

February 28, 2013

Mr. Edward Randolph, Director  
California Public Utilities Commission  
505 Van Ness Avenue  
San Francisco, CA 94102

**Re: 2012 Electric Program Investment Charge Program Annual Report**

Dear Mr. Randolph:

Pursuant to Decision (D.)12-05-037 – *Phase 2 Decision Establishing Purposes and Governance for Electric Program Investment Charge (EPIC) and Establishing Funding Collections for 2013-2020*, Pacific Gas and Electric (PG&E) hereby submits the 2012 Annual Report for the Electric Program Investment Charge Program.

In compliance with Ordering Paragraph 16, a copy will also be served on all parties in this proceeding as well as PG&E's most recent general rate case.

If you have any questions, please contact me at (415) 973-2751.

Sincerely,

/s/ Eileen Cotroneo

Eileen Cotroneo  
Regulatory Affairs  
Manager, Customer Demand Side Management

cc: Cem Turhal – CPUC  
Kevin Dasso – PG&E  
Kate Beardsley – PG&E  
Service Lists A.12-11-001 and A.12-11-009

Attachment A – 2012 Electric Program Investment Charge Annual Report

# Electric Program Investment Charge Program

## 2012 Annual Report

### I. Introduction

Pursuant to Commission Decision 12-05-037, Pacific Gas and Electric (PG&E) and the other administrators of the Electric Program Investment Charge (EPIC) Program were directed to file annual reports each year beginning February 28, 2013 through February 28, 2020 with the Director of the Commission's Energy Division.<sup>1</sup> Annual Reports shall be served on all parties in the most recent EPIC proceeding, all parties to the most recent general rate case of each electric utility and each successful and unsuccessful applicant for an EPIC funding award during the previous calendar year. In compliance with Ordering Paragraph (OP) 16, PG&E submits this first annual report and notes that PG&E and the other program administrators are currently working with the Division of Ratepayer Advocates (DRA) to develop a common annual report template for use by all of the program administrators on a going forward basis. PG&E is committed to working with DRA and the other program administrators to develop this report template for the 2013 EPIC Annual Report.

### II. EPIC Program Overview

In accordance with D. 12-05-037, PG&E has collaborated extensively with the other program administrators and participated in public scoping workshops to solicit stakeholder feedback including members of the legislature, government, including state and local agency representatives, utilities, investors, California Independent System Operator, consumer groups, environmental organizations, academia, business community, energy efficiency community, clean energy industry and other interested parties. Following the initial public stakeholder workshops held in July and August 2012 by the California Energy Commission (CEC) and the investor owned utility (IOU) administrators, stakeholders were invited to provide written comments for consideration by the administrators in preparing their respective Investment Plans for the first Triennial cycle (2012-2014). In September 2012, PG&E participated in the CEC hosted workshop to present their proposed Investment Plan and filed written comments on their proposed plan. Additionally, PG&E and the other Investor Owned Utilities (IOUs) hosted a joint webinar to present an overview of their respective draft Investment Plans to stakeholders and invited participants to provide feedback on the proposed plans.

On November, 1, 2012, PG&E filed its 2012-2014 EPIC Investment Plan in compliance with Ordering Paragraph 12 which included a mapping of planned investments to the electricity value chain, the amount of funds to be devoted to technology demonstration and deployment projects, policy

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<sup>1</sup> The four EPIC program administrators are PG&E, Southern California Edison, San Diego Gas and Electric and the California Energy Commission.

justification for the funding allocation, an informational summary of the research, development and demonstration activities being undertaken as part of their energy efficiency and demand response portfolios, the type of funding mechanisms to be used, eligibility criteria for award of funds, any suggested limitations for funding, other eligibility requirements as well as a summary of stakeholder comments received during the development of its investment plan and PG&E's response to the comments. Additional program elements in the November 1 plan included proposed metrics to evaluate the results of the proposed Investment Plan, a recommended approach to intellectual property rights and how the investment plan addressed the principles of public utilities code section 740.1 and 8360.

PG&E's 2012-2014 Investment Plan focused on technology demonstration and deployment projects designed to achieve greater public and employee safety, increased reliability and lower costs. To ensure EPIC investments did not duplicate other research efforts, PG&E and the other utility administrators focused on technology, demonstration and deployment projects in the following areas:

- Renewable and Distributed Energy Resource Integration
- Grid Modernization and Optimization
- Customer Service and Enablement
- Cross-Cutting Foundational Strategies and Technologies

The Commission is currently evaluating PG&E's proposed Investment Plan and is expected to issue a proposed decision by May 25, 2013 and a final decision by June 25, 2013.

### **III. Program Funding**

The Commission in its Phase I *Decision Establishing Interim Research, Development and Demonstration and Renewables Programs Funding Levels* (D. 11-12-035), established funding at approximately \$142 million and authorized PG&E, SCE and SD&GE to institute a surcharge called the Electricity Program Investment charge (EPIC), effective January 1, 2012, to collect funds for: i) renewables programs, and ii) research, development, and demonstration programs at the same level authorized in 2011. Additionally, the surcharge was imposed on all distribution customers, based on the existing rate allocation between customer classifications, and collected in the Public Purpose Program component of rates.

On December 30, 2011, PG&E filed its supplemental Annual Electric True Up Advice Letter 3896 E-B for rates effective January 1, 2012. In compliance with OP 3, the EPIC rate component was imposed on all distribution customers based on the existing rate allocation between customer classifications and collected through the public purpose program component of rates. As shown in Table 2 (line 48), PG&E's authorized 2012 Electric Program Investment Charge Revenue Requirement was \$72,082,085.<sup>2</sup>

On May 24, 2012, the Commission issued its Phase II Decision – *Decision Establishing Purposes and Governance for Electric Program Investment Charge and Establishing Funding Collections for 2013-2020*.

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<sup>2</sup> Advice letter 3896 E-B p.11.

The decision established an annual funding amount of \$162 million annually for the 2013-2014 EPIC Program cycle and reaffirmed the funding allocations among the three investor owned utilities as 50.1 percent, 41.1 percent and 8.8 percent for PG&E, SCE and SDG&E respectively. <sup>3</sup>

#### IV. Program Expenditures

In the Commission’s Phase II Decision, it authorized certain expenditures prior to approval of the EPIC Program Administrator’s 2012-2014 Investment Plan. Specifically, the Decision identified that certain administrative costs were necessary to prepare the investment plans, conduct solicitations, select funding recipients and monitor and oversee the progress of projects and investments. In 2012, PG&E’s expenditures were directly related to the preparation of the first Triennial Investment Plan.

Also, in compliance with in OP 9, on July 1 and quarterly thereafter, PG&E has remitted one quarter of the annual administrative budget for the California Energy Commission (CEC) to the CEC from PG&E’s EPIC balancing account to ensure funding was available to the CEC for the development of their EPIC Investment Plan. As the Commission has not yet approved the CEC’s Investment Plan’s filed on November 1, no additional funding has been transferred to the CEC.

In recognition of the additional work undertaken by the Commission due to the EPIC regulatory proceedings, the Commission established a CPUC program budget and authorized an annual payment due annually on July 1. On June 29, the Energy Division informed PG&E that until logistics for transferring the proceeds of the EPIC surcharge to the CEC were established, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Edison Company should postpone remitting any of the EPIC funds until further direction from the Commission. Following guidance from the Commission’s Energy Division, PG&E remitted \$352,630 which was PG&E’s portion of the CPUC’s annual oversight budget to the CPUC.<sup>4</sup> This amount is intended to fund both the regulatory oversight function and the Commission’s independent evaluation conducted by a consultant in 2016.

#### 2012 EPIC Program Expenditures

	Administrative	Technology Demonstration and Deployment	CPUC Regulatory Oversight Budget
⌘			
PG&E Program	\$ 279,239	-	\$352,630
CEC Program	\$ 4,304,622	-	
<b>Total</b>	<b>\$ 4,583,861</b>		<b>\$352.630</b>

<sup>3</sup> OP 7

<sup>4</sup> OP 10

As the Commission has not approved the program administrators' 2012-2014 EPIC Investment Plans, no expenditures for PG&E's technology demonstration and deployment projects or for the CEC's proposed investments in applied research, technology demonstration and deployment, or market facilitation projects have been expended. Additionally no fund shifting has occurred.