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December 15, 2014

Advice 3541-G/4550-E

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

**Subject: 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) hereby submits its advice letter (AL) 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 guidance from the California Public Utilities Commission (CPUC or Commission) Energy Division staff (Staff).

Documentation detailing required portfolio cost effectiveness, portfolio budget and savings, and other information is included in Appendices A through D, as described in Attachment 1.

Attachment 1 provides instructions for accessing the appendices to this AL 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 Commission Staff per D.14-10-046 Order Paragraph 16" (Guidance Memo).

Background

On October 16, 2014, the Commission adopted 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). The final decision was issued on October 24, 2014.

The Decision approves PG&E's total energy efficiency (EE) portfolio budget of \$429.4 million, including \$379.3 million for PG&E's program budget, \$16.1 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.14-08-032.¹ 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) considers 2015 to be the third year of a 2013-2015 portfolio cycle allowing PG&E to use unspent 2013-2014 funds in 2015, to count savings from 2013-2014 towards 2015 goals and cost effectiveness, and for calculating regulatory caps and targets. The Commission directs Staff to undertake EM&V activities for 2013-2014 and 2015 combined. PG&E may continue to move funds around within programs and across programs following existing fund shifting rules. PG&E can also request larger programmatic changes by AL or application per prior practice.

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 IOUs, the Commission authorizes annualized funding levels at 2015 levels through 2025, unless changed. For 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) tests that exceed 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.²

¹ 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).

² 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.
- The cost calculations for 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; however, for the purpose of the AL, the budgets may not be increased. (Decision, p. 110.)

Budget

The Decision approved for PG&E a 2015 portfolio budget of \$429.4 million, as shown in Table 1 below.³

Table 1: PG&E Total 2015 Energy Efficiency Budgets (\$)

Program	2015 Budget	Burden Benefits	Total Adopted Budget
Residential	59,496,576	2,297,803	61,794,379
Commercial	73,587,975	5,452,953	79,040,928
Industrial	17,252,265	1,436,515	18,688,780
Agricultural	17,449,635	1,373,373	18,823,008
Lighting	12,856,180	695,379	13,551,559
Codes & Standards (C&S)	8,248,217	337,031	8,585,248
Financing	15,000,000	568,714	15,568,714
Subtotal	203,890,848	12,161,767	216,052,615
Third Party (3P)	87,234,722	3,671,469	90,906,191
Government Partnerships (GP)	69,736,755	2,585,159	72,321,914
Subtotal	156,971,477	6,256,628	163,228,105
Emerging Technology (ET)	5,959,297	332,780	6,292,077
Workforce Education and Training (WE&T)	11,800,107	761,235	12,561,342
IDSM	674,523	40,094	714,617

³ 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.

Program	2015 Budget	Burden Benefits	Total Adopted Budget
Subtotal	18,433,927	1,134,109	19,568,036
Subtotal Utility	379,296,252	19,552,504	398,848,756
BayREN	12,837,000	N/A	12,837,000
MCE	1,220,267	N/A	1,220,267
Subtotal Nonutility	14,057,267	N/A	14,057,267
Total Programs	393,353,519	19,552,504	412,906,023
EM&V	16,141,000	375,496	16,516,496
Total EE	409,494,519	19,928,000	429,422,519

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. As outlined in PG&E's EE 2015 Funding Proposal,⁴ PG&E made the following shift in funds between program areas for 2015:

- \$2 million increase for C&S for Zero Net Energy (ZNE) activities
- \$14.7 million increase for Commercial programs
- \$2.3 million increase for Residential programs
- \$21.5 million increase for Financing

PG&E's program budget meets the 10% IOU administrative cap, 6% local marketing cap, 4% EM&V cap and the 20% requirement for competitively bid programs. PG&E's 2015 projected caps and targets are shown in Appendix C, Table 3.1.

Goals

PG&E anticipates meeting or exceeding the Commission's energy savings goals for 2015. The goals in the Decision and PG&E's forecasted savings are shown in Table 2 below: The CPUC goals include BayREN and MCE, however; PG&E's 2015 targets shown below include only PG&E's energy savings forecast.

⁴ Table 4, p. 6

Table 2: PG&E Targets Compared to CPUC Goals

	Electric Savings (GWh/Year)	Peak Savings (MW)	Gas Savings with interactive effects (MM Therms/Year)
Programs (goals set on gross basis) ⁽¹⁾			
CPUC 2015 Goals	697	110	14.3
PG&E 2015 Targets	719	119	20
<i>% of Goal</i>	<i>103%</i>	<i>108%</i>	<i>140%</i>
Codes & Standards Advocacy (goals set on net basis)			
CPUC 2015 Goals	283	44	1.1
PG&E 2015 Targets	283	44	1.1
<i>% of Goal</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>
Total Adopted Goals (combines gross and net goals)			
CPUC 2015 Goals	980	154	15.4
PG&E 2015 Targets	1002	163	21.1

(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 has re-stated its 2014 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.⁵ These savings values are shown in Appendix B.2.

⁵ PG&E's 2014 revised savings targets filed in PG&E's EE 2015 Funding Proposal were 744 GWh/year, 145 MW and 28.4 MM Therms.

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

PG&E 2013-2015 Compliance Filing Savings Targets				CPUC Savings Goals ⁽¹⁾		
PG&E Programs (goals set on gross basis)				CPUC Program Savings Goals (gross goals)		
Year	Gross GWh	Gross MW	Gross MM Therm	Gross GWh	Gross MW	Gross MM Therm
2013	798	150	29.7	599	114	21.0
2014	736	143	26.97	593	100	20.3
2015	719	119	20	697	110	14.3
2013-2015 Program Goals	2,253	412	72.7	1,889	324	55.6
<i>% of CPUC Goals</i>	<i>119%</i>	<i>127%</i>	<i>131%</i>			
PG&E 2013-2015 Codes and Standards (net goals)				CPUC Codes and Standards Savings Goals (net goals)		
Year	Gross GWh	Gross MW	Gross MM Therm	Gross GWh	Gross MW	Gross MM Therm
2013	254	31	.07	254	31	.07
2014	239	32	.55	239	32	.55
2015	283	44	1.1	283	44	1.1

(1) 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 D.14-10-046

Cost-Effectiveness

PG&E's 2015 portfolio has a TRC of 1.05 and a PAC of 1.74, as further detailed in Appendix A, table 7.1 and 7.2. The TRC and PAC include costs for:

- BayREN and MCE
- C&S advocacy
- The portion of Statewide ME&O allocated to EE
- \$9.2 million in carryover funds from the 2010-2012 program cycle anticipated to be spent in 2015
- A placeholder value of \$22 million for PG&E's ESPI forecast to recorded in 2015
- Estimated savings from the Energy Savings Assistance (ESA) program.

The TRC and PAC exclude:

- Emerging Technologies (ET) program costs⁶
- 2015 On-Bill Financing (OBF) revolving loan funds adjusted for projected loan defaults⁷
- Credit enhancements approved for Financing Pilots in D.13-09-044

PG&E has applied a 5 percent default market effects adjustment in its portfolio cost-effectiveness analysis to account for program spillover.⁸

PG&E's 2015 cost effectiveness has decreased as a result of certain required corrections to measure-level input parameters outlined in the Guidance Memo. Many of these corrections have resulted in unexpected updates to approved ex ante values. PG&E's cost effectiveness analysis includes the required corrections to these measure level parameters.

PG&E believes that it will be able to improve the actual TRC and PAC values from its forecast values for 2015. PG&E has begun implementation of a portfolio optimization effort, and it will continue to make incremental improvements to portfolio cost effectiveness with this initiative throughout 2015.

In addition, the 2010-12 C&S Impact Evaluation indicates that the 2015 C&S savings forecast may increase.⁹ Some of the evaluated measures will provide greater energy savings (due to greater per unit energy savings and/or increased compliance rates) than forecasted in the 2013-14 program cycle. For example, compliance rates are higher than expected and the Title 20 battery charger standard will increase savings.

⁶ D.12-11-015, p. 53

⁷ D.09-09-047, p. 288.

⁸ D.12-11-105, p. 55.

⁹ http://calmac.org/publications/CS_Evaluation_Report_FINAL_10052014-2.pdf

Once the C&S savings forecasts are finalized by Staff, PG&E believes that the increased 2015 C&S savings will also improve PG&E's portfolio cost effectiveness.

PG&E anticipates that the upcoming evaluation of the 2010-2013 program cycle will provide information on the amount of 2010-2012 carryover CFL savings that can be applied to the 2013-2015 energy savings goals. PG&E will include those values in future reports after the values are final.

PG&E has implemented multiple initiatives in 2014 to reduce program administration , and it will continue these initiative throughtout 2015. In 2014, PG&E has focused on identifying and implementing efficiencies in the custom program, particularly in the costs associated with processing a customized project incentive application. As part of this initiative, PG&E instituted its "deemed must go deemed" policy. Beginning in 2015, PG&E will institute a minimum incentive threshold eligibility requirement for all customized projects, and continue to review its application process in an effort to reduce customized project review costs. PG&E's continuous improvement efforts are intended to improve portfolio cost effectiveness.

PG&E also plans to recontract the Third Party (3P) subprograms. As part of this effort, PG&E believes efficiencies will be found that will contribute to direct implementation cost reductions and improve portfolio cost effectiveness.

PG&E's energy savings workbook and E3 calculators are provided in Appendices B and D, respectively.

Cost Recovery

Table 4, below, presents PG&E's total Demand Response and EE funding to be recovered in rates, as adopted in the Decision consistent with Figure 7. As reflected in the Decision (at Figure 6), PG&E's 2015 EE portfolio retains the net benefit split between electric and gas of 82 percent and 18 percent, respectively. The Demand Response IDSM program funded is allocated 100% to electric customers.

On November 7, 2014, PG&E submitted to the Commision's Executive Director "PG&E's Request for Order Correcting Errors in Figure 6" (PG&E's Request to Correct Errors) to remove the Demand Response IDSM funding from the EE program funding, and to set the allocation between gas and electric funding sources based on whole number values to simplify EE cost accounting in balacing accounts.¹⁰

The authorized funding shown in Table 4 does not reflect MCE's \$1.1 million in unspent 2013-2014 EE funds identified to offset MCE's 2015 EE funding pursuant to

¹⁰ PG&E's Request to Correct Errors also requested clarification on discrepancies between the BayREN final EE program budget shown in D.14-10-046 (at Figure 6 and 7) and discussed in D.14-10-046 (at pp.129-135).

Advice MCE-007-CCA filed December 1, 2014. Once MCE's AL is resolved, PG&E will make a one-time balancing account adjustment to revise the 2015 MCE budget being recovered in customer rates.¹¹

Table 4: Authorized Funding in 2015 Rates

Category	Electric Demand Response Funds	Electric Energy Efficiency Funds	Natural Gas Public Purpose Funds	Total Energy Efficiency Funds (1)
Program Funds – Utility (2)	\$3,264,000	\$327,055,980	\$71,792,776	\$398,848,756
Program Funds – BayRen (3)	N/A	\$10,526,340	\$2,310,660	\$12,837,000
Program Funds – MCE (4)	N/A	\$1,000,619	\$219,648	\$1,220,267
EM&V	N/A	\$13,543,526	\$2,972,969	\$16,516,496
Total PG&E	\$3,264,000	\$352,126,466	\$77,296,053	\$429,422,519

Notes:

- (1) The EE program and EM&V totals are allocated 82% electric and 18% gas in whole numbers to simplify EE cost accounting in balancing accounts.
- (2) Demand Response IDSM funds are removed from the EE electric and gas totals as incorrectly shown in Figure 6.
- (3) BayREN's funding shown here is consistent with the total shown in Figure 7.
- (4) The 2015 authorized funding for MCE has not been adjusted for unspent 2013-2014 EE funds reported in AL MCE 007-CCA, filed on December 1, 2014, per OP 25.

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 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 2013-2014.¹²

PG&E's committed carryover funds of \$34.4 million, as of the end of 2013, have been reduced by \$8.7 million to reflect changes in PG&E's 2010-2012 carryover pipeline.

¹¹ PG&E assumes that the AL disposition letter will specify how the 2013-2014 unspent funds will be allocated to offset MCE's 2015 gas and electric EE program budgets.

¹² D.12-11-015, p. 95.

Specifically, PG&E has 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 credit the released commitments from 2010-2012 EE carryover funds of \$8.7 million, including interest, in rates by making a one-time adjustment to the EE balancing accounts once this AL is approved. This adjustment, along with the approved offset to MCE's 2015 EE budget will be incorporated into customer rates in the next Annual Electric True up and Annual Gas PPP Surcharge ALs.

Programs

The following program changes were adopted in the Decision that PG&E will implement, 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, which is permitted by the Decision.

Customer incentives will be set to encourage deeper, more comprehensive EE projects, leveraging current policies or at 75% of IMC, whichever is greater.¹³ In addition, PG&E will raise the cap on expected useful life (EUL) to 30 years for

¹³D.14-10-046, OP 9

removed equipment when calculating the savings for equipment qualifying for early retirement in schools.¹⁴

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 2015 ex ante savings claims. PG&E will take the same approach for any locational targeted projects.¹⁵

Zero Net Energy Pilot

In accordance with OP 7, PG&E will file a Tier 2 AL by February 15, 2015, (or 120 days from the final Decision), to propose its Proposition 39 ZNE pilot program. PG&E is working with Commission staff to ensure a coordinated effort, including planning a stakeholder workshop on this topic in January 2015.

To-Code Pilot

In accordance with OP 8, PG&E will file a PIP proposing 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 proposal.

Locational Program Initiatives

In compliance with OP 12, PG&E will update its Commercial, Industrial, Agricultural and Residential PIPs to reflect locational energy efficiency measure enhancements offered in targeted areas. As instructed, the PIP updates will be posted to EEStats 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.

¹⁴ ibid

¹⁵ ibid

Workforce Education and Training (WE&T) Program

By February 24, 2015 (or 120 days from the mailing of the final Decision), PG&E will file a Tier 2 AL, in accordance with OP 17, that describes the WE&T initiatives that PG&E intends to initiate in 2015. The initiatives will be based on the recommendations prepared by the WE&T consultant hired as directed by D.12-11-015. The AL will also include a copy of the full suite of recommendations developed by the WE&T consultant. PG&E will update the WE&T PIP in the filing, and, once approved, upload it to CPUC's Energy Efficiency Statistics (EEStats) public website at: <http://eestats.cpuc.ca.gov/Views/Documents.aspx?ReportType=PIP>

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 OnBill 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 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). In this filing, PG&E has shifted the funds to other 3P programs, as shown in Appendix B.1.

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

Government Partnership Programs

PG&E plans to complete its contract extensions for all GP programs by December 31, 2014, to ensure that programs are authorized to continue as of January 1, 2015.

Regional Energy Networks and Community Choice Aggregator

SF Bay 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 for 2015. Contract negotiations were completed by December 12, 2014.

PG&E will file a Tier 1 AL by January 21, 2015, to confirm execution of its contract with BayREN, pursuant to OP 29.

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 2015 approved budget of \$1.2 million. Approval of MCE's AL is needed to establish the amount of their EE funding for 2015 (Decision, p. 125).

PG&E will file a Tier 1 AL by January 21, 2015, to confirm execution of its contract with MCE, pursuant to OP 29.

EM&V

The Decision (at Figure 7 and p.147) adopts an EM&V budget to be collected from PG&E's customers of \$16.5 million and continues the current split between Staff and IOU efforts of 72.5% and 27.5%, respectively.

Effective Date

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

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than January 5, 2015, which is 21 days¹⁶ after the date of this filing.

¹⁶The 20-day protest period concludes on a weekend. PG&E is hereby moving this date to the following business day.

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:

Meredith Allen
Senior 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).

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>.

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY ENERGY UTILITY

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

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

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Kingsley Cheng

Phone #: (415) 973-5265

E-mail: k2c0@pge.com and PGETariffs@pge.com

EXPLANATION OF UTILITY TYPE

(Date Filed/ Received Stamp by CPUC)

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

Advice Letter (AL) #: **3541-G/4550-E**

Tier: 2

Subject of AL: **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: Monthly Quarterly Annual One-Time 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 days¹ after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:

California Public Utilities Commission

Energy Division

EDTariffUnit

505 Van Ness Ave., 4th Flr.

San Francisco, CA 94102

E-mail: EDTariffUnit@cpuc.ca.gov

Pacific Gas and Electric Company

Attn: Meredith Allen

Senior Director, Regulatory Relations

77 Beale Street, Mail Code B10C

P.O. Box 770000

San Francisco, CA 94177

E-mail: PGETariffs@pge.com

¹ The 20-day protest period concludes on a weekend. 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 December 15, 2014. The documents may be accessed at the following link:

<http://apps.pge.com/regulation/SearchResults.aspx?NewSearch=True&CaseID=1410&DocType=&PartyID=4&fromDate=12%2F15%2F14&toDate=12%2F15%2F14&sortOrder=FileName¤tPage=1&recordsPerPage=100&searchDocuments=Search>

Or the documents can be accessed as follows:

- 1) Go to: <http://apps.pge.com/regulation/>
- 2) Click on "Search" under Public Case Documents"
- 3) Select "Energy Efficiency 2015 and Beyond Rolling Portfolios" from the dropdown menu
- 4) Select "PGE" under Party and "12/15/2014" under Date 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: Grant Fujii, Case Coordinator, Regulatory Affairs, Regulatory Support and Metrics, Telephone: (415) 973-2267, Facsimile: (415) 973-3574, e-mail: GDF8@pge.com

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ATTACHMENT 2 – PG&E Response to Guidance Memo

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 W0017 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.

ET Program Year	ET Project Number	Program / Program Area to which the measure belongs	Measure Code	Updated Measure Code for 2015 only
2010-2012	ET11PGE1151	Commercial	LD101-LD113	LD101-LD113
2010-2012	ET11PGE2201	Commercial	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.	LD196-LD203, LD03,LD167-LD195
2010-2012	ET12PGE1011	Lighting	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.	LD196-LD203, LD03,LD167-LD195
2010-2012	ET12PGE1481	Lighting	LC23, LC25, LC29, LD01-LD05, LC56, L038, LD08, LC75, LC67, LD196-203, LD127-146, LD167-195	LD196-LD203, LD03,LD167-LD195, LD127-LD146
2010-2012	ET12PGE3301	Lighting	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.	LD196-LD203, LD03,LD167-LD195
2010-2012	ET12PGE3351	Lighting	LC23	LD133-LD146
2010-2012	ET12PGE3361	Commercial	LD101-LD113	LD101-LD113

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 = 1.0.¹ 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.

¹ See 2013 PG&E Home Energy Reports Program Review and Validation of Impact Evaluation, ED Res 3.1, California Public Utility Commission, Energy Division, Prepared by DNV GL – Energy, Draft for comments: October 17, 2014.

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

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