

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

PG&E Data Request No.:	ORA_01-Q02		
PG&E File Name:	EnergyEfficiency2018-2025-RollingPortfolioBusinessPlan_DR_ORA_01-Q02		
Request Date:	March 1, 2017	Requester DR No.:	PGE001
Date Sent:	March 15, 2017	Requesting Party:	ORA (Office of Ratepayer Advocates)
PG&E Witness:	Meghan Dewey	Requester:	Daniel Buch

SUBJECT: DATA REQUEST NO. ORA BUSINESS PLAN A1701013-PGE001. (ORA_01).

BUSINESS PLAN METRICS

QUESTION 2

What analysis did you perform to determine the proposed short, medium and long-term *targets* provided for each metric are reasonable and will indicate where your performance falls “on the continuum of success to failure” (D.15-10-028 at p. 54). Please provide all documents and workpapers showing analysis performed in the development and selection of appropriate targets for the following business plan chapters:

- a. Residential
- b. Commercial
- c. Public Sector
- d. Industrial
- e. Agricultural
- f. Cross-cutting

ANSWER 2

PG&E used the following sources to understand and set targets: (1) trends in past program participation, (2) energy use by sector and segments, (3) existing baselines specific to metrics, (4) trends in the budget, e.g., steady/increase/decrease, and (5) market knowledge from providing services to these sectors over multiple decades.

The targets themselves—as specified in the short-, medium-, or long-term—are intended to be “the continuum of success or failure” for each metric. While D.15-10-028 did not specifically ask for business plan metric targets, the PA’s worked hard to present the metrics in a format with short-, medium- and long-term targets so that the continuum would be clear. Each continuum starts with the baseline number, and includes the short-

, medium- and long-term targets, and PG&E anticipates reporting exactly where the sectors are along this continuum for each metric during each reporting period. We note that understanding and assessing where each program falls on a continuum of success or failure will occur based on the implementation plan metrics as the programs are designed and implemented. ¹

Below we provide important points regarding the reasonableness of the selection of the targets that will indicate success for each of the metric targets. We reference figures from the business plans where relevant.

- **Savings Metric Targets (Residential/Multifamily, Commercial, Public, Industrial, Agricultural, Codes & Standards)**
 - The Potential and Goals study (Potential Study) sets the goals for the state.² PG&E obtains goals directly from the Commission based on this study. As such, the Potential Study is the “ruler” to judge reasonableness, and our targets were based on this study. As stated in the business plan,³ PG&E expects to review and revise savings metrics when the Commission provides guidance on the “doubling of energy savings” outlined in SB 350; however, PG&E used the best available information at the time that the business plan was written to set targets. PG&E then included a 10% increase over the current Potential Study numbers to demonstrate our commitment to continue to provide more savings than the stated goals. This is also intended to demonstrate the increases that PG&E hopes to see based on innovation in the portfolio. Please see **attachment** “Atch1_ORA_01_BP Potential Goals and Savings Forecasts_Q2” for more information.
 - The savings targets for Codes & Standards (C&S) were drawn directly from the Potential Study.
- **Operational Efficiency Metric Targets (Residential, Commercial, Public, Agricultural)**
 - PG&E reviewed the existing program year 2015 operational efficiency to understand and set targets, and to ensure the targets would be able to be reported (i.e., reasonable). The short-term targets for this metric are flat (i.e., no change from the baseline). The decision to keep this flat was based on extensive internal discussions around past program ramp-up times and costs. Past experience generally shows a 2-3 year ramp up period for new programs, with costs heavy on the front end. PG&E determined a flat short-term target was

¹ On subsequent review, we want to know where those programs/strategies/interventions fall on the continuum of success through failure. The same is true for both the general metrics in the business plans and for the more granular metrics in the implementation plans. (D. 15-10-028 p. 54)

² The 2015 Potential and Goals Study supports four related efforts [, the first of which is:] 1. Inform the CPUC as it proceeds to adopt goals and targets, providing guidance for the next IOU energy efficiency portfolios. The potential model is a framework that facilitates the stakeholder process. The model helps build consensus for goals by soliciting agreement on inputs, methods, and model results. Navigant Consulting. Energy Efficiency Potential and Goals Study for 2015 and Beyond. Stage 1 Final Report. September 25, 2015, p. i.

³ PG&E Business Plan: Portfolio Overview Chapter, p. 42, footnote 118.

the most reasonable given our knowledge of program ramp up and implementation times. In the medium-term, PG&E wanted to demonstrate our commitment to cost-effective savings. The sectors include activities to scale up savings while becoming 10% more efficient in obtaining those savings over time. PG&E also considered the fact that much of the lower-hanging fruit is gone, and codes and standards are removing some of the savings claimed in the past, which will need to be replaced.

- As a new metric, what constitutes success or failure is difficult to state with certainty. Therefore, PG&E did not set longer-term targets in the business plans, but will determine appropriate targets for years 2022-2025 after a few years of monitoring this metric.
- **Increase Savings Per Participant Metric Target (Commercial sector only)**
 - PG&E analyzed the savings amounts for commercial customers over the past five years to set targets. The average value is provided in the business plan metric table. PG&E also reviewed savings by customer segment and size. There are clear differences in past savings from 2.3% to 10.6% by segment as shown in Table 3.1 in the business plan as well as differences by size varying between past savings of 1.2% to 14.3% in large businesses and 1.2% to 10.5% in small and medium business. In addition to this past information, PG&E considered that a targeted approach that identifies customers based on their level of interest and expertise in energy management will enable PG&E to provide tailored solutions to directly address customer needs and subsequently obtain deeper savings for each level of customer. PG&E selected an average 0.5% savings per customer per year for electric, and slightly less for gas since there are fewer measures to get to gas savings, to be aggressive, and demonstrate our commitment to this goal.
- **Increase Customers' Ability to Manage Energy (EMT) Metric Targets (Residential, Commercial, Public)**
 - There are no targets for this metric because PG&E will receive further direction on AB 793 implementation once the Commission votes on the Resolution, and PG&E updates its AB 793 Advice Letter to reflect the Commission's Resolution. Once the advice letter is approved, PG&E will use the first year as a baseline, and then will determine targets based on first year participation, the available budget, and projections of what new EMTs might be available.
- **Provide Agricultural Customers with Access to Technical Assistance and Tools (Agriculture)**
 - We expect these new efforts to help us determine the best way to enable access to ~5% of customers (or 5,000) over a three-year period, and we plan to adjust targets accordingly once this data becomes available. The targets in the business plan were intended to be aggressive given that this effort is just starting and that past electric participation was slightly over 1% of the population (as shown in Table 6.1 in the plan).
- **Reach an increasing percentage of customers (Agriculture and Industrial sectors only)**

- **Agriculture:** PG&E expects strategic partnerships will bring additional customers into the other PG&E interventions. In the short-term, we expect no change so that we can establish partnerships. In the mid-term, we anticipate we could more than double electric accounts participating in the programs. Gas targets have a smaller relative increase than electric because there are fewer gas accounts within this sector (~100,000 electric accounts versus ~2,500 gas accounts) and fewer opportunities for gas savings within the agricultural sector. For the agricultural sector, doubling the proportion of electric customers participating in EE programs is aggressive given the known market issue of consolidation⁴ and the need to reach small and medium size customers to increase participation.⁵
- **Industrial:** the targets and projected growth are based on targeting medium and small industrial customers through data analytics and providing benchmarking to help them make complex decisions and provide capital as needed for EE projects with a generally flat budget. Short-term targets were set modestly to allow PG&E time to put in place the data analytics to target small and medium customers. Targets becoming increasingly more aggressive in the mid-term, which is intended to show our commitment given the available resources.
- **Assist in reaching the ZNE CEESP Goal Targets (Residential only)**
 - This target is based on the existing baseline of 5 production builder companies building to ZNE and an overall target to have 20 of the 25 largest companies building ZNE by the mid-term. Program managers considered their existing experience and knowledge of the market when setting this target. PG&E does not have the sole responsibility for the state reaching ZNE for 100% of residential new construction. As such, moving the majority of top production builders to ZNE is a sign of success for the specific interventions led by PG&E.

Please note PG&E does not include quantitative targets for cross-cutting chapters, with the exception of C&S, which set savings targets described in greater detail above. Moreover, targets set for the Emerging Technologies Program were developed by SCE.

⁴ See PG&E Business Plan: Agriculture Chapter, p. 21.

⁵ Small and medium customers participated less often than large customers, see Table C.2 and C4.