unless changed. For MCE, the Commission authorizes funding at 2015 funding levels, with an annual offset equal to the unspent funds from the prior year, through 2025, unless changed.

This AL complies with OP 16, which requires the IOUs and MCE to file Tier 2 ALs within 60 days of the Decision reflecting the budget adjustments adopted in the decision, including recalculated Total Resource Cost (TRC) and Program Administrator Cost (PAC) test results exceeding a 1.0 threshold for 2015. The ALs must include updates to the contents of all files contained in Appendices A, B, C, and D of their respective 2015 funding proposals to reflect the adopted budget and programmatic changes, as well as corrections to measure-level inputs identified by Staff in the Guidance Memo.³

¹ D.15-01-023 was issued on January 21, 2015, correcting formatting errors in D.15-01-002.
² These costs include employee benefits (medical, vision, dental, employee healthcare contributions, group life insurance, short-term incentive payments, 401K expenses, relocation expenses, short-term disability, and tuition reimbursements).
³ On November 3, 2014, PG&E received guidance from Staff in a memo entitled “Required Corrections to Measure Level Input Parameters Identified by Commission Staff per D.14-10-046 Order Paragraph 16”, herein Guidance Memo.
The Decision (at pp.109-110) requires the ALs to include, among other things:

- Reductions and/or increases in program or sector budgets;
- Changes to measure input values where unit energy savings values are higher than ex ante review and Database for Energy Efficient Resources (DEER) support; and
- The IOUs’ estimated Efficiency and Savings Performance Incentive (ESPI) earnings.

The authorized budgets are maximums – program overhead costs may be reduced, resulting in overall reductions in budgets, to achieve the required cost-effectiveness thresholds. (Decision, p. 110.)

On December 15, 2014, PG&E filed AL 3541-G/4550-E in compliance with the Decision, OP 17. On December 19, 2014, PG&E filed AL 3541-G-A/4550-E-A to clarify the TRC calculation. On January 6, 2015, these ALs were suspended to allow more time for Staff review.

The 2nd supplemental Advice 3541-G-B/4550-E-B dated February 25, 2015 addressed certain errors in PG&E’s savings and cost effectiveness analysis as requested by Staff. The 2nd supplemental AL also incorporated the increase in PG&E’s EM&V budget approved in D.15-01-002 to calculate as 4% of the total EE portfolio funding rather than 4% of EE program budget, resulting in a $687,922 increase in the EM&V and total EE portfolio budgets; revised the measure mix to improve the portfolio TRC and PAC results; and made other minor corrections.

The 3rd supplemental Advice 3541-G-C/4550-E-C addresses the changes required to demonstrate a cost-effective portfolio, including updates to the cost-effectiveness calculations for Resource and Non-Resource Programs without Codes and Standards (C&S).

**Budget**

The EE Decision, as corrected by D.15-01-002, approved for PG&E a 2015 portfolio budget of $430.1 million, as shown in the revised Table 1 below. This table supercedes Table 1 filed in 2nd supplemental AL. Table 1 below reflects a shift of $6.75 million from the Industrial program budget to the C&S program budget.

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4 Statewide Marketing, Education and Outreach (ME&O) and Flex Alert funding for 2015 was approved in D.13-12-038 and D.14-12-026, respectively, in a separate Commission proceeding (A.12-08-007 et. al.). The portion allocated to EE is reflected in PG&E’s cost effectiveness calculations.
Table 1 (Revised): PG&E Total 2015 Energy Efficiency Budgets ($)

<table>
<thead>
<tr>
<th>Program</th>
<th>2015 Budget</th>
<th>Burden Benefits</th>
<th>Total Adopted Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>59,496,576</td>
<td>2,297,803</td>
<td>61,794,379</td>
</tr>
<tr>
<td>Commercial</td>
<td>73,587,975</td>
<td>5,452,953</td>
<td>79,040,928</td>
</tr>
<tr>
<td>Industrial</td>
<td>10,502,265</td>
<td>1,436,515</td>
<td>11,938,780</td>
</tr>
<tr>
<td>Agricultural</td>
<td>17,449,635</td>
<td>1,373,373</td>
<td>18,823,008</td>
</tr>
<tr>
<td>Lighting</td>
<td>12,856,180</td>
<td>695,379</td>
<td>13,551,559</td>
</tr>
<tr>
<td>Codes &amp; Standards (C&amp;S)</td>
<td>14,998,217</td>
<td>337,031</td>
<td>15,335,248</td>
</tr>
<tr>
<td>Financing</td>
<td>15,000,000</td>
<td>568,714</td>
<td>15,568,714</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>203,890,848</strong></td>
<td><strong>12,161,767</strong></td>
<td><strong>216,052,615</strong></td>
</tr>
<tr>
<td>Third Party (3P)</td>
<td>87,234,722</td>
<td>3,671,469</td>
<td>90,906,191</td>
</tr>
<tr>
<td>Government Partnerships (GP)</td>
<td>69,736,755</td>
<td>2,585,159</td>
<td>72,321,914</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>156,971,477</strong></td>
<td><strong>6,256,628</strong></td>
<td><strong>163,228,105</strong></td>
</tr>
<tr>
<td>Emerging Technology (ET)</td>
<td>5,959,297</td>
<td>332,780</td>
<td>6,292,077</td>
</tr>
<tr>
<td>Workforce Education and Training (WE&amp;T)</td>
<td>11,800,107</td>
<td>761,235</td>
<td>12,561,342</td>
</tr>
<tr>
<td>IDSM</td>
<td>674,523</td>
<td>40,094</td>
<td>714,617</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>18,433,927</strong></td>
<td><strong>1,134,109</strong></td>
<td><strong>19,568,036</strong></td>
</tr>
<tr>
<td><strong>Subtotal Utility</strong></td>
<td><strong>379,296,252</strong></td>
<td><strong>19,552,504</strong></td>
<td><strong>398,848,756</strong></td>
</tr>
<tr>
<td>BayREN</td>
<td>12,837,000</td>
<td>N/A</td>
<td>12,837,000</td>
</tr>
<tr>
<td>MCE</td>
<td>1,220,267</td>
<td>N/A</td>
<td>1,220,267</td>
</tr>
<tr>
<td><strong>Subtotal Nonutility</strong></td>
<td><strong>14,057,267</strong></td>
<td>N/A</td>
<td><strong>14,057,267</strong></td>
</tr>
<tr>
<td><strong>Total Programs</strong></td>
<td><strong>393,353,519</strong></td>
<td><strong>19,552,504</strong></td>
<td><strong>412,906,023</strong></td>
</tr>
<tr>
<td>EM&amp;V</td>
<td>16,828,922</td>
<td>375,496</td>
<td>17,204,418</td>
</tr>
<tr>
<td><strong>Total EE</strong></td>
<td><strong>410,182,441</strong></td>
<td><strong>19,928,000</strong></td>
<td><strong>430,110,441</strong></td>
</tr>
</tbody>
</table>

PG&E’s approved program budget includes the total employee burden benefits adopted in PG&E’s GRC D.14-08-032 allocated to the EE programs, effective January 1, 2014.

To achieve the CPUC’s residential and non-residential Zero Net Energy (ZNE) policy goals and improve Title 20 compliance, PG&E will be increasing the Codes & Standards budget. PG&E will be commencing on residential and non-residential building code CASE studies aimed directly at ZNE policy goals in 2015. PG&E is also working with the California Energy Commission (CEC) to begin a stronger Title 20 compliance improvement program similar to what has been created for Title 24. PG&E will also focus on additional CASE studies and primary data collection efforts to strengthen the existing advocacy and education efforts.
PG&E’s portfolio meets the 10% IOU administrative cap at 8.6%, the 6% local marketing target at 5.6%; the 4% EM&V cap at 4%, and the 20% requirement for competitively bid programs at 20.6%. PG&E portfolio exceeds the 20% DINI target at 26.2%. PG&E’s 2015 projected caps and targets are detailed in Appendix C, Table 3.1.

Goals

PG&E has updated its savings targets from the savings targets included in the original AL to improve its overall portfolio cost-effectiveness. PG&E will meet or exceed the Commission's energy savings goals for 2015. The goals in the Decision and PG&E’s updated forecasted savings are shown in the revised Table 2 below. Table 2 below supercedes the table filed in the 2nd supplemental AL. The CPUC goals include BayREN and MCE, however, PG&E’s 2015 targets shown below include only PG&E’s energy savings forecast.

Table 2 (Revised): PG&E 2015 Targets Compared to CPUC Goals

<table>
<thead>
<tr>
<th>Programs (goals set on gross basis)</th>
<th>Electric Savings (GWh/Year)</th>
<th>Peak Savings (MW)</th>
<th>Gas Savings with interactive effects (MM Therms/Year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPUC 2015 Goals</td>
<td>697</td>
<td>110</td>
<td>14.3</td>
</tr>
<tr>
<td>PG&amp;E 2015 Targets</td>
<td>705</td>
<td>112</td>
<td>21.4</td>
</tr>
<tr>
<td>% of Goal</td>
<td>101%</td>
<td>101%</td>
<td>150%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Codes &amp; Standards Advocacy (goals set on net basis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPUC 2015 Goals</td>
</tr>
<tr>
<td>PG&amp;E 2015 Targets</td>
</tr>
<tr>
<td>% of Goal</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Adopted Goals (combines gross and net goals)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CPUC 2015 Goals</td>
</tr>
<tr>
<td>PG&amp;E 2015 Targets</td>
</tr>
</tbody>
</table>

(1) Program targets include forecasted savings from the Energy Savings Assistance (ESA) program.
As shown in Table 3, below, PG&E’s 2013 and 2014 energy savings targets exceed CPUC goals. PG&E’s 2013 energy savings targets remain unchanged from its EE 2015 Funding Proposal, filed March 26, 2014. PG&E’s 2014 energy savings targets remain unchanged from those updated in the original AL.5

Table 3 (Revised): PG&E 2013-2015 EE Program Gross Savings Targets

<table>
<thead>
<tr>
<th>Year</th>
<th>PG&amp;E Programs (goals set on gross basis)</th>
<th>CPUC Savings Goals6</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PG&amp;E 2013-2015 Compliance Filing</td>
<td>CPUC Program</td>
</tr>
<tr>
<td></td>
<td>Savings Targets</td>
<td>Savings Goals</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(gross goals)</td>
</tr>
<tr>
<td>Gross GWh</td>
<td>Gross MM Therm</td>
<td>Gross GWh Gross</td>
</tr>
<tr>
<td>Gross MW</td>
<td></td>
<td>Gross MM Therm</td>
</tr>
<tr>
<td>2013</td>
<td>798 150 29.7 599 114 21.0</td>
<td>119% 125% 140%</td>
</tr>
<tr>
<td>2014</td>
<td>736 143 26.97 593 100 20.3</td>
<td>119% 125% 140%</td>
</tr>
<tr>
<td>2015</td>
<td>705 112 21.4 697 110 14.3</td>
<td>119% 125% 140%</td>
</tr>
<tr>
<td>2013-2015</td>
<td>2239 405 78.07 1,889 324 55.6</td>
<td>119% 125% 140%</td>
</tr>
</tbody>
</table>

| % of CPUC Goals | 119% 125% 140% |

<table>
<thead>
<tr>
<th>Year</th>
<th>PG&amp;E 2013-2015 Codes and Standards (net goals)</th>
<th>CPUC Codes and Standards Savings Goals (net goals)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>PG&amp;E 2013-2015 Compliance Filing</td>
<td>CPUC Program</td>
</tr>
<tr>
<td></td>
<td>Savings Targets</td>
<td>Savings Goals</td>
</tr>
<tr>
<td>Gross GWh</td>
<td>Gross MM Therm</td>
<td>Gross GWh Gross</td>
</tr>
<tr>
<td>Gross MW</td>
<td></td>
<td>Gross MM Therm</td>
</tr>
<tr>
<td>2013</td>
<td>254 31 .07 254 31 .07</td>
<td>254 31 .07</td>
</tr>
</tbody>
</table>

5 In AL 3541-G/4550-E, PG&E updated its 2015 energy savings targets to reflect a number of factors: 1) changes in 2013-2014 ex-ante savings values from recent ex ante workpaper dispositions; 2) Staff recommendations in the Guidance Memo; 3) certain projects forecast for installation in 2014 that have dropped out of the project pipeline and/or are now forecast for installation in 2015 or 2016; and 4) reduction in PG&E’s 2014 therm goal to reflect the negative therms impact estimated for 2010-2012 CFL carryover savings.

6 2013 and 2014 are CPUC goals approved in Table 5 of D.12-11-015. 2015 is based on CPUC goals approved in Figure 1 of D.14-10-046.
Cost-Effectiveness

PG&E has updated its 2015 portfolio TRC and PAC results from those reported in the original AL. PG&E’s updated 2015 portfolio has a TRC result of 1.25 and a PAC result of 1.79, as further detailed in Tables 4.1 and 4.2 below and Appendix A, Tables 7.1 and 7.2. Tables 4.1 and 4.2, below, supersede the information provided in Table 4 in the 1st supplemental AL.

The total portfolio TRC and PAC results, per staff guidance, include the following costs:

- Non-recoverable financing costs;
- The portion of Statewide Marketing, Education and Outreach (SW ME&O) allocated to energy efficiency programs;
- $9.2 million in carryover funds from the 2010-2012 program cycle anticipated to be spent in 2015;
- EM&V;
- A placeholder value of $22 million for PG&E’s ESPI forecast of the award that would be recorded in 2015; and
- Estimated savings from the Energy Savings Assistance (ESA) program.

The TRC and PAC exclude:

- BayREN and Marin Clean Energy (MCE) costs and benefits;
- Codes and Standards advocacy;
- Market effects;
- Emerging Technologies (ET) program costs; ⁷ and
- Recoverable financing costs including: 1) 2015 On-Bill Financing (OBF) revolving loan funds adjusted for projected loan defaults, ⁸ and 2) Credit enhancements approved for the Statewide Financing Pilots in D.13-09-044.

A 5 percent default market effects adjustment is included in the total portfolio cost-effectiveness analyses to account for program spillover. ⁹ ¹⁰ However, lines 1 and 2 in

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th></th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>239</td>
<td>32</td>
<td>.55</td>
</tr>
<tr>
<td></td>
<td>283</td>
<td>44</td>
<td>1.1</td>
</tr>
</tbody>
</table>

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⁷ D.12-11-015, p. 53.
⁸ D.09-09-047, p. 288.
Table 4 below (Tables 7.1 and 7.2 in Appendix A) do not include the market effects adjustment to the “Resource Portfolio” and “Resource Portfolio and Non Resource Portfolio,” per the template provided by Staff.

Table 4.1 (Revised): PG&E 2015 TRC Cost-Effectiveness Scenario Results\(^{11}\)

<table>
<thead>
<tr>
<th>Portfolio Description</th>
<th>2010-2012 Claimed</th>
<th>2013 Claimed</th>
<th>2013-2014 Forecast</th>
<th>2015 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource Portfolio (less C&amp;S and less ME(^{12}))(^{13})</td>
<td></td>
<td>1.19</td>
<td>1.05</td>
<td>1.02</td>
</tr>
<tr>
<td>Resource and Nonresource Portfolios (less C&amp;S and less ME)(^{14})</td>
<td></td>
<td>1.16</td>
<td>1.03</td>
<td>1.00</td>
</tr>
<tr>
<td>Portfolio with C&amp;S, ME (2013-15 only) and ESPI</td>
<td>1.47</td>
<td>1.31</td>
<td>1.22</td>
<td>1.25</td>
</tr>
</tbody>
</table>

\(^{10}\) A market effect is a change in the structure or functioning of a market or the behavior of participants in a market that result from one or more program efforts. Typically these efforts are designed to increase in the adoption of energy-efficient products, services or practices and are causally related to market interventions. Market effects include reductions in energy consumption and/or demand in a utility’s service area caused by the presence of the DSM program, beyond program related gross or net savings of participants. These effects could result from: (a) additional energy efficiency actions that program participants take outside the program as a result of having participated; (b) changes in the array of energy-using equipment that manufacturers, dealers and contractors offer all customers as a result of program availability; and (c) changes in the energy use of non-participants as a result of utility programs, whether direct (e.g., utility program advertising) or indirect (e.g., stocking practices such as (b) above or changes in consumer buying habits). Participant spillover is described by (a), and non-participant spillover, by (b) and (c). Some parties refer to non-participant spillover as “free-drivers.” (From EM&V Protocols, April 2006).

\(^{11}\) Does not include Emerging Technology, OBF revolving loan pool, and funding for credit enhancements for Financing Pilots adopted in D.13-09-044.

\(^{12}\) Market Effects (ME) only applies to 2013-2015 pursuant to D. 12-11-015 (and carried forward in D.14-10-046) that adopted 5% spillover for resource programs.

\(^{13}\) Includes non-recoverable financing costs, estimated or awarded Energy Savings Performance Incentive (ESPI), SW ME&O, EM&V; Does not include WE&T, SW DSM, Codes & Standards, BayREN and MCE.

\(^{14}\) Includes non-recoverable financing costs, ESPI, SW ME&O, EM&V, WE&T, and SW DSM; Does not include Codes & Standards, BayREN and MCE.
Table 4.2 (Revised): PG&E 2015 PAC Cost-Effectiveness Scenario Results.\(^{15}\)

<table>
<thead>
<tr>
<th>Resource Portfolio (less C&amp;S and less ME(^{16}))(^{17})</th>
<th>2010-2012 Claimed</th>
<th>2013 Claimed</th>
<th>2013-2014 forecast</th>
<th>2015 forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource and Nonresource Portfolios (less C&amp;S and less ME)(^{18})</td>
<td>1.99</td>
<td>1.46</td>
<td>1.37</td>
<td></td>
</tr>
<tr>
<td>Portfolio with C&amp;S, ME (2013-15 only) and ESPI</td>
<td>1.92</td>
<td>1.42</td>
<td>1.33</td>
<td></td>
</tr>
</tbody>
</table>

Cost Recovery

The EE Decision, as corrected by D.15-01-002, approved the recovery in rates of PG&E 2015 EE portfolio and Demand Response IDSM budgets, as shown in Table 5 below, retaining the net benefit split between electric and gas of 82 percent and 18 percent, respectively.\(^{19}\) The Demand Response IDSM program funded is allocated 100% to electric customers and the budget is not included in PG&E’s cost-effectiveness analysis of the EE portfolio.

Table 5 (Revised): Authorized Funding in 2015 Rates

<table>
<thead>
<tr>
<th>Category</th>
<th>Electric Demand Response Funds</th>
<th>Electric Energy Efficiency Funds</th>
<th>Natural Gas Public Purpose Funds</th>
<th>Total Energy Efficiency Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Funds – Utility</td>
<td>$3,264,000</td>
<td>$327,056,800</td>
<td>$71,791,958</td>
<td>$398,848,756</td>
</tr>
<tr>
<td>Program Funds – BayREN</td>
<td>N/A</td>
<td>$10,527,000</td>
<td>$2,310,000</td>
<td>$12,837,000</td>
</tr>
<tr>
<td>Program Funds – MCE</td>
<td>N/A</td>
<td>$1,001,267</td>
<td>$219,000</td>
<td>$1,220,267</td>
</tr>
<tr>
<td>EM&amp;V</td>
<td>N/A</td>
<td>$14,108,343</td>
<td>$3,096,075</td>
<td>$17,204,418</td>
</tr>
<tr>
<td>Total PG&amp;E</td>
<td>$3,264,000</td>
<td>$352,693,410</td>
<td>$77,417,033</td>
<td>$430,110,441</td>
</tr>
</tbody>
</table>

\(^{15}\)Does not include Emerging Technology, OBF revolving loan pool, and funding for credit enhancements for Financing Pilots adopted in D.13-09-044.

\(^{16}\)Market Effects (ME) only applies to 2013-2015 pursuant to D. 12-11-015 (and carried forward in D.14-10-046) that adopted 5% spillover for resource programs.

\(^{17}\)Includes non-recoverable financing costs, ESPI, SW ME&O, EM&V; Does not include WE&T, SW DSM, Codes & Standards, BayREN and MCE.

\(^{18}\)Includes non-recoverable financing costs, ESPI, SW ME&O, EM&V, WE&T, and SW DSM; Does not include Codes & Standards, BayREN and MCE.

\(^{19}\)This table reflects the allocation between electric and gas for each row shown in Figure 6, as corrected in D.15-01-002, which rounds to 82%/18%. 
The rate impact and revenue requirement by funding source are shown in Appendix C, Tables 2.1, 2.2 and 3.1.

**Prior Years Unspent Funds**

PG&E is proposing to return in gas and electric rates a total of $13.6 in unspent, uncommitted funds, plus applicable interest, as described below and shown in Appendix C, Table 2.2. Once this AL is approved, PG&E will make a one-time adjustment to its EE balancing accounts and incorporate the adjusted balance into customer rates in the next Annual Electric True Up and Annual Gas PPP Surcharge ALs.

**Released 2010-2012 Commitments**

PG&E has a number of projects for which funds were committed during the 2010-2012 program cycle but were not completed by the end of 2012. PG&E is applying unspent funds from 2010-2012 towards these commitments. The IOUs were authorized to carry over unspent funds from their 2010-2012 portfolios to pay for “committed” projects and contracts in 2013-2014.20

PG&E has reduced its committed carryover funds of $34.4 million, as of the end of 2013, by $8.7 million to reflect changes in PG&E’s 2010-2012 carryover pipeline. Specifically, PG&E reduced its Government Partnership (GP) Institutional Partnership subprogram carryover by $3 million and its Industrial program carryover by $5.7 million. PG&E plans to spend the remainder of 2010-2012 EE carryover funds in 2014, 2015 and beyond.

Appendix B.3 summarizes by program the 2010-2012 carryover funding and pipeline commitments for projects that PG&E expects will be completed during the 2013-2014 program cycle and beyond, including the released commitments. The savings by program shown in Appendix B.2 includes savings forecast for these commitments.

PG&E requests authority to make a one time adjustment of $8.7 million to its gas and electric balancing accounts to credit the released commitments from 2010-2012 EE carryover funds in rates. The credit will be allocated 82% to electric and 18% to gas customer using the net benefit split adopted for the 2010-2012 program cycle.

**Remaining 2006-2008 Program Cycle Balance**

PG&E has $3.8 million in 2006-2008 EM&V funds remaining in its EE balancing accounts that can be returned to customers as no further costs are being recorded against these funds. Therefore, PG&E requests authority to make a one time adjustment of $3.8 million to its gas and electric balancing accounts to credit the remaining balances in its 2006-2008 balancing account subledgers in rates.

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20 D.12-11-015, p. 95.
2013-2014 Unspent MCE EE Electric Funds

On December 1, 2014, MCE filed Advice MCE-007-CCA identifying $1.1 million in unspent 2013-2014 EE funds to offset its 2015 EE funding request. MCE’s advice letter was filed in compliance with the Decision OP 26 and approved on February 2, 2015. PG&E requests authority to make a one-time adjustment to its electric EE balancing accounts of $1.1 million to return the unspent 2013-2014 EE funds in electric rates.

Programs

The following program changes that PG&E will implement in 2015 were approved in the Decision, as discussed below. The final program budgets, including applicable carryover funding, are reflected in the budget workbook in Appendix B and revised E3 calculators in Appendix D.

Commercial, Industrial and Agricultural Programs

Proposition 39

PG&E is committed to assisting K-12 and community colleges (schools) customers with their EE projects funded with Proposition 39 funding. PG&E appreciates the Commission’s process and programmatic changes to ensure customers achieve the most comprehensive, persistent energy savings.

PG&E is working to incorporate a Prop 39 “tag” for tracking deemed and custom projects funded by Prop 39. The tag will be incorporated into customer- and implementer-facing rebate applications as well as our corresponding back-end databases. The “tag” will be used for internal and external tracking and auditing purposes. The “tag” will also be used to flag the need for the expedited Commission Staff review of custom Prop 39 projects.

Customer incentives will be set to encourage deeper, more comprehensive EE projects, leveraging current policies or at 75% of incremental measure cost (IMC), whichever is greater.\(^{21}\) In addition, PG&E will raise the cap on expected useful life (EUL) to 30 years for removed equipment to calculate the savings for equipment qualifying for early retirement in schools.\(^{22}\)

As discussed in Attachment 2, PG&E applied a NTG of 0.85 to its three 3P and GP school programs: K-12 Private Schools and Colleges Audit Retrofit, School Energy Efficiency, and California Community Colleges Institutional Partnership program. For schools-related projects that leverage PG&E’s Commercial subprograms (e.g., Deemed, Customized, Savings by Design), PG&E will apply the NTG as part of its

\(^{21}\) D.14-10-046, OP 9
\(^{22}\) ibid
2015 ex-ante savings claims. PG&E will take the same approach for any locational targeted projects.\(^{23}\)

**Zero Net Energy Pilot**
In accordance with OP 7, PG&E, on behalf of itself and the other IOUs, filed a Tier 2 AL on February 13 2015 to propose its Proposition 39 ZNE pilot program.\(^{24}\) PG&E worked with Staff to ensure a coordinated effort, and held a stakeholder workshop on this topic in January 2015.

**To-Code Pilot**
In accordance with OP 8, PG&E will file an advice letter proposing a Program Implementation Plan (PIP) for a pilot to examine the success of to-code incentives in increasing customer uptake in EE projects. PG&E will collaborate with other IOUs to develop complementary pilots so that sufficient data is collected to inform any policy changes. The Decision approved up to $1 million to fund this pilot. PG&E will identify which of its programs will fund this pilot as part of the advice letter.

**Locational Program Initiatives**
In compliance with OP 12, PG&E updated its Commercial, Industrial, Agricultural and Residential PIPs to reflect locational energy efficiency measure enhancements offered in targeted areas. The PIP updates were posted to the CPUC’s Energy Efficiency Statistics (EEStats) public website\(^{25}\) in accordance with the Commission’s PIP Addendum Process. As part of its 2015 ex ante data submissions, PG&E will “tag” locational measures/projects for internal and external tracking and auditing purposes.

Similar to its approach for schools projects, PG&E will raise the cap on the EUL to 30 years when calculating the savings for equipment qualifying for early retirement for locationally-targeted EE projects, per OP 14.

In accordance with OP 13, PG&E will work with Commission staff on data collection and analysis, and updates to default PV[Gen] and PV[TD] values in cost calculators to ensure the value of locational projects is understood.

**Workforce Education and Training (WE&T) Program**
On February 23, 2015, PG&E on behalf of itself and the other IOUs filed a Tier 2 AL, in accordance with OP 17, that describes the WE&T initiatives that the IOUs intend

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\(^{23}\) ibid

\(^{24}\) PG&E AL 3563-G/4587-E, SDG&E AL 2704-G/2360-E, SCE AL 3176-E and SoCalGas AL 4759.

to initiate in 2015.\footnote{26} The initiatives are based on the recommendations prepared by the WE&T consultant hired as directed by D.12-11-015.

**Lighting Program**
PG&E will continue to capture the remaining CFL market potential as reflected in the current potential study, and target hard-to-reach markets. (Decision, p. 19.)

**Financing Program**
PG&E will record the approved incremental On Bill Financing (OBF) loan funds of $10 million for 2015 in the gas and electric OBF balancing accounts.

**Third Party Programs**
On December 5, 2014, PG&E filed AL 3539-G/4545-E\footnote{27} requesting approval to close the following 3P programs in 2015: ConSol Builder Energy Code Training Program (21074), Build It Green - Green Building Technical Support Services Program (21075), CLEAResult High Efficiency Water Heater Program (IDEEA365), and Enovity Monitoring-Based Persistence Commissioning Program (MBPCx) (210110). PG&E has shifted these funds to other 3P programs, as shown in Appendix B.1.

PG&E completed its contract extensions for the continuing 3P program implementers by December 31, 2014, to ensure that programs were authorized to continue as of January 1, 2015.

**Government Partnership Programs**
PG&E completed its contract extensions for all GP programs by December 31, 2014, to ensure that programs were authorized to continue as of January 1, 2015.

**Regional Energy Networks and Community Choice Aggregator**

**SF Bay Area Regional Energy Network**
In accordance with OP 23, PG&E has entered into an Amendment of its contract with the Association of Bay Area Governments (ABAG) on behalf of BayREN to extend its contract. Contract negotiations were completed by December 12, 2014.

PG&E filed a Tier 1 AL on January 21, 2015, to confirm execution of its contract with BayREN, pursuant to OP 29.\footnote{28}

**Marin Clean Energy**
On December 5, 2014, PG&E requested an extension of time to comply with OP 26, which requires PG&E to enter into a funding contract with MCE for MCE's gas...
measures in its EE program no later than December 12, 2014. PG&E requested the date to be extended until one week after the Energy Division’s disposition of MCE AL MCE-007-CCA filed December 1, 2014. MCE filed the AL identifying $1.1 million in unspent 2013-2014 EE funding to offset its 2015 approved budget of $1.2 million. Approval of MCE’s AL was needed to establish the amount of its EE funding for 2015 (Decision, p. 125).29

Energy Division approved MCE-007-CCA on February 2, 2015. PG&E executed the contract with MCE on February 5, 2015, within one week of Energy Division’s disposition of MCE’s AL. PG&E filed a Tier 1 AL on February 10, 2015, to confirm execution of its contract with MCE, pursuant to OP 29 and the granted extension.30

**EM&V**

The Decision, as corrected by D.15-01-002, adopts an EM&V budget to be collected from PG&E’s customers of $17.2 million and continues the current split between Staff and IOU efforts of 72.5% and 27.5%, respectively.

The Decision also approved PG&E’s request to include $375,496 of benefit burden in the EM&V budget. PG&E proposes to apply the split to the EM&V budget, and then add the benefit burden amount to PG&E’s portion of the EM&V budget to align with recorded expenditures, as shown in Table 6, below.

**Table 6: PG&E’s EM&V Funding**

<table>
<thead>
<tr>
<th>Category</th>
<th>EM&amp;V</th>
<th>Benefit Burden</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EM&amp;V – Staff</td>
<td>12,200,968</td>
<td>-</td>
<td>$12,200,968</td>
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<tr>
<td>EM&amp;V – PG&amp;E</td>
<td>4,627,954</td>
<td>375,496</td>
<td>$ 5,003,450</td>
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<tr>
<td><strong>Total EM&amp;V</strong></td>
<td>16,828,922</td>
<td>375,496</td>
<td>$17,204,418</td>
</tr>
</tbody>
</table>

**Effective Date**

PG&E requests this Tier 2 advice filing be approved by July 15, 2015, which is 30 days from the date of the filing, with an effective date of January 1, 2015.

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29 MCE filed AL MCE-008-CCA on December 15, 2014, requesting additional use of its 2013-2014 unspent energy efficiency funds. This AL was suspended to allow more time for Staff review.

30 PG&E AL 3561-G/4584-E
Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than July 6, 2015, which is 21 days after the date of the original advice letter.

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:

Erik Jacobson
Director, 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, Rule 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 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, Rule 3.11).

31 The 20-day protest period concludes on a weekend. PG&E is hereby moving this date to the following business day.
Notice

In accordance with General Order 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 R.13-11-005. 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.

/S/
Erik Jacobson
Director, Regulatory Relations

Attachment 1 – List of Appendices available electronically
Attachment 2 – PG&E Response to Guidance Memo

cc: Service List for R.13-11-005
CALIFORNIA PUBLIC UTILITIES COMMISSION
ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

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

<table>
<thead>
<tr>
<th>Company name/CPUC Utility No.</th>
<th>Pacific Gas and Electric Company (ID U39 M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Utility type:</td>
<td>Contact Person: Kingsley Cheng</td>
</tr>
<tr>
<td>☑ ELC ☑ GAS</td>
<td>Phone #: (415) 973-5265</td>
</tr>
<tr>
<td>☐ PLC ☐ HEAT ☐ WATER</td>
<td>E-mail: <a href="mailto:k2e0@pge.com">k2e0@pge.com</a> and <a href="mailto:PGETariffs@pge.com">PGETariffs@pge.com</a></td>
</tr>
</tbody>
</table>

EXPLANATION OF UTILITY TYPE

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

Advice Letter (AL) #: 3541-G-C/4550-E-C
Subject of AL: Third Supplement: PG&E’s 2015 Energy Efficiency Portfolio Advice Letter In Compliance With Decision 14-10-046, Ordering Paragraph 16

Keywords (choose from CPUC listing): Compliance, Energy Efficiency, Portfolio
AL filing type: ☑ One-Time  ☐ Monthly  ☐ Quarterly  ☐ Annual  ☐ Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #: D.14-10-046
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, 2015  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 days 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: Eric Jacobson
Director, Regulatory Relations
77 Beale Street, Mail Code B10C
P.O. Box 770000
San Francisco, CA 94177
E-mail: PGETariffs@pge.com

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1 The 20-day protest period concludes on a weekend. PG&E is hereby moving this date to the following business day.
ATTACHMENT 1 – LIST OF APPENDICES

The appendices listed below will be available on PG&E’s website by the close of business, June 15, 2015. The documents can be accessed as follows:

1) Go to: https://pgera.azurewebsites.net/Regulation/search
2) Select “Energy Efficiency 2015 and Beyond Rolling Portfolios” from the dropdown menu
3) Select “PGE” under Party and “06/15/2015” under Date to narrow the search criteria
4) 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: Alana Volskaya, Case Coordinator, Regulatory Affairs, Regulatory Support and Metrics, Telephone: (415) 973-1562, Facsimile: (415) 973-3574, e-mail: OXV5@pge.com.

APPENDIX A: 2015 BUDGET REQUEST SUMMARY TABLES

- Table 1 (Revised) – PG&E Commission Adopted and Proposed Energy Savings Goals
- Table 2 – PG&E Total 2015 Requested and 2010-2014 Authorized Budgets
- Table 3 (Revised) – PG&E Past and Requested Energy Efficiency Budgets
- Table 4.a – PG&E Unspent Energy Efficiency Program Funding
- Table 4.b – PG&E Carryover Energy Efficiency Program Funding Not Yet Spent
- Table 5 – PG&E 2013 Authorized and Spent/Unspent Detail
- Table 6.1 (Revised) – PG&E Estimated and Claimed Savings 2010-2015
- Table 6.2 – PG&E CPUC Authorized Goals for 2010-2015
- Table 6.3 (Revised) – PG&E Comparison of Forecast and Claimed Savings to CPUC Authorized Goals
- Table 7.1 (Revised) – PG&E TRC Cost effectiveness Scenario Results
- Table 7.2 (Revised) – PG&E PAC Cost effectiveness Scenario Results

APPENDIX B: BUDGET AND SAVINGS PLACEMAT TABLES (REVISED)

- Appendix B.1 (Revised) – PG&E Budget Placemat Table
- Appendix B.2 (Revised) – PG&E Savings Placemat and Cost Effectiveness Table
- Appendix B.3 (Revised) – PG&E Budget Spent, Unspent and Carryover Details
APPENDIX C: SAVINGS ALLOCATION AND FUNDING SOURCES DETAIL

- Table 1.1 (Revised) – PG&E 2013-2015 Gross Annual Savings Impacts by Year
- Table 1.2 (Revised) – PG&E 2015 Total Requested Budget and Projected Gross Portfolio Savings Impacts by Sector and End Use
- Table 1.3 (Revised) – PG&E 2015 Approved Budget and Projected Savings Impacts of Resource Program by Market Sector
- Table 2.1 (Revised) – PG&E Bill Payer Impacts – Rates by Customer Class
- Table 2.1.a – PG&E Electric Bill Payer Impacts – Current and Proposed Revenues and Rates, Total and Energy Efficiency, by Customer Class
- Table 2.1.b – PG&E Gas Bill Payer Impacts - Current and Proposed Revenues and Rates, Total and Energy Efficiency, by Customer Class
- Table 2.2 (Revised) – PG&E Budget and Cost Recovery by Funding Source
- Table 3.1 (Revised) – PG&E 2015 Projected Caps and Targets

APPENDIX D: PORTFOLIO COST EFFECTIVENESS ANALYSIS

Appendix D.1 – PG&E E3 Calculator Engine

Appendix D.2 – PG&E E3 Calculator 2013 Actuals

- Appendix D.2.1 – List of E3 Calculator Files
- Appendix D.2.2 – Subprogram E3 (Third Party (3P) Program)
- Appendix D.2.3 – Subprogram E3 (Commercial, Industrial, Agricultural and Residential (CIAR) and Lighting (LTG))
- Appendix D.2.4 – Subprogram E3 (Government Partnership (GP) and Codes and Standards)

Appendix D.3 – PG&E E3 Calculator 2014 Forecast

- Appendix D.3.1 – List of E3 Calculator Files
- Appendix D.3.2 – Subprogram E3 (3P Program)
- Appendix D.3.3 – Subprogram E3 (CIAR and LTG)
- Appendix D.3.4 – Subprogram E3 (GP and Codes and Standards)

Appendix D.4 – PG&E E3 Calculator 2015 Forecast (Revised)

- Appendix D.4.1 – List of E3 Calculator Files
- Appendix D.4.2 – Subprogram E3 (3P Program)
- Appendix D.4.3 – Subprogram E3 (CIAR and LTG)
- Appendix D.4.4 – Subprogram E3 (GP and Codes and Standards)
The table below summarizes the impacted appendices and tables from revisions made in this advice letter.

<table>
<thead>
<tr>
<th>Item #</th>
<th>Revisions</th>
<th>Appendix A Tables</th>
<th>Appendix B - Placemats</th>
<th>Appendix C Tables</th>
<th>Appendix D – E3 Calculators</th>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Revise program budgets</td>
<td>Table 3, Table 6.1, Table 7.1, Table 7.2</td>
<td>Table B.1, Table B.2, Table B.3, Table B.4</td>
<td>Table 1.1, Table 1.2, Table 3.1, Table 2.1, Table 2.2, Table 3.1</td>
<td>Appendix D.4 2015 Forecast Changes have been made to the following E3 files: 2015 Cand S_Output.xls AGC_PGE21032_Input-Output.xls AGC_PGE21034_Input-Output.xls COM_PGE21011_Input-Output.xls COM_PGE21012_Input-Output.xls COM_PGE21014_Input-Output.xls COM_PGE21015_Input-Output.xls COM_PGE211025_Input-Output.xls IND_PGE21021_Input-Output.xls IND_PGE21022_Input-Output.xls IND_PGE21023_Input-Output.xls IND_PGE21024_Input-Output.xls LTG_PGE21041_Input-Output.xls RES_PGE21002_Input-Output.xls RES_PGE21006_Input-Output.xls</td>
</tr>
</tbody>
</table>
On November 3, 2014, PG&E received guidance from Commission staff (Staff) in a memo entitled “Required Corrections to Measure Level Input Parameters Identified by Commission Staff per D.14-10-046 Order Paragraph 16.” (Guidance Memo). PG&E met with Staff consultants on November 6, 2014, to further discuss the recommendations in the Guidance Memo. The Guidance Memo outlined the measure level parameter values that required fixes in Program Administrators’ (PA) E3 calculators to be submitted as part of PAs’ advice letters (ALs) submitted in compliance with D.14-10-046 (Decision), Ordering Paragraph (OP) 16 (2015 Compliance AL).

Staff provided recommendations for each measure level input that they deemed required a fix. In reviewing the Guidance Memo, PG&E determined that while many of the recommended corrections were justified, many of the recommendations constituted changes to ex ante savings values as approved in 2013-2014 workpapers, and in several cases, changes to program approaches previously approved in D.12-11-015. The intent of 2015 was to be an extension of 2013-2014 program years. As such, PG&E had not planned to make programmatic changes save for those outlined in its 2015 EE Funding Proposal, and as approved in D.14-10-046. The Guidance Memo effectively acts as an extensive workpaper disposition -- which includes changes to approved ex ante savings values -- with which PG&E will comply. However, PG&E notes that some of the recommended changes have impacted the cost effectiveness of programs.

PG&E agreed to follow the recommendations as provided in the Guidance Memo, with the understanding that certain programmatic changes might occur following the submission of its 2015 Compliance AL to ensure alignment with 2015 ex ante claims.

PG&E plans to complete updates in time for the 1st Quarter (Q1) 2015 reporting claim. As required, PG&E will work with Staff on its plan for ex ante savings values and programmatic updates.

More specific detail on how PG&E incorporated Staff’s recommendations is provided below.

**Incremental Measure Cost (IMC)**

For its portfolio of 2013-2014 measures, PG&E used the DEER 2008 cost table for incremental measure costs (IMC), as required and when available, or market cost estimates when measure costs were unavailable in DEER. These values were approved in Phase 1 and Phase 2 workpapers throughout 2013 and 2014.
The Guidance Memo directs PG&E to revise measure costs in those cases where application of the prior policy resulted in deemed measure costs being less than rebates. For custom measures, PG&E revised the measure costs to reflect current market costs, as recommended in the Guidance Memo. For deemed measures, PG&E revised measure costs by estimating them to be twice the incentive, as recommended in the Guidance Memo. Implementation of this guidance to change measure costs was a significant factor in the decline of the portfolio TRC from the value calculated in the EE Funding Proposal.

PG&E feels this approach inflates actual Incremental Measure Costs (IMC) and does not accurately reflect market costs. PG&E notes, that in practice, PG&E follows the guidelines delineated in the draft cost basis guidance document developed by IOUs to determine the incremental cost of EE measures. For projects that meet a specified threshold and other criteria developed in collaboration with Staff and IOUs, PG&E may apply an “IMC factor” to estimate IMC. PG&E believes this accurately reflects market costs in contrast to the Guidance Memo that overstates them.

The CPUC has been working to finalize the 2010-2012 EM&V WO017 Ex Ante Measure Cost Study. The objective of the study is to provide the Commission and the PAs with improved ex ante measure cost estimates for DEER and non-DEER measures. Once this study is finalized and approved by Staff, PG&E will update workpapers, as appropriate, to reflect the measure cost estimate as outlined in the final W0017 study. PG&E’s preferred approach would have been to wait for this study to be completed to revise measure costs.

**Incentive incorrectly specified as rebate**

PG&E made corrections to measures where costs had been incorrectly specified as rebates to customers. These corrections were revised to reflect the correct classification as incentives to others, direct install costs or non-incentive direct implementation administrator costs.

**Net-to-Gross Ratios**

Staff identified several issues with PG&E’s Net to Gross (NTG) values. PG&E’s 2015 EE Funding Proposal used savings value parameters that were approved as part of the 2013-2014 Phase 1 and 2 workpaper approval process. These approved workpapers included NTG ratios that were approved for use in the 2013-2014 program cycle. However, the Guidance Memo indicates that PG&E has incorrectly assigned certain NTG values to certain measures and programs.

In review of Staff’s recommendations, PG&E agrees certain NTG ratios could be updated and has adjusted E3 calculators to reflect the following changes. In some
instances, PG&E disagrees with Staff recommendations and has retained the NTG as originally filed in PG&E’s 2015 EE Funding Proposal. PG&E has included its rationale and evidence to support this approach in the section Use of Emerging Technology Default, below.

PG&E would like to note, however, that such changes to NTG values typically occur as part of the ex ante review of workpapers or through ex post evaluations. Changing NTG ratios for the 2015 Compliance AL will require PG&E to submit a significant amount of workpaper revisions for Staff approval at the onset of 2015.

**Use of Direct Install into Hard to Reach Customer NTG ratios**

Several Government and Community Partnership programs and several Third Party direct install (DI) programs had been designated as Hard to Reach (HTR) and leveraged the HTR net-to-gross (NTG) designation of 0.85 for DI implementation throughout 2013 and 2014, as approved in the existing set of DI workpapers. As guidance to change these NTG values was provided November 3, 2014, insufficient time exists for PG&E to make significant program changes before filing its 2015 Compliance AL. PG&E must work with Third Party implementers to implement certain changes to our HTR approach.

As such, PG&E updated the E3 calculators to reflect the new NTG recommendations in the Guidance Memo. However, PG&E will continue to use the HTR designation for certain DI activities that meet the criteria and definition included in the Guidance Memo. PG&E will need to work with program implementers to determine which programs, and activities within each program, meet the HTR designation according to the Guidance Memo. In order to leverage the HTR designation, PG&E will require significant documentation from program implementers that will require new tracking and reporting requirements. For those program activities that do not meet the HTR designation, PG&E plans to develop new DI measure codes that reflect the recommendations as provided in the Guidance Memo. PG&E hopes to have these measure codes developed, and workpapers approved, before the 2015 Q1 quarterly data submission. PG&E will work with Staff on a plan and timeline to incorporate these program and measure parameter changes.

**Use of Emerging Technology Default**

PG&E has retained the Emerging Technologies (ET) NTG for certain LED measures, as delineated below. Each of these LED measures has an associated ET study that caused the program to offer that measure. These studies are publically available and can be accessed by the ET project numbers at:

http://www.etcc-ca.com/advanced-project-reports-search
Other measures that used the ET NTG ratio of 0.85 and were included in PG&E's 2015 funding proposal, such as variable refrigerant flow (VRF), have been changed in PG&E's 2015 Compliance AL to reflect the recommendations as provided by Staff.

<table>
<thead>
<tr>
<th>ET Program Year</th>
<th>ET Project Number</th>
<th>Program Area to which the measure belongs</th>
<th>Measure Code</th>
<th>Updated Measure Code for 2015 only</th>
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</thead>
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<tr>
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<td>LD101-LD113</td>
<td>LD101-LD113</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>LD01-05, LD08, L038, LC56, LC67, LC75, LO37-LO41 paid in Residential Upstream in 2012, which includes a percentage of cross-cutting rebates applied to Non-Residential Customers.</td>
<td>LD196-LD203, LD03, LD167-LD195</td>
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<tr>
<td>2010-2012</td>
<td>ET11PGE2201</td>
<td>Commercial</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010-2012</td>
<td>ET12PGE1011</td>
<td>Lighting</td>
<td>LD01-05, LD08, L038, LC56, LC67, LC75, LO37-LO41 paid in Residential Upstream in 2012, which includes a percentage of cross-cutting rebates applied to Non-Residential Customers.</td>
<td>LD196-LD203, LD03, LD167-LD195</td>
</tr>
<tr>
<td>2010-2012</td>
<td>ET12PGE3301</td>
<td>Lighting</td>
<td>LD01-05, LD08, L038, LC56, LC67, LC75, LO37-LO41 paid in Residential Upstream in 2012, which includes a percentage of cross-cutting rebates applied to Non-Residential Customers.</td>
<td>LD196-LD203, LD03, LD167-LD195</td>
</tr>
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<td>Lighting</td>
<td>LC23</td>
<td>LD133-LD146</td>
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<td>ET12PGE3361</td>
<td>Commercial</td>
<td>LD101-LD113</td>
<td>LD101-LD113</td>
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**NTG Default For Recent Measures**

PG&E has made changes to measures as recommended in the Guidance Memo. During PG&E’s November 6, 2014 meeting with Staff consultants, it was agreed that these measures, since launching mid-2013, should still qualify for the 0.7 NTG used for measures that have been in a PA’s portfolio less than 2 years. However, PG&E has decided to take a conservative approach and make changes to NTG values as suggested by Staff.
Use of newly authorized NTG value for Schools and Locational Projects

PG&E applied a NTG of 0.85 to its three Third Party and Government Partnership school programs: K-12 Private Schools and Colleges Audit Retrofit, School Energy Efficiency, and California Community Colleges Institutional Partnership program. For schools-related projects that leverage PG&E’s Commercial subprograms (e.g., Deemed, Customized, Savings by Design).

PG&E will apply the NTG as part of its 2015 ex ante savings claims. PG&E will take the same approach for any locational targeted projects.

NTG assignment

The Guidance Memo proposed that the NTG for PG&E’s Home Energy Reports (HERs) be revised. However, PG&E assigned a NTG of 1 to HERs consistent with the most recent ex post EM&V study that allows all claimed savings resulting in HERs to be ex post NTG = 1.0. Therefore, PG&E has retained the NTG of 1 for HERs in its 2013 EE Compliance AL.

Inappropriate unit energy savings values

The Guidance Memo identified several measures that, as of January 1, 2015, would be considered code such as small package HVAC measures and standard practice linear fluorescent measures. PG&E has removed those measures from its 2015 forecast.

- In addition, PG&E made changes to standard practice High Intensity Discharge (HID) lighting measures to reflect measure parameter changes identified as part of the May 30, 2014, workpaper disposition.

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AT&T  
Albion Power Company  
Alcantar & Kahl LLP  
Anderson & Poole  
BART  
Barkovich & Yap, Inc.  
Bartle Wells Associates  
Braun Blasing McLaughlin, P.C.  

CPUC  
California Cotton Ginners & Growers Assn  
California Energy Commission  
California Public Utilities Commission  
California State Association of Counties  
Calpine  
Casner, Steve  
Cenergy Power  
Center for Biological Diversity  
City of Palo Alto  
City of San Jose  
Clean Power  
Coast Economic Consulting  
Commercial Energy  
Cool Earth Solar, Inc.  
County of Tehama - Department of Public Works  
Crossborder Energy  
Davis Wright Tremaine LLP  
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Defense Energy Support Center  
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Dougyess & Liddell  
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GenOn Energy, Inc.  
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Praxair  
Regulatory & Cogeneration Service, Inc.  
SDC Energy Solutions  
SCE  
SDG&E and SoCalGas  
SPURR  
Seattle City Light  
Sempra Energy (Socal Gas)  
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)  
YEP Energy