

PACIFIC GAS AND ELECTRIC COMPANY
Energy Efficiency 2018-2025 Rolling Portfolio Business Plan
Application 17-01-015
Data Response

PG&E Data Request No.:	SBUA_01-Q01		
PG&E File Name:	EnergyEfficiency2018-2025-RollingPortfolioBusinessPlan_DR_SBUA_01_Q01		
Request Date:	June 8, 2017	Requester DR No.:	01
Date Sent:	June 19, 2017	Requesting Party:	Small Business Utility Advocates
PG&E Witness:	Meghan Dewey	Requester:	Kathryn Kriozere

SUBJECT: PG&E 2018-2025 EE ROLLING PORTFOLIO BUSINESS PLAN & BUDGET. SMALL BUSINESS UTILITY ADVOCATES, FIRST SET-01. PG&E-SBUA_01

Please provide your responses electronically, via email if possible, to each of the following people:

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PGE Application For Approval of Energy Efficiency Business Plan:

QUESTION 1

Over the last five years, approximately what percentage of PG&E's annual commercial sector revenue has been collected from small commercial customers?

ANSWER 1


Atch01 includes an overview of revenue allocations by customer classification for 2011 to 2015. PG&E is providing data from 2011 to 2015 to be consistent with the five year period used to report historical trends in its business plan. These calculations were derived from the revenue allocations in PG&E's Annual Gas True-Up (AGT) and Annual Electric True-Up (AET) advice filings. Small commercial customers are included in the gas allocations as "Small Commercial – Core" and "Small L&P (Light and Power)" in the electric allocations.

PG&E is not able to accurately identify the portion of commercial sector revenue allocated to small commercial customers because the definition of these customer classifications is inconsistent with how PG&E defines these customers in its business plan.¹

First, the "Small Commercial – Core" category in the AGT includes both small and medium commercial customers as defined in PG&E's business plan.² In addition, between 11 and 22 percent of annual gas revenue allocations from 2011 to 2015 fall into an "other" category that may include commercial customers. Without a clear definition of what constitutes the commercial sector in the AGT filings, approximating the allocation of funding relative to the entire commercial sector will vary significantly based on what is included or excluded from what is presented in the "other" category.

Second, Small L&P in the AET filings includes customers served on Rate Schedules A-1 or A-6. Customers on these rate schedules include those defined as small and medium commercial customers in PG&E's business plan.³

As a result of significant uncertainty, PG&E provides the relevant information as filed in the AGT and AET and does not attempt to determine the portion of revenues allocated for small commercial customers relative to all commercial customers.

 [Atch01_SBUA01_Revenue Allocations_Q_01.xlsx](#)

¹ PG&E's Business Plan defines small commercial customers as those who use less than 40,000 kWh or 10,000 therms over a 12 month period. Medium commercial customers are defined as those who use 40,000-500,000 kWh or 10,000-250,000 therms over a 12 month period. Large commercial customers are defined as those whose usage over a 12 month period is greater than or equal to 500,000 kWh or 250,000 therms.

² While the business plan defines a small commercial customer as using less than 10,000 therms annually, PG&E's AGT defines small commercial customers based on PG&E's Gas Schedule G-NR1, which states, "To qualify, average monthly use must not have exceeded 20,800 therms in those months during the last twelve (12) months in which gas use exceeded 200 therms."² In other words, if a customer uses more than 200 therms of gas every month of the year, they need to use less than 250,000 therms per year (20,800 therms per month multiplied by 12 months in one year) to be considered small commercial.

³ Effective November 1, 2012, Schedule A-1 is closed to customers with usage of 150,000 kWh per year or greater, and who have at least twelve months of hourly usage data available. Effective April 1, 2017, Schedule A-6 is closed to customers with usage of 150,000 kWh per year or greater, and who have at least twelve months of hourly usage data available.

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PGE Application For Approval of Energy Efficiency Business Plan:

QUESTION 2

Over the last five years, approximately what percentage of PG&E's annual commercial energy efficiency budget has been spent on programs or projects directly targeted at improving energy efficiency for small commercial customers? Please

include an explanation of what programs PG&E considers a program targeting small commercial customers.

ANSWER 2

PG&E serves small¹ commercial customers through a variety of channels that primarily use energy efficiency funding from the commercial programs budget and the local government partnership programs budget. As a result, comparing spending on programs that target small commercial customers relative to the commercial energy efficiency budget does not provide an accurate analysis of spending on small commercial customers relative to all commercial customers.

Accordingly, PG&E used data from its business plan to compare spending on energy efficiency incentives for small commercial customers relative to all commercial customers, regardless of delivery channel (i.e. whether the spending draws from the commercial energy efficiency budget or local government partnerships budget).

PG&E provides a breakdown of incentive spending from 2011 to 2015 (with the inclusion of medium² and large³ commercial customers) below in Table 1.

Table 1: Percentage of Incentives Spent on Commercial Customers by Size (2011-2015).

Customer Size	2011	2012	2013	2014	2015
Large	62%	66%	72%	65%	66%
Medium	29%	24%	21%	27%	26%
Small	9%	10%	7%	8%	8%

PG&E is providing a breakdown of incentive spending because it is difficult to allocate non-incentive spending to customers by size. However, these figures do not capture the impact of midstream and upstream commercial programs, which increase the availability of energy efficient products and equipment for small commercial customers.

In addition, these spending figures do not include non-resource activities that small commercial customers may participate in and/or take advantage of, such as Business Energy Checkups, technical assistance, and workforce education and training courses, among others. For example, PG&E's Business Energy Checkup allows customers to compare their historical usage with current usage, and provides an explanation of factors contributing to variances (e.g. weather, number of billing days). It also provides an online audit tool that includes personalized energy savings recommendations and links to available energy efficiency programs and services to reduce small commercial customers' energy costs.

¹ Small commercial customers are defined in PG&E's business plan as those who use less than 40,000 kWh or 10,000 therms annually.

² Medium commercial customers are defined in PG&E's business plan as those who use between 40,000-500,000 kWh or 10,000-250,000 therms annually.

³ Large commercial customers are defined in PG&E's business plan as those who use 500,000 kWh or more or 250,000 therms or more annually.

Furthermore, PG&E's Energy Centers consult with PG&E's local government partnerships programs to provide education and training that address the needs of local communities. These classes are offered across PG&E's service territory and often focus on specific small business commercial customer needs such as retrofits, replacement, planning or installation for lighting, water heaters (boilers), heating, ventilation, and air conditioning, refrigeration, and financial analysis of energy efficiency projects.

PG&E served small commercial customers via 44 energy efficiency resource programs throughout its portfolio from 2011 to 2015. This includes a combination of local government partnership programs, core commercial programs, and third party commercial programs.

From these programs, 86% of the total incentives paid to small commercial customers were from the three channels below:

- Regional Direct Install programs (55%);
- Commercial Deemed program (21%);
- Furniture Store Energy Efficiency program (10%)

PG&E provides more detail to define these resource programs targeting small commercial customers below:

Regional Direct Install (Regional DI) Programs

PG&E primarily targets small commercial customers through its Regional DI activities. PG&E administers nine Regional DI programs, each of which is implemented by an independent third-party vendor or a lead local partner. These programs operate under the umbrella of PG&E's 22 Government Partnership subprograms, with each Regional DI program serving one or more partnerships.

PG&E's Regional DI programs focus on serving hard-to-reach and underserved small commercial customers in addition to small municipal facilities, special districts, and non-profits. These programs are designed to facilitate greater participation among these underserved customers who are less likely to participate in energy efficiency through other program channels. Program services include direct customer outreach and marketing, energy assessments, installation assistance, quality control, and financial incentives.

Commercial Deemed Program

PG&E's Commercial Deemed subprogram is designed to influence the installation of energy efficient equipment and systems by reducing the initial purchasing costs of such equipment and overcoming barriers to participation in utility rebate programs by offering a simple application process. Although the Deemed subprogram is available to customers of all sizes, it is particularly attractive to small commercial customers because incentive amounts are straightforward and easy to factor into business operations, making it appealing for customers to spend money in the short-run to achieve lower energy costs in the long-run. Customers may apply on their own for a deemed rebate and self-install the product in their businesses or may work with a trade professional for installation assistance.

Furniture Store Energy Efficiency Program

PG&E's Furniture Store Energy Efficiency program was a third party commercial program designed to target small furniture stores in PG&E's service territory through a comprehensive marketing and implementation approach.⁴ Specifically, the program's field staff drove to furniture stores throughout PG&E's service territory to provide on the spot energy audits and diagnostics followed by an analysis of recommended upgrades (including an estimation of potential energy savings and payback periods) and no-cost/low-cost energy efficiency improvements to correct identified deficiencies.

The subprogram was targeted to small furniture stores because these businesses often lack information about available energy-efficiency options and do not have the time to attend seminars or read materials to them. However, these small businesses tend to be business-savvy and response to ways to reduce their costs and/or improve the quality of service they offer their customers.

⁴ PG&E expanded the scope of the subprogram and its offerings in 2016 to also serve all retail corporate chain account customers that have 10 or more stores within PG&E's service territory. Although more than 50% of PG&E's retail customers were small commercial customers in 2015, (PG&E Business Plan, Commercial Sector chapter, Table C.3), PG&E's Regional DI programs exclude many chain accounts that have 10 or more stores in PG&E's service territory.

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PGE Application For Approval of Energy Efficiency Business Plan:

QUESTION 3

Please explain how PG&E's Energy Efficiency Rolling Portfolio Business Plan will achieve an equitable distribution of energy efficiency benefits between small and large commercial customers.

ANSWER 3

PG&E is committed to meeting the needs of the entire commercial market, which includes small businesses. This commitment to equity is embodied in PG&E's vision for the commercial sector, which centers on empowering small, medium, and large business customers to better understand, manage, and eliminate unnecessary energy use.¹

PG&E's commercial business plan chapter features a rigorous analysis of market characteristics for small commercial businesses, which includes identifying historical savings, usage, and energy efficiency program participation rates by customer segment and geography (in some cases). As investor owned utilities (IOUs) transition to the new outsourcing model, this analysis will enable third parties to identify opportunities to design innovative solutions to serve small commercial customers. In addition, the business plan includes a discussion of the unique market trends and barriers that small businesses must overcome to integrate energy efficiency into their business operations. For example, PG&E's research found that 60% of its small and medium business customers lease their facility, resulting in split incentives between the tenant and owner.²

Furthermore, PG&E's intervention strategies in the commercial sector business plan chapter include example tactics that are tailored to meet the needs of small businesses. These example tactics include leveraging smart meter data to cost effectively target outreach and assistance to small businesses,³ designing outreach strategies that speak to small businesses using metrics that are best suited to their decision making processes,⁴ expanding the online Business Energy Checkup tool to serve as a one-stop shop to encourage self-service,⁵ educating small businesses about the value of energy management technologies,⁶ exploring opportunities to test micro loans for small businesses,⁷ and introducing new contracting models such as green leases to overcome the split incentive barrier.⁸ In addition to the commercial sector business plan chapter, PG&E discusses opportunities to meet the needs of small businesses in the finance business plan chapter. For example, PG&E identifies that small businesses can experience challenges in obtaining credit to invest in energy efficiency, and proposes a strategy of increasing the supply and access to affordable capital.⁹ This includes expanding the parameters for OBF loans and exploring tariffed financing structures.

In addition to emphasizing intervention strategies and tactics that address the unique needs of small businesses, PG&E will promote equity for small businesses by tracking

¹ PG&E Business Plan, Commercial Sector chapter, p. 1.

² For more information, see PG&E Business Plan, Commercial Sector chapter, pp. 27-32.

³ PG&E Business Plan, Commercial Sector chapter, p. 39.

⁴ PG&E Business Plan, Commercial Sector chapter, p. 46.

⁵ PG&E Business Plan, Commercial Sector chapter, p. 46.

⁶ PG&E Business Plan, Commercial Sector chapter, p. 47.

⁷ PG&E Business Plan, Commercial Sector chapter, p. 49.

⁸ PG&E Business Plan, Commercial Sector chapter, p. 49.

⁹ PG&E Business Plan, Finance chapter, p. 12.

total savings performance and savings per participant by customer size as an indicator.¹⁰ This will enable PG&E to have a clear line of sight into its progress towards its sector vision, which is built on a foundation of meeting the needs of small, medium, and large commercial customers alike.

¹⁰ PG&E Business Plan, Commercial Sector chapter, p. 65.