A.17-01-015
PG&E 2018-2025 EE Rolling Portfolio Business Plan & Budget

TURN Data Request TURN-PG&E-01

To: Evelyn C. Lee, Pacific Gas and Electric Company (PG&E)

From: Hayley Goodson, The Utility Reform Network (TURN)

Date Sent: February 17, 2017
Response Due: March 6, 2017 (accounting for the Presidents' Day holiday)

Please provide electronic responses to the following questions which pertain to PG&E's Application 17-01-015, requesting approval of PG&E's 2018-2025 Energy Efficiency Rolling Portfolio Business Plan and Budget.

If partial responses are available prior to the requested due date, please forward them as soon as they become available. If any of these requests are unclear or otherwise objectionable, please contact me as soon as possible so that we may attempt to resolve any problems.

Responses should be provided to the following people:

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Energy Efficiency Policy Requests

1. On page 22 of PG&E's application, PG&E requests that "the Commission order the exclusion of non-energy related costs from net participant costs in its decision approving the Application and provide for the selection of reasonable cost proxies in an open, transparent process in advance of the program administrators' ABAL filings in September, 2017." Regarding this request:

    a. Is it correct that PG&E is requesting the removal of non-energy related costs, rather than the inclusion of non-energy related benefits?

    b. In D.14-10-046, the Commission concluded "that the *concept* of removing project-related, non-efficiency related costs … from the total cost calculation has merit" but rejected PG&E's proposal to use a 25% cost reduction "proxy for the

cost of product features of an energy efficiency product that are not related to efficiency (such as aesthetics)" because PG&E offered no empirical support for that value. Instead, the Commission stated, "We encourage the relevant working group to reconvene and come up with an empirically-supported proposal for Phase III of this proceeding [R.13-11-005]." (D.14-10-046, p. 100). Please explain how PG&E's requested relief in A.17-01-015 differs from the relief previously granted in D.14-10-046, including the finding that removing non-energy related costs finding has merit and the invitation to develop an empirically supported proxy proposal for the Commission's consideration.

2. On page 22 of PG&E's application, PG&E requests that the Commission extend maximum EULs "to 30 years for certain measures." Regarding this request:

    a. What specific relief is PG&E requesting in this proceeding? Is PG&E requesting that the Commission determine that an EUL longer than 20 years might in theory be appropriate for some measures, assuming that a proponent of a longer EUL could provide empirical evidence supporting a longer EUL? *See, e.g.,* D.14-10-046, p. 68 (offering similar relief for equipment removed as part of a school retrofit project or location-targeted project).

    b. Given that PG&E's application lacks specific support for a 30-year EUL for specific measures, please explain how PG&E proposes to put forth evidence supporting a longer EUL for particular measures, and how the Commission should review that evidence to determine whether an EUL beyond 20 years should apply.

    c. Please provide any information and data demonstrating the appropriateness of an EUL beyond 20 years for specific measures that informed PG&E's request in this application.

3. On page 23 of PG&E's application, PG&E requests that the Commission permit it to include "benefits for Codes and Standards and spillover effects" in "all TRC calculations" and no longer treat these benefits as a "bonus" or "hedge". PG&E points to the "adverse impact of the 2017 avoided costs updates on the cost-effectiveness" of its EE portfolio to support this request. Regarding this request:

    a. Is PG&E requesting to include the costs and benefits of the Codes and Standards program (C&S) in "all TRC calculations," or just the benefits?

    b. Is PG&E requesting to include the cost and benefits of C&S, plus spillover effects, in all PAC calculations or only TRC calculations, as PG&E's application suggests?

    c. Is PG&E requesting to include the costs and benefits of C&S, plus spillover effects, irrespective of whether the Commission applies a 1.0 or 1.25 cost-effectiveness threshold to the EE Business Plan applications? (SDG&E and SoCalGas have expressly sought clarification that a 1.0 threshold should apply,

while SCE has assumed a 1.0 threshold should apply.[1]) Please explain why or why not.

d. Please explain PG&E's understanding of why the Commission previously required PG&E to meet a 1.25 cost-effectiveness level on an ex ante forecast basis without C&S and spillover effects (leaving C&S and spillover to serve as a "bonus" or "hedge" against the possibility that the portfolio as implemented would underperform relative to PG&E's forecast and drop below a 1.0 cost-effectiveness level), including why PG&E believes that the Commission's prior caution is unnecessary to protect ratepayers in the current context.

4. On page 23 of PG&E's application, PG&E requests that the Commission permit it to exclude from cost-effectiveness calculations "costs associated with all non-resource programs, such as Workforce Education and Training, which are clearly aligned with the Strategic Plan and are essential to meeting state policy goals." Regarding this request:

   a. Please clarify whether PG&E's request applies to the TRC and PAC test calculations.

   b. Is PG&E requesting to exclude the costs of non-resource programs irrespective of whether the Commission applies a 1.0 or 1.25 cost-effectiveness threshold to the EE Business Plan applications? (SDG&E and SoCalGas have expressly sought clarification that a 1.0 threshold should apply, while SCE has assumed a 1.0 threshold should apply.[2]) Please explain why or why not.

   c. Please list the non-resource programs discussed in PG&E's Business Plan that PG&E seeks to exclude from cost-effectiveness calculations and explain how each such program meets PG&E's criteria of being "clearly aligned with the Strategic Plan" and "essential to meeting the state policy goals."

   d. In support of this proposal, PG&E asserts, "The Commission currently excludes Emerging Technologies from the energy efficiency cost-effectiveness calculations and the On Bill Financing Loan pool." Please provide citations to Commission decision(s) directing that the costs of these two programs should be excluded from prospective cost-effectiveness calculations, including any rationale(s) offered by the Commission for this policy.

   e. Is PG&E requesting both to exclude non-resource program costs <u>and</u> include the cost and benefits of C&S, plus spillover effects, in cost-effectiveness calculations, or just one practice or the other? Please explain the basis for your answer.

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[1] *See* SDG&E Business Plan, Appendix A (Commission Clarifications Needed for A Successful Business Plan), p. 224; SoCalGas Business Plan, Appendix F (Policy Considerations), pp. 541-542; SCE Amended Business Plan, Section III.H, pp. 31-33 (redline).

[2] *See* SDG&E Business Plan, Appendix A (Commission Clarifications Needed for A Successful Business Plan), p. 224; SoCalGas Business Plan, Appendix F (Policy Considerations), pp. 541-542; SCE Amended Business Plan, Section III.H, pp. 31-33 (redline).

f. How does PG&E suggest that the Commission evaluate the reasonableness of PG&E's proposed non-resource program budgets, if the costs of these programs are not required to be included as part of calculating total portfolio cost-effectiveness? Does PG&E expect that performance metrics would be the sole check on PG&E's accountability for spending ratepayer dollars on non-resource programs?

5. On page 25 of PG&E's application, PG&E requests that the Commission "discard the existing definition of behavioral programs and allow for a broader set of *ex ante* and/or *ex post* methodologies for the design and evaluation of behavioral programs." PG&E also references its ongoing work with the other IOUs "to develop a common framework for designing behavior based programs that identifies the key characteristics that distinguish those programs from traditional energy efficiency or distributed energy resource programs," and suggests that the CAEECC stakeholder engagement process should be used in developing new policies. Regarding this request:

    a. Please explain what specific substantive and/or procedural relief PG&E is requesting from the Commission in this proceeding, as opposed to R.13-11-005. For example, is PG&E requesting that the Commission adopt a specific process for adopting changes to the existing policies related to behavioral programs in this proceeding, or actual policy changes?

    b. If PG&E is requesting that the Commission adopt a process for changing the policies related to behavioral programs in the future, please explain PG&E's recommendation regarding the development of a record in this proceeding on specific policy changes.

Statewide Program Administration

6. On page 26 of PG&E's application, PG&E requests that the "list of statewide programs, as opposed to the definition of 'statewide' not be considered 'final' until the Commission has issued its decision approving the Business Plans and program administrators have finalized the Implementation Plans through the CAEECC process." PG&E points to the forthcoming "bottom-up review" encouraged by the Commission in D.16-08-019, which may suggest that changes to the statewide programs are appropriate.

    a. Please explain in detail what the bottom-up review will entail. Your response should include, but not necessarily be limited to, the following:

        i. An explanation of the extent to which this review will encompass "all programs and their key characteristics … across all PAs,"[3] as suggested in the PA presentation to CAEECC on 12/7/16, or focus only on the current

[3] This presentation is available at: http://media.wix.com/ugd/0c9650_baf5a6c31ee546d3992689ebfb4eabff.pdf

statewide programs and subprograms that were identified in D.16-08-019 as appropriate for statewide treatment under the new definition;

ii. An explanation of how PG&E expects the review to shed light on potential efficiencies or other benefits to be gained from changing the statewide program/subprogram "structures" *See* D.16-08-019, p. 66 ("Program administrators are encouraged to conduct a bottom-up review of the program and subprogram structures in order to rationalize and optimize activities into the most effective and cost-effective possible configurations.");

iii. The proposed scope of analysis for the bottom-up review, as posted (or to be posted) on CALMAC, per the IOUs' joint response to Question 4 of TURN's Nov. 9, 2016 Data Request in R.13-11-005 (addressing the draft business plans of all four IOU PAs), which included the following statement: "The IOUs will post the scope of analysis on CALMAC for stakeholder review and Commission staff approval prior to embarking on this project."

b. Please provide a summary of all oral communications with Energy Division staff and copies of all written communications with Energy Division staff regarding the scope of the bottom-up review, how the review should take place, and timeframe for the review.

c. Please indicate when PG&E expects the bottom-up review to commence, and when it will be completed.

d. Specifically, what portions of the "Statewide Administration Approach" submitted jointly by PG&E as Appendix A to its Business Plan and the other PAs as part of their own Business Plans, does PG&E anticipate might change following the bottom-up review?

e. Does PG&E envision the submission of a revised "Statewide Administration" proposal for the Commission's and parties' consideration in this proceeding at some future date, following the completion of the bottom-up review? If so, when?

f. Is PG&E asking the Commission to authorize specific statewide programs and associated administrators before the bottom-up review or afterward?

g. PG&E proposes to conduct its solicitation for the statewide C&S advocacy programs in 2017 Q3. Other IOU PAs also propose to conduct solicitations for their statewide programs starting in 2017 Q3.[4] Does PG&E envision that its

[4] See, e.g., SDG&E Business Plan, p. 24. SoCalGas, on the other hand, plans to conduct solicitations for its statewide programs starting in 2018. (SoCalGas Business Plan, p. 29).

proposed statewide program solicitation schedule might slip, pending the results of the bottom-up review?

h. TURN may propose that the Commission consider issuing an interim decision on the most time-sensitive aspects of the Business Plans, while putting less time-sensitive issues on a slower track (such as the portfolio administration budget review TURN is going to propose). Under that scenario, would PG&E recommend that the statewide program administration proposals be addressed on the slower track to allow for the bottom-up review, or does PG&E envision that the review and any indicated changes to the statewide program proposals could take place in time for an expedited interim decision?

7. On pages 26-27 of PG&E's application, PG&E makes two requests regarding the calculation of budget percentage devoted to statewide programs and subprograms, referencing the requirement in D.16-08-019, OP 6 that "statewide programs and/or subprograms … comprise at least 25 percent of their portfolio budgets." This question is directed at PG&E's proposal to calculate the percentage based only its "program budget," as opposed to its total "portfolio budget" which also includes budgets for EM&V, statewide ME&O, RENs, and CCAs. Given that the Commission in D.16-08-019 required that the 60% budget requirement for third party programs be calculated based on the "utility's total budgeted portfolio, including administrative costs and EM&V" to be "consistent with D.12-11-015 at 82" (D.16-08-019, p. 74), please explain why the Commission should calculate the 25% requirement for statewide programs on a different basis. Is there a reason to distinguish the two funding allocation requirements?

8. On pages 27-28 of PG&E's application, PG&E argues that "it would be reasonable for PG&E to continue to administer its Retail Products Platform (RPP) pilot until evaluation studies suggest it is appropriate for statewide program treatment, at which time PG&E would transfer program administration to the statewide administrator of the Plug Load and Appliances program." PG&E provides this example to support its request that it be allowed to continue pilot activities locally instead of statewide, even if they meet the definition of "statewide" adopted in D.16-08-019. Regarding this request:

   a. When does PG&E expect evaluation results on the RPP pilot that would enable PG&E to determine whether to transfer administration to the Plug Load and Appliances (PLA) program administrator?

   b. PG&E's Reply to Protests of Advice Letter 3668-G/4765-E states that PG&E "PG&E will provide quarterly updates to the Coordinating Committee on the progress of the pilot." Please provide copies of all such updates on the progress of RPP, as well as all written progress reports provided to Energy Division.

   c. Please reconcile PG&E's proposal, specifically as it applies to the RPP pilot, with SDG&E's proposal regarding its role as Statewide Administrator of PLA to "consider multiple intervention strategies for program delivery including, but not limited to, Retail Products Platform (RPP), point-of-sale (POS) or a hybrid approach. Additionally, upstream and midstream partnerships will be leveraged

to increase the visibility and eventually decrease the cost of energy management technology."[5] Address in your answer how PG&E's proposal would avoid creating market confusion and/or undermine SDG&E's opportunities to achieve the objectives of the statewide PLA program with economies of scale and scope.

9. The following questions pertain to the "Statewide Administration Approach" proposed jointly by PG&E, SCE, SoCalGas, and SDG&E, which appears as Appendix A to Chapter 11 in PG&E's Business Plan.

    a. On page 2, the Joint IOUs point to the Commission's desire to prioritize "lower transaction costs for PAs and implementers," among other anticipated benefits of the new statewide program requirements. Does PG&E's Business Plan budget request reflect a projection of lower transaction costs resulting from the proposed "Statewide Administration Approach"? If so, please quantify the cost reductions PG&E projects and explain where specifically in PG&E's budget those reductions are captured in Table 1.5 (PG&E Portfolio Budget Summary) and Table 1.6 (PG&E Sector Budget Summary) in the Business Plan Chapter 1.

    b. On page 4, the Joint IOUs indicate that they considered specific factors in the marketplace in determining "natural bundling" of statewide programs, such as whether "different end uses or technologies require different skillsets, a different set of manufacturers, trade organizations, and distributors to engage." The IOUs report, "This is particularly true in the area of lighting and HVAC where the suppliers and experts in each area are vastly different."

        i. Please provide a listing of all manufacturers whose lighting, HVAC, and PLA products are/were included in PG&E's 2016 and 2017 portfolios.

        ii. Please provide all research and analysis used by the Joint IOUs in assessing "natural bundling" opportunities, and specifically supporting the continued segregation of lighting, HVAC, and PLA end uses into distinct statewide programs, and assigning lighting to a different statewide administrator than HVAC and PLA.

    c. On page 4, the Joint IOUs' mention their consideration of the historic cost-effectiveness of each PA in delivering each statewide program. Please clarify what year(s) of data were used by the Joint IOUs in this assessment and whether savings were IOU-reported gross savings or Energy Division's *ex post* net savings.

<u>Portfolio Budgets, Energy Savings, and Cost-Effectiveness</u>

10. Table 1.7 in Chapter 1 of PG&E's Business Plan includes forecasted savings from "IOU Programs" significantly above the GWh, MW, and MMTh goals adopted by the

[5] SDG&E Business Plan, p. 20.

Commission in D.15-10-028 based on the Potentials and Goals Study. Please explain the basis for PG&E's estimates of portfolio net savings from "IOU Programs" in 2018-2020 as reflected in Table 1.7.

11. Table 1.7 in Chapter 1 of PG&E's Business Plan includes forecasted "Codes and Standards Advocacy" (C&S) savings significantly above the GWh, MW, and MMTh goals adopted by the Commission in D.15-10-028 based on the Potentials and Goals Study. PG&E explains on p. 31, "PG&E's Codes and Standards advocacy targets were updated in the California Statewide Codes and Standards Program Impact Evaluation Report: Phase One Appliances, which resulted in higher Codes and Standards savings targets than those identified in the Potential Study adopted by the *Rolling Portfolio Decision*." Please provide the referenced study and any additional information used by PG&E in forecasting portfolio net annual savings impacts from C&S in 2018-2020.

12. Please provide the same information underlying PG&E's energy savings forecast as provided by SCE in "Appendix C – EE Portfolio Savings Forecast" attached to its Business Plan, specifically the information in Tab 1 (Portfolio Budget) and Tab 3 (2018 Subprograms Est). TURN is attaching the original version of SCE's Appendix C to this Data Request for PG&E's convenience, though we note that SCE has amended this document as part of its amended application filed Feb. 10, 2017.

13. PG&E's 2017 Budget Advice Letter indicates that its "pro forma budget for 2017" is based on its 2015 EE budget, which included $3.3 million for "Demand Response (DR) funding for integrated demand side management (IDSM)."[6] Is PG&E requesting approval of an IDSM budget for 2018-2025 as part of its Business Plan application? If so, please indicate where in PG&E's application that request is presented.

<u>Portfolio Measure Composition and Intervention Strategies</u>

14. The IOUs' joint response to Question 10 of TURN's Nov. 9, 2016 Data Request in R.13-11-005 (addressing the draft business plans of all four IOU PAs) included PG&E's top 10 measure groupings expected to drive portfolio savings in 2016 and 2017, with that ranking determined by percentage of portfolio GWh, MW, and/or therm savings provided by each measure grouping (gross and net).

    a. Please clarify whether PG&E's Nov. 9, 2016 response providing top 10 measure groupings by the "DEER UseSubCategory" includes all measures in the portfolio, DEER or otherwise, that can be categorized into the key measure categories.

    b. Please update that response to include the top 10 measure groupings, on a gross and net basis, underlying PG&E's forecast of savings and portfolio cost-effectiveness for 2018-2020, as reflected in Chapter 1 of its Business Plan. In

[6] PG&E Advice Letter 3753-G/4901-E, p. 4, fn. 11.

preparing your response, please consider "behavior" or "behavior programs" as a measure category.

c. If one of your top ten measure groupings is "Indoor Ltg" (as it was for 2016-2017), please identify the key measures comprising this measure grouping, including CFLs, LFs, HIDs, and LEDs, with the percentage of each reflected in your savings forecast for 2018-2020.

d. For each of the top 10 measure groups underlying your 2018-2020 savings forecast, as identified in your response to part (b) above, please specify the percentage of savings assumed in your cost-effectiveness calculations to come from each of the following intervention/delivery strategies: upstream/manufacturer, midstream/distribution, midstream/retail, downstream direct install, other downstream, and custom. If your forecast of cost-effectiveness does not reflect any assumptions regarding intervention/delivery strategies, please explain the basis for your "implementation" and "incentives" cost projections in Table 1.5.

e. For each of the top 10 measure groups underlying your 2018-2020 savings forecast, as identified in your response to part (b) above, please specify whether your savings and cost-effectiveness projections reflect the assumption that the key measure grouping will be targeted in whole or in part through early retirement interventions. If your forecast of cost-effectiveness does not reflect any assumptions regarding early retirement vs. replace-on-burnout interventions, please explain the basis for your "implementation" and "incentives" cost projections in Table 1.5.

15. Following up on the IOUs' joint response to Question 11 of TURN's Nov. 9, 2016 Data Request in R.13-11-005 (addressing the draft business plans of all four IOU PAs), as it pertains to PG&E:

a. Please update your response, if appropriate in light of your Business Plan, to indicate whether you intend to require or encourage, as a general matter, either higher incentives for greater degree of energy efficiency above code requirements or variation in incentive levels by geography through your implementation plans and solicitations. If you do not expect to require or encourage implementers to offer higher, please include in your response an explanation of why you believe this is reasonable given the possibility of stranding achievable, above-code, savings over the life of the new measure.

b. Please specify all instances in your 2016 and 2017 portfolios in which incentives for replace-on-burnout interventions are either higher for greater degree of energy efficiency above code requirements or vary by geography.

c. Please specify all instances in your 2016 and 2017 portfolios in which incentives for early retirement interventions are either higher for greater degree of energy efficiency above code requirements or vary by geography.

16. Following up on the IOUs' joint response to Questions 13 and 14 of TURN's Nov. 9, 2016 Data Request in R.13-11-005 (addressing the draft business plans of all four IOU PAs), as it pertains to PG&E:

    a. Please specify all instances in your 2016 and 2017 portfolios in which direct install has been/will be used to promote early retirement, and indicate whether programs using this strategy permit "to code" installation, require above-code installation, or use tiered incentives to distinguish among to-code and above-code levels of efficiency. If "to code" installation is allowed, please include in your response an explanation of why you believe this is reasonable given the possibility of stranding achievable, above-code, savings over the life of the new measure.

    b. Please update your response to Question 13, if appropriate in light of your Business Plan, to indicate whether you intend to expand the use direct install to promote early retirement in 2018-2020, relative to your 2016-2017 portfolio. Include the measures, customer sectors, and building types for which you believe DI may be a reasonable strategy to surmount market barriers to EE, given cost-effectiveness considerations.

    c. Please specify all instances in your 2016 and 2017 portfolios in which direct install has been/will be used to promote replace-on-burnout measure interventions, and indicate whether programs using this strategy permit "to code" installation, require above-code installation, or use tiered incentives to distinguish among to-code and above-code levels of efficiency. If "to code" installation is allowed, please include in your response an explanation of why you believe this is reasonable given the possibility of stranding achievable, above-code, savings over the life of the new measure.

    d. Please update your response to Question 14, if appropriate in light of your Business Plan, to indicate whether you intend to expand the use direct install to promote replace-on-burnout measure interventions in 2018-2020, relative to your 2016-2017 portfolio. Include the measures, customer sectors, and building types for which you believe DI may be a reasonable strategy to surmount market barriers to EE at burnout, given cost-effectiveness considerations.