PUBLIC UTILITIES COMMISSION
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April 2, 2019

Erik Jacobson
Director, Regulator Relations
c/o Megan Lawson
Pacific Gas and Electric Company
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Dear Mr. Jacobson:

Energy Division approves Pacific Gas and Electric Company's (PG&E) 2019 Annual Budget Advice Letter (4011-G/5375-E, 4011-G-A/5375-E-A, and 4011-G-B/5375-E-B), effective January 1, 2019, with conditions related to PG&E's primary lighting program and modifications to the approved budget. PG&E's 2019 spending request for $319,511,700 is approved, while unspent and uncommitted funds accrued through December 31, 2018, are $198,295,672, reducing PG&E's approved 2019 budget for recovery to $153,866,574.

Background

On September 4, 2018, PG&E filed its Annual Budget Advice Letter (ABAL) 4011-G/5375-E. On October 4, 2018, the California Public Advocated Office (CalPA); the City and County of San Francisco, the City of San Jose and East Bay Energy Watch (the Joint Parties); the Local Government Sustainable Energy Coalition (LGSEC) and The Utility Reform Network (TURN) protested PG&E's ABAL and PG&E replied to the protests on October 11, 2018. On October 29, 2018, PG&E filed supplemental ABAL 4011-G-A/5375-E-A. CalPA protested the supplemental ABAL 4011-G-A/5375-E-A on November 5, 2018, and PG&E responded to the protest on November 13, 2018. In response to CalPA's November 2018 protest, PG&E filed a second supplemental ABAL 4011-G-B/5375-E-B on January 23, 2019. CalPA protested the supplemental ABAL 4011-G-B/5375-E-B on February 12, 2019, and PG&E responded on February 20, 2019.

On April 2, 2019, PG&E filed substitute sheets to ABAL 4011-G-B/5375-E-B, in which it corrected the amount of unspent and uncommitted funds to be returned to ratepayers via a reduced 2019 budget recovery request. Per Table 3 in the substitute sheet, PG&E will return the electric portion of the unspent and uncommitted funds accrued through December 31, 2018, to ratepayers in the amount of $165,645,126, thereby reducing PG&E's 2019 budget recovery request to $153,866,574 and bringing PG&E's total budget recovery request, which includes funding for RENs and CCAs, to $186,491,441. Unspent and uncommitted gas funds in the amount of $32,650,546 will be returned to ratepayers as soon as feasible via the Annual Gas True-up process and no later than 2020.

Public Advocates Office Protest and Reply Comments

Required use of 2019-2020 Draft DEER Resolution E-4952

In its October 4, 2018, protest, CalPA requests that the Program Administrators (PAs) file supplemental advice letters updating their 2019 ABALs based on the 2019-2020 Draft DEER Resolution E-4952. CalPA states that the Draft Resolution E-4952 would make numerous changes to DEER such as adjustments to net-to-gross ratios and the expected useful life of certain measures. Many of these changes will reduce the claimable savings from energy efficiency measures. CalPA states that "if Draft Resolution E-4952 is adopted by the Commission, the Program Administrators' (PAs') energy efficiency portfolios will immediately become less cost-effective than currently forecast."[1]

CalPA concludes that "given the fact that Draft Resolution E-4952 is likely to have a significant impact on the cost-effectiveness of EE portfolios, the Commission should require all EE PAs to submit supplemental advice letters after the resolution is adopted. In these supplemental advice letters, each PA should provide a revised cost-effectiveness forecast based on the updated DEER values."[2]

<u>Discussion</u>

While CalPA's protest requests that Energy Division require all PAs to refile their ABALs using the relevant updates in the then Draft DEER Resolution E-4952, there is no Commission direction requiring the PAs to do so. Energy Division acknowledges that the approved Resolution E-4952 may change the PAs' portfolio cost effectiveness, but the PAs must use the current DEER inputs in their ABALs, not DEER values approved for future planning. OP 3 of Resolution E-4952 states that E-4952 is only applicable to reporting savings claims in 2019 and for portfolio planning in 2020.[3] OP 2 of the August 2017 DEER Resolution E-4867 states that approved DEER values from Resolution E-4867 must be used for 2019 portfolio planning.[4] Requiring PG&E to resubmit their ABAL to Energy Division using relevant DEER updates from Resolution E-4952 would contradict both of these Commission-adopted resolutions. Consequently, Energy Division rejects CalPA's protest and will not require PG&E to resubmit their ABAL.

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[1] CalPA protest to PG&E Advice Letter 4011-G/5375-E, SCE Advice Letter 3589-E, SCG Advice Letter 5349-G, SDG&E Advice Letter 3267-E/2700-G, and MCE Advice Letter 33-E, filed October 4, 2018, pp. 4-5.

[2] Ibid.

[3] E-4952, OP 3 states that "Pacific Gas and Electric Company (PG&E), Southern California Electric Company (SCE), Southern California Gas Company (SoCalGas), and San Diego Gas & Electric (SDG&E), the San Francisco Bay Area Regional Energy Network (BayREN), Southern California Regional Energy Network (SoCalREN), Tri-County Regional Energy Network (3CREN), Local Government Sustainable Energy Coalition (LGSEC), Lancaster Choice Energy (LCE), and Marin Clean Energy (MCE) must use the updated assumptions, methods and values for 2019 savings claims and 2020 planning, implementation and reporting."

[4] E-4876, OP 2 states that: "Pacific Gas and Electric Company (PG&E), Southern California Electric Company (SCE), Southern California Gas Company (SoCalGas), and San Diego Gas & Electric (SDG&E), the San Francisco Bay Area Regional Energy Network (BayREN), Southern California Regional Energy Network (SoCalREN), Tri-County Regional Energy Network (3CREN), Local Government Sustainable Energy Coalition (LGSEC), and Marin Clean Energy (MCE) must use the updated assumptions, methods and values for 2017, 2018 savings claims and 2019 planning, implementation and reporting."

Commission should reject PG&E, MCE and SoCalGas ABALs for insufficient explanation of path to evaluated Total Resource Cost of 1.0

CalPA's October 4, 2018, protest of PG&E's ABAL asserts that "PG&E, MCE and SoCalGas do not adequately explain how they will each achieve an evaluated Total Resource Cost (TRC) ratio of 1.0, as required by D. 18-05-041", specifically by not addressing:

- Why the PA is not proposing a portfolio that meets a 1.25 TRC;
- Why the PA is confident that it will meet the evaluated 1.0 TRC for that year; and
- How the PA intends to lower costs or increase savings going forward.[5]

In its reply, PG&E disagrees with CalPA's assertion regarding the perceived inadequacy of PG&E's explanation of how it will improve cost-effectiveness and reach an evaluated TRC of 1.0 for 2019. PG&E refers to the ABAL filing of September 4, 2018, in which it describes: challenges to achieving cost-effectiveness, including updated avoided costs and the current cost-effectiveness framework; optimizing existing third-party programs; and, portfolio adjustments to sunset under-performing programs, expand existing programs that are cost-effective, and reduce program overhead.[6]

<u>Discussion</u>

D. 18-05-041, Section 7.2, describes the required content to be included in a PA's ABAL filing. Specifically, the PA(s) must "include a discussion of proposed program and portfolio changes, to facilitate Commission staff and stakeholder review of the ABAL submissions and understanding of future portfolio considerations and composition." While CalPA is correct in that PAs' ABALs were required to address this content, D. 18-05-041 goes on to state that "there will be minimal to no review/oversight by staff of the provided information, but the information must be provided." Therefore, Energy Division interprets the decision language to indicate that a PA must provide an explanation why they believe their portfolio will achieve an evaluated TRC of 1.0.

Subsequent review by Energy Division of PG&E's initial and supplemental ABAL, as well as PG&E's response to CalPA's protest, finds PG&E met the requirements of D. 18-05-041 by including the required content in their ABAL filings. Specifically, PG&E has:

- Provided a list cost-effective programs it will expand in 2019, including On-Bill Financing and Residential Pay-for-Performance;
- Provided a list of non-cost-effective programs it will reduce or sunset in 2019;
- Described its intent to improve measure cost accounting;
- Stated a clear intent to address and reduce contract and administrative spending.[7]

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[5] See CalPA protest filed October 4, 2018, pp. 5-8.

[6] "PG&E Reply to Protests from the Public Advocates Office, The Utility Reform Network, the Local Government Sustainability Coalition, and the Joint Parties of Bay Area local government partners, regarding Advice Letter 4011-G/5375-E (PG&E's 2019 Energy Efficiency Annual Budget Advice Letter in Compliance with Decision 15-10-028, OP 4)" (PG&E Reply to Protest), October 11, 2019, pp. 2-4

[7] See PG&E's 2019 Energy Efficiency Annual Budget Advice Letter in Compliance with Decisions 15-10-028 and 18-05-041 (PG&E ABAL), September 4, 2018 pp. 22-36; and PG&E Reply to Protest, pp. 2-4.

Energy Division finds that PG&E has met the annual budget advice letter review criteria listed above and has provided an adequate explanation of why it is not forecasting a portfolio TRC of 1.25 and how it plans to achieve an evaluated portfolio TRC of 1.0 during the transition period. Consequently, the Energy Division rejects CalPA's protest.

Because PG&E met the ABAL review criteria of a forecasted 1.0 TRC, but fell short of forecasting 1.25 TRC threshold, D. 18-05-041 requires PG&E to participate in the workshop process[8] in which PG&E will:

- explain why its forecasted TRC does not meet or exceed 1.25;
- describe how it intends to achieve a portfolio TRC that meets or exceeds 1.0 on an evaluated basis;
- describe how it will transition to and achieve a forecast TRC of at least 1.25 by program year 2023.

As part of this process, PG&E should:

- identify any programs it intends to discontinue or modify due to consistently poor or declining cost-effectiveness results; and
- describe how the PA is communicating this intention to those programs' beneficiaries.

Energy Division staff, working with PG&E in planning the workshop, may also ask PG&E to address additional issues related to portfolio cost-effectiveness, administrative costs and program accounting practices.

This workshop process is the appropriate venue for CalPA to gather more substantive information on PG&E's portfolio cost-effectiveness and provide constructive feedback to PG&E via the review and comment process. While D. 18-05-041 provides a specific timeline, as part of this workshop process the PAs must deliver a report that summarizes the workshop. Per Commission guidance, parties may file comments on PG&E's proposed portfolio composition in response to the PG&E workshop report.

The PAs should be required to show their portfolios comply with the statewide funding requirements of D.18-05-041

Decision D.18-05-041 states that:

- PG&E should spend at least 25% of their portfolio budget on statewide programs, where such statewide programs conform to the new definition per D.16-08-019.
- Each IOU funds each statewide program in proportion to its load share[9], and that such funding not deviate from load share by more than 20 percent.[10]
- All the IOU PAs shall propose a mechanism to track funding for statewide programs, including funding flows from other IOUs within 90 days of the issuance of this decision.[11]

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[8] See D. 18-05-041 at http://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M215/K706/215706139.PDF , pp. 134-137.
[9] D.18-05-041 OP22
[10] D.18-05-041 pg. 83
[11] D.18-05-041, OP 24

In its October 4, 2018, protest, CalPA argues the IOUs have not presented a plan for determining load share or how statewide program costs will be allocated across funding the IOUs. For this reason, CalPA argues, the Commission cannot be assured of compliance with the statewide requirements. CalPA asks that the Commission require the PAs to file in a supplemental filing the load-proportional funding shares by fuel type (gas and electric) for each statewide program, to demonstrate compliance.

Discussion

Statewide programs conforming to the definition in D.16-08-019 will not be implemented until program year 2020. For this reason, Energy Division staff submitted a request to the IOUs for planned budgets for statewide program areas and a methodology for determining load-proportional funding shares by fuel type (gas and electric) for each statewide program to demonstrate compliance. This information was requested as a supplemental to the PAs' co-funding mechanism advice letters, submitted pursuant to D.18-05-041 OP24.[12] The PAs submitted the requested supplemental information on November 16, 2018, within the co-funding mechanism advice letter review process. A 20-day comment period for Parties to react to the supplemental advice letters closed on Thursday December 6, 2018, with no protests. Energy Division staff are working on the related dispositions, that will consider their demonstration of compliance with statewide program policies of D.16-08-019 and D.18-05-041, and the degree to which they sufficiently address CalPA protests.

The programs areas that are slated to become statewide are currently cooperatively managed by the PAs but are not delivered uniformly by a third-party implementer—or implementers—that are under contract to the lead IOU PA that holds full decision-making authority. For this reason, the current set of programs are not statewide programs under the new definition. The PAs plan to conduct solicitations throughout 2019 to hire third party implementers to launch compliant statewide programs in 2020. Consequently, Energy Division finds that the statewide program issues raised in CalPA's protest are more appropriate to address in the context of the statewide co-funding advice letters and rejects CalPA's protest in that there are insufficient grounds to withhold approval of 2019 ABAL filings on the basis of the statewide program issues.

Administrative Costs

CalPA's October 4, 2018, protest asks the Commission to require each of the IOU PAs to minimize administrative costs, arguing that the IOUs must be out of compliance due to the perceived effect those costs, as filed on CEDARS, have on portfolio cost-effectiveness. CalPA also asks the Commission to require each IOU to file a supplemental advice letter that uses consistent accounting methods for administrative costs vis a vis portfolio cost-effectiveness with and without these costs. However, CalPA's protest commends PG&E for reducing administrative costs by 29 percent since 2016, and acknowledges that PG&E's ABAL provides evidence that PG&E's administrative costs are under the Commission's 10 percent cap.[13]

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[12] Supplemental Advice Letters filed November 16 regarding the IOU's Shared Funding Mechanism Proposal Pursuant to D.18-05-041: Advice Letter 3268-E-A/2701-G-A (SDG&E U902 M), Advice Letter 5346-G-A (SCG U904 G), Advice Letter 3861-E-A (SCE U338 E), Advice Letter 5373-E-A/4009-G-A (PG&E U39 M).

[13] California Public Advocates protest to MCE, PG&E, SCE, SDG&E and SoCalGas ABALs in proceeding R.13-11-015, October 11, 2019, pp.12-15.

PG&E responds to CalPA's protest that its administrative costs are non-compliant with the Commission's 10 percent cap is correct by describing how IOU costs are currently incorporated into the Commission's Cost-effectiveness Tool (CET). As submitted on the (CET), IOU administrative costs include those required to be under the Commission's cap as well as those not subject to the cap. Consequently, when CalPA used the "TRC-no admin" filter to determine portfolio cost-effectiveness both with and without administrative costs, it received a misleading estimate of the magnitude of the effect "TRC-no admin" has on the portfolio, concluding that such an effect must mean that the IOUs are out of compliance with the Commission cap on administrative costs.

Additionally, PG&E's, SDG&E's and SoCalGas' responses to CalPA's protest all provide clarification as to the specific administrative costs subject to the Commission's 10 percent cap.

Lastly, PG&E's ABAL provides a line item for portfolio administrative costs of $16.4 million, which are 5.2 percent of PG&E's portfolio budget.[14]

<u>Discussion</u>

PG&E's response to CalPA's protest is correct, in that the Commission's CET currently includes administrative costs required to be under the Commission's cap as well as those not subject to the cap. By including all administrative costs, the CET generates a misleading estimate of the magnitude of the effect "TRC-no admin" has on the portfolio, suggesting that such an effect must mean that the IOUs are out of compliance with the Commission cap on administrative costs.

Consequently, due to issues related to how administrative costs are reported on the Commission's CEDARS website as well as guidance provided in the Energy Efficiency Policy Manual V5[15] on what costs are included and excluded in determining whether a PA meets the Commission's 10 percent administrative costs cap, Energy Division finds that the IOUs' ABALs are in compliance with CPUC rules on administrative costs and therefore rejects CalPA's protest.

PG&E incorrectly uses a market effects adjustment to increase its forecast of portfolio savings and cost-effectiveness, without which it fails to meet the Commission's cost-effectiveness and savings goals ABAL review criteria

In its protest filed February 12, 2019, CalPA asserts that PG&E "improperly relies on a market effects adjustment to increase its forecasts of energy savings and cost-effectiveness", and that this adjustment, as applied in PG&E's portfolio by the addition of 0.05 to each measure's net-to-gross value, is different than a five percent portfolio adjustment. In citing prior Commission guidance in D. 12-11-015 on whether and how program administrators should apply a market effects adjustment (spillover) to their respective portfolios, CalPA also argues that the Commission did not intend for the adjustment to be applied to portfolio forecasts but rather that the adjustment would only be used in the aftermath of portfolio evaluation.

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[14] See PG&E ABAL 4011-G/5375-E, Attachment 3, "2019 PG&E Energy Efficiency Cap and Target Expenditure Projections".
[15] see Energy Efficiency Policy Manual V5 at
http://www.cpuc.ca.gov/uploadedFiles/CPUC_Public_Website/Content/Utilities_and_Industries/Energy_-_Electricity_and_Natural_Gas/EEPolicyManualV5forPDF.pdf

Additionally, CalPA states that only by an improper application of the market effects adjustment to its forecast is PG&E able to meet its gas savings goal and achieve a portfolio cost-effectiveness TRC of 1.04. CalPA's protest estimates that, absent the market effects adjustment applied to PG&E's forecast, PG&E's portfolio cost-effectiveness is .98 and it misses its gas savings goal by approximately 1.3 million therms. Consequently, CalPA asserts that PG&E fails to meet two of the three ABAL review criteria established in D. 18-05-041 - specifically that an ABAL must forecast a portfolio TRC in excess of 1.00 and meet energy, demand and gas savings goals - and must file a new business plan.

In its response filed February 19, 2019, PG&E states that:

- PG&E is correctly using the Commission's approved Cost-Effectiveness Tool (CET) and is unable to remove or modify the market effects adjustment to calculate cost-effectiveness and net energy savings without market effects.
- PG&E's gas forecast meets it gas savings goal, as Commission guidance "does not explicitly prohibit the inclusion of market effects in net savings estimates for forecasts or otherwise", leading PG&E to believe that the CET's inclusion of market effects in the calculation of net savings is reasonable
- PG&E's forecast meets cost-effectiveness thresholds for ABAL approval, both with and without the market effects adjustment, therefore negating the need for PG&E to file a new business plan[1].

Discussion

PG&E does not incorrectly use a market effects adjustment to increase its savings and cost-effectiveness forecasts, as this adjustment is embedded in the cost-effectiveness tool (CET) and PG&E correctly used the CET. The cost-effectiveness tool used by program administrators to submit portfolio forecast data on the California Energy Data and Reporting System (CEDARS) is administered by the Commission. In the aftermath of D. 12-11-015, Commission staff (not utilities) was responsible for developing the CET in adherence with Commission guidance on a market effects adjustment as interpreted at the time.

While it is unclear whether Commission guidance on a market effects adjustment has been interpreted in the manner most consistent with the relevant Decisions, the tool has been used equally by all program administrators and stakeholders.

To date, ABALs for SoCalGas, SDG&E, 3CREN, SoCalREN and BayREN have all been approved based on forecasts submitted via CEDARS that include the 5 percent market effects adjustment. It is inappropriate and inconsistent to review one set of ABALs using the current iteration of the CET but subject PG&E's ABAL to a different iteration of the CET.

Energy Division staff will work with program administrators and stakeholders, within the scope of a formal proceeding if significant evidentiary or policy analysis is required as appears to be the case at this point, in a review of the CET and Commission guidance on the market effects adjustment in order to have an updated CET in place prior to the next round of ABAL filings in September 2019.

PG&E's On-Bill Finance Alternative Pathway claims savings with no approved workpaper

In its October 4, 2018 protest, CalPA states that PG&E's On-Bill Finance-Alternate Pathway (OBF-AP) forecasts energy savings without an approved workpaper with cost-effectiveness inputs and savings forecasts and did not comply with Energy Division's direction.[16]

In its response PG&E states that the OBF-AP does not require an approved workpaper because program forecasts assume that cost-effective savings will come predominately from custom projects.[17] PG&E adds that workpapers substantiate deemed measure savings and not custom measure estimates and because OBF-AP predominately supports custom projects, workpapers are not required to forecast custom savings estimates.

Discussion

The Commission's rules for custom projects review do not require approved workpapers in order to claim savings. PG&E's OBF-AP loans target the custom projects market; therefore, Energy Division rejects CalPA's claim that OBF-AP should not be allowed to claim savings without an approved workpaper and will allow PG&E to forecast savings for projects that go through the OBF-AP program using custom savings estimates. However, when OBF-AP loan projects install measures that have approved workpapers or DEER values, PG&E must use those approved savings estimates.

PG&E should substantiate their forecasted energy savings and cost effectiveness for OBF-AP

In its November 5, 2018, protest, CalPA states that PG&E's forecasted TRC of 6.01 for OBF-AP is implausibly high.[18] CalPA acknowledges that while OBF-AP has no associated incentive costs, there are measure costs associated with each financed project.[19] CalPA argues that since OBF-AP's TRC ratio includes measure costs, the program's TRC ratio should reflect the cost-effectiveness of the measures eligible for OBF, which presumably include many of the same measures that are incentivized in PG&E's energy efficiency portfolio. However, OBF-AP TRC ratio is the highest of any sub-program in PG&E's entire EE portfolio, by a wide margin.[20] In addition, CalPA claims that not only did PG&E lack any similarly cost-effective *programs*, no other *measures* in PG&E's entire portfolio have a TRC ratio comparable to OBF-AP.[21] CalPA concludes that for OBF-AP to have such a high cost-effectiveness, OBF-AP must be relying only on measures that are far more cost effective than those incentivized in any other sub-program in PG&E's portfolio, which CalPA argues is not credible.

CalPA also questions the validity of savings forecasts for PG&E's OBF-AP. According to CalPA, the OBF-AP accounts for 11 percent of PG&E's total kilowatt-hour (kWh) savings forecast and 21 percent of its

[16]California Public Advocates protest to MCE, PG&E, SCE, SDG&E and SoCalGas ABALs in proceeding R.13-11-015, October 11, 2019, pg 2.; and email from Peter Franzese to PG&E, October 1, 2018: "PAs must base their 2019 savings forecasts entirely on existing and Commission-approved workpaper values as of 9/4/2018. In the supplemental filing, please present forecasts that are based entirely on Commission-approved workpaper values as of 9/4/2018."
[17] PG&E response to CalPA protest, October 11, 2018, pg 2.
[18] CalPA protest to PG&E Supplemental ABAL 4011-G-A/5375-E-A, November 5, 2018, pg 3.
[19] Ibid.
[20] CalPA points out that at the time of their protest the program with the second highest TRC ratio is Residential Primary Lighting, with a TRC ratio of 2.8. CEDARS – PG&E 2019 Program List.
[21] CalPA protest to PG&E Supplemental ABAL 4011-G-A/5375-E-A, November 5, 2018, pg 3.

total therm savings forecast in 2019.[22] PG&E's net electricity savings forecast for OBF-AP of 63 million kWh makes the sub-program the third largest source of electricity savings in PG&E's portfolio, excluding codes and standards advocacy.[23] In terms of gas savings, PG&E expects this program to produce the second-largest savings in the portfolio (excluding codes and standards advocacy), with forecast net savings of 3.9 million therms.[24] CalPA concludes that while Energy Division directed PG&E to substantiate the savings for financing,[25] PG&E had not provided information or analysis that supports the cost-effectiveness and savings projections for OBF-AP.[26]

In its response, PG&E acknowledges CalPA's concerns regarding OBF-AP and agrees to review program planning inputs and supporting analysis in a supplemental ABAL.[27] PG&E also states that it may alter its portfolio forecast if the review warrants an adjustment to the OBF-AP cost-effectiveness and savings forecast.[28]

On January 23, 2019, PG&E filed supplemental ABAL 4011-G-B/5375-E-B. The supplemental updated cost-effectiveness assumptions for OBF-AP, specifically: higher incentive and measure costs, a reduction in the program's net-to-gross ratio from 0.9 to 0.6, changes to the effective useful life, and a different set of load shapes.[29] These changes to OBF-AP decrease net kWh and kW forecast savings from the first supplemental forecast by 25 percent each, while the net therm forecast increases by 56 percent and the OBF-AP forecast TRC ratio drops from 6.0 in the first supplemental to 1.6.[30]

On February 12, 2019, CalPA filed its protest of supplemental ABAL 4011-G-B/5375-E-B.[31] CalPA argues that PG&E's gas savings forecast is implausible as PG&E was assuming Commission approval of PG&E's Petition for Modification (PFM) to increase the cap on OBF loans originally established in D.09-09-047. CalPA notes that PG&E's supplemental ABAL forecasts a 56 percent increase in net gas savings compared to PG&E's OBF-AP therm savings forecast in the first supplemental filed on October 29, 2018. The second supplemental ABAL forecasts that 93 percent of the gas savings from the OBF-AP will come from large projects that requires the approval of the PFM.[32] CalPA adds that even if the PFM is approved, this would not likely occur until the second or third quarter of 2019 and "the Commission has not yet issued a proposed decision (PD) on the PFM".[33]

PG&E's response of February 20, 2019, states "a PD on the PFM was issued on February 8, 2019, granting PG&E's request to increase the loan cap for OBF." PG&E adds that approval of the PD's proposed increase in loan caps would enable PG&E to achieve their OBF-AP savings forecast. PG&E states its belief that it is reasonable to expect Commission approval of the PD that would allow loan caps to be raised by June 30, 2019.[34]

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[22] CEDARS – PG&E 2019 Program List; PG&E Supplemental, pp. 18 (Table 10) and 20 (Table 12).
[23] CEDARS – PG&E 2019 Program List.
[24] CEDARS – PG&E 2019 Program List.
[25] Email from Peter Franzese to PG&E, October 1, 2018.
[26] CalPA protest to PG&E Supplemental ABAL 4011-G-A/5375-E-A, November 5, 2018 pg 4-5.
[27] PG&E response to CalPA protest to PG&E Supplemental ABAL 4011-G-A/5375-E-A, November 13, 2018, pg. 2.
[28] Ibid.
[29] PG&E AL 4011-G-B/5375-E-B, see Table 7 on pg 15.
[30] Ibid.
[31] CalPA did not protest cost effectiveness in their February 12, 2019 protest filing.
[32] CalPA protest to PG&E Supplemental ABAL 4011-G-B/5375-E-B, February 23, 2019, pg 6.
[33] Ibid, pg. 6.
[34] PG&E response to CalPA protest to PG&E Supplemental ABAL 4011-G-B/5375-E-B, February 20, 2019, pg. 2.

CalPA also questions the appropriateness of PG&E's forecast that 33 percent of the program savings will come from "projects yet to be identified." PG&E's response states that the "projects yet to be identified" will largely be opportunities that program implementers or PG&E account representatives had previously identified, but been unable to move forward due to the customer's inability to allocate appropriate capital, and PG&E's current inability to provide an attractive financial instrument for large commercial and industrial projects that typically have higher costs and longer construction and payback periods. PG&E intends to address these hurdles with increasing loan caps and change of terms in order to actively seek out these large projects that were previously shelved or delayed because of the OBF loan cap.[35] PG&E adds that it has already taken steps to promote the OBF-AP non-incentive finance offering. In early February 2019, PG&E's energy efficiency team informed and trained their account representatives about the OBF non-incentive offering as a tool to drive therm savings. PG&E also presented to members of California Large Energy Consumers Association in September 2018 about PG&E's OBF non-incentive offerings and was scheduled to present again in late February 2019.[36]

Discussion

Energy Division agrees with CalPA that the savings for the OBF-AP program as filed in the original and supplemental ABAL did not look feasible. However, the updated forecasts in the second supplemental appear achievable and thus Energy Division rejects the CalPA protest that the OBF-AP savings forecast is "implausible." D.19-03-001, which is the decision that increased the loan limits for PG&E's on-bill finance program, was approved by the Commission on March 14, 2019, and granted PG&E's request for larger incentive caps for the OBF program. Because the PFM was approved three and a half months before June 30, 2019, Energy Division rejects the assertion by CalPA that the forecasted gas savings in the second supplemental are implausible since PG&E should have more than enough time in 2019 to achieve their saving goal due to the adoption of the decision.

Energy Division also rejects CalPA's assertion that PG&E's forecasts are not appropriate because 33 percent of the savings come from yet to be identified projects. We find PG&E's argument of the existing project opportunities, such as those projects PG&E was unable to move forward with due to loan caps, and new opportunities projected to result from more attractive loan terms and larger loan caps, to be sufficient.

OBF-AP is a new approach and has fairly high forecasted TRC and savings. Energy Division will therefore closely monitor the performance of the program in 2019, specifically looking at whether the program's energy savings claims meet PG&E's forecasts. Ordering paragraph 4 of D.19-03-001 directs PG&E to "file a status report annually, as part of the Energy Efficiency Annual Reports, with the Commission showing default rates, energy savings, status of efforts to replace incentives with loans, and the degree of free ridership, if any, associated with energy efficiency projects financed through the OBF program..." Energy Division also expects ongoing communication from PG&E regarding the success or failure of OBF-AP, particularly in light of the new higher loan limits.

Energy Division expects OBF-AP to achieve the forecasted TRC and savings, as this program is very important for PG&E to meet its threshold goals for evaluated TRC and savings. Approval of this ABAL provides PG&E with the opportunity, and requirement, to demonstrate its approach to OBF and gather data proving its forecasts are reasonable. Approval of PG&E's next ABAL will be based on data that

[35] Ibid, pg. 5.
[36] Ibid, pg. 6.

becomes available from the work that stems from this year's approval and from the opportunity and requirements of D.19-03-001. PG&E should use its work in 2019 to build its data-based proof of its savings and TRC forecasts. Should a lack of data-based evidence for savings and TRC forecasts continue or should there be a large shortfall in the OBF-AP program's claimed vs. forecasted TRCs and/or savings, PG&E should expect rejection of their 2020 ABAL filing, especially if the program is again a large contributor towards portfolio the savings goals.

The reasonableness of PG&E's lighting forecast

CalPA's protest argues that PG&E's forecast portfolio TRC of 1.04 in supplemental ABAL 4011-G-B/5375-E-B relies on a "large and unsubstantiated forecast for electrical savings from its Primary Lighting program", which features a budget nearly 7 times higher than in 2018. CalPA argues that the Commission should determine that PG&E's forecast is unreasonable for the following reasons:

- PG&E proposes a dramatic change in its Primary Lighting forecast, relying on an extremely high volume of efficient lighting installations in 2019 without any supporting evidence;
- PG&E's delayed second supplemental ABAL, filed in late January 2019 and likely approved in March 2019, leaves PG&E with less than a full-year in which to implement the program and achieve these elevated forecasts
- PG&E acknowledges the risk associated with an increased reliance on a single measure and that forecast savings may not materialize on an evaluated basis.[37]

In its response to CalPA's protest of February 12, 2019, PG&E explains "as a result of the OBF Alternative Pathway program changes, PG&E is forecasting an additional $12 million of incentives in the Primary Lighting program, PG&E's most cost-effective program." PG&E also states that the net portfolio budget increase is only $10 million due to other PG&E, REN, and CCA budget changes.

In further response to CalPA's protest, PG&E states that it "believes it will be able to deliver on this forecast because of sufficient demand in the lighting market and clarifies that its forecasted incentive budget of $14 million is likely a conservative estimate compared to what the program could deliver in response to lighting market demand."[38]

In terms of lighting volumes, PG&E forecasts an uptake of 6.9 million units. PG&E also states that the 2019 Primary Lighting program lamp volume will be primarily composed of reflectors and decorative lamps. However, PG&E has not provided any actual market data or saturation study projections to support its assertions.

PG&E responds to CalPA's concerns about the abbreviated program year by stating that the Primary Lighting program is "sufficiently flexible to influence mid-year adjustments to manufacturer sales volumes."

PG&E also states that the "Point of Sale" method requires participating retailers to provide sales data to the manufacturers in a trackable and verifiable way. However, PG&E does not explain how

[37] PG&E AL 4011-G-B/5375-E-B, pg. 25
[38] PG&E reply to protest of al 4011-G-B/5375-E-B, pg 7.

manufacturer shipments of a higher-than-normal number of units to the participating retailers will necessarily result in larger number of sales.

Discussion

PG&E has not provided any data that substantiates that there are at least 6.9 million sockets within its territory that do not already have a high efficiency product for the proposed measure groups. While PG&E's response to CalPA's protest does not have sufficient data in support of program assumptions, PG&E's need to lean on the Primary Lighting Program is understandable in that it allows PG&E to ramp up other long-term programs in its portfolio and reach the required cost-effectiveness threshold. Consequently, CalPA's protest is rejected considering the need to view PG&E's portfolio and the approach more holistically.

The founding premise of ratepayer-funded programs is to drive increased energy efficiency beyond what would normally take place. Therefore, if the PAs are confident in their ability to increase market penetration of certain products, Energy Division does not believe it is appropriate to prevent this effort. At the same time, the Commission must balance market realities with ambition. Therefore, the additional funds requested for the Primary Lighting Program are approved on the condition that:

- With its first monthly report filing following the approval of its ABAL, PG&E shall provide an annual sales plan for the remainder of the year backed with market sales data,[39] for each of the lighting measures delivered through the Primary Lighting Program. The plan must include monthly sales projections based on year to date actual sales data from "Point of Sale" retailers and/or other delivery channels used in the program. The plan must also explain what steps PG&E is taking to ensure that there is minimal free ridership in the program to increase the probability of the evaluated TRC not being significantly less than the claimed TRC.
- For each monthly report filing thereafter following the approval of this supplemental ABAL, PG&E shall provide verifiable data of number of units sold (which more accurately reflects savings achievable from program than number of units shipped) within its Primary Lighting Program in that month. PG&E shall upload the data on a publicly accessible website and share the weblink, along with a link to its monthly CEDARS filing with all appropriate listservs.

The return of unspent and uncommitted funds from prior years to ratepayers

In its protest filed February 12, 2019, CalPA disagrees with PG&E's request to hold on to approximately $157 million in unspent and uncommitted ratepayer funds from previous program years. CalPA asks the Commission to require PG&E to update its 2019 ABAL as well as its 2019 Annual Gas and 2019 Annual Electric True-up Advice Letters to reflect the return of $157 million ($104.4 million from pre-2018 and $52.6 million from 2018) in unspent and uncommitted energy efficiency funds to ratepayers, per prior Commission guidance in D. 12-11-015 and D. 14-10-046.[1]

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[39] We understand that no market data is perfect. However, since PG&E is hinging heavily on this program to meet its portfolio TRC, PG&E must then also undertake the additional work to collect historic and current sales data from third party vendors and/or retailers

Discussion

PG&E's 2019 budget spending request is for $319,511,700, while unspent and uncommitted funds accrued through December 31, 2018 are $198,295,672. On March 29, 2019, PG&E filed substitute sheets to ABAL 4011-G-B/5375-E-B, in which it corrected the amount of unspent and uncommitted funds to be returned to ratepayers via a reduced 2019 budget recovery request. Per Table 3 in the substitute sheet, PG&E will return the electric portion of the unspent and uncommitted funds accrued through December 31, 2018, to ratepayers in the amount of $165,645,126, thereby reducing PG&E's 2019 budget recovery request to $153,866,574 and bringing PG&E's total budget recovery request, which includes funding for RENs and CCAs, to $186,491,441. Unspent and uncommitted gas funds in the amount of $32,650,546 will be returned to ratepayers as soon as feasible via the Annual Gas True-up process and no later than 2020.

Protest of City and County of San Francisco, East Bay Energy Watch and Silicon Valley Energy Watch (the Joint Parties) and the Local Government Sustainable Energy Coalition (LGSEC) and Reply Comments

PG&E's sweeping cuts to the Local Government Partnerships is beyond the scope of the advice letter process

LGSEC argues that the sweeping cuts proposed by PG&Es' ABAL 4011-G/5375-E are beyond the scope of the AL process including: the IOUs' plan that all future Local Government Partnerships (LGPs) will result from competitive solicitation and be implemented by third parties; that all LGPs must be cost-effective under the TRC; and, that non-resource LGPs will be severely curtailed or eliminated.[40] LGSEC adds that these changes are far beyond the scope appropriate for dispositions by Energy Division and have not been reviewed and approved in any previous Commission proceeding.[41] LGSEC also states that instead of working with LGPs, the IOUs have begun implementing drastic program funding cuts, eliminations or downsizing longstanding programs such as PG&E's Energy Watch.[42]

Likewise, the Joint Parties protest claims that PG&E's ABAL raises issues that are beyond the scope of the Advice Letter process, because the impact of the ABAL and related administrative actions will result in large scale reductions to LGPs and may eliminate LGPs after 2020.[43] The Joint Parties recognized that D.18-05-041 acknowledged that some LGP programs could be reduced or eliminated due to cost-effectiveness concerns, but the Decision did not authorize the elimination of the LGP sector, nor has the Commission reviewed, addressed or authorized such action in any formal proceeding or decision.[44] Therefore, the Joint Parties believe the foreseeable impact of the ABAL is beyond the scope of the advice letter process.[45]

[40] LGSEC protest to the ABALs of PG&E, SCE, SDG&E, SoCalGas in Proceeding R.13-11-005, pgs 1 and 2.
[41] LGSEC protest, pg 2.
[42] LGSEC protest, pg 3.
[43] ABAL, at. 23, Table 8. The ABAL cuts Public Sector programs by 44 percent even though the Total Resource Cost ("TRC") requirement for the ramp years of 2019-2022 is 1.0. With the adjustment of the TRC to 1.25 in 2023, it is likely that LGP programs will be cut even further or possibly eliminated after the ramp year period.
[44] Joint Parties protest of PG&E Advice Letter 4011-G/5375-E, PG&E's 2019 Energy Efficiency Annual Budget Advice Letter in Compliance with Decisions 15-10-028 and 18.05-041 in Proceeding R.13-11-005, pg 4.
[45] Joint Parties protest, pg 7.

The Joint Parties point to the section of D.15-10-028 (below) to further support their claim that PG&E's proposed cuts to LGPs' budgets are inappropriate for its ABAL:

> *"The annual review we contemplate here should be relatively ministerial. However, if a PA departs in significant ways from that PA's most recent budget, the PA can expect a higher degree of scrutiny from Commission Staff, and possibly a suspension of the advice letter."[46] The ABALs must include a discussion of proposed program changes and specifically, if a PA proposes to significantly reduce a program "i.e., more than a 40 percent change in funding"[47]*

Finally, the Joint Parties claim that PG&E's explanation for the budget cuts to LGPs does not comply with the Commission's requirements for specific, detailed information on significant changes to programs in the ABALs and certainly does not provide sufficient information to "facilitate Commission staff and stakeholder review of the ABAL submission and understanding of future portfolio considerations and composition."[48]

In response PG&E states that the primary reason for the budget reduction for LGPs is to improve PG&E's portfolio cost-effectiveness.[49] PG&E adds that it is confident that these cuts and others were both necessary and reasonable in the context of the overall portfolio needs and individual LGP's performance.[50] In its reply, PG&E adds that it has never proposed, nor intend to propose, to categorically eliminate LGPs in their service territory.[51]

<u>Discussion</u>

Energy Division notes that according to D.18-05-041 the "standard of review for staff disposition of the ABALs does not include review of program administrators' decisions on reducing, cancelling, expanding or adding individual programs or program areas."[52] We also note that D.15-10-028, which adopted the rolling portfolio cycle, clearly states that the ABAL is the place where the PAs would file an annual report on "portfolio changes, annual spending and fund shifts (OP 4)."[53] Thus, Energy Division rejects the Joint Parties and LGSEC's protests that argue that the reductions to PG&E's LGP's budget are beyond the scope of the AL process.

Regarding the specific cuts themselves, Energy Division disagrees with the assertion by the Joint Parties that PG&E's explanation for the budget cuts to LGPs does not comply with the Commission's requirements for specific, detailed information on significant changes to programs in the ABALs. After reviewing pages 29-32 of PG&E's ABAL, which explains the budgetary and programmatic changes to PG&E's Public Sector, which include the LGPs programs, staff has determined that PG&E provided

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[46] D.15-10-028, pg 60.
[47] D.18-05-041, pg 138.
[48] D.18-05-041, pg 127.
[49] PG&E Reply to Protests from the Public Advocates Office, the Utility Reform Network, the Local Government Sustainability Coalition, and the Joint Parties of Bay Area local government partners regarding Advice Letter 4011-G/5375-E (PG&E's 2019 Energy Efficiency Annual Budget Advice Letter in Compliance with Decision 15-10-028, Ordering Paragraph 4) in Proceeding R.13-11-005, pg 8.
[50] PG&E reply to protests pg 8.
[51] PG&E reply to protests pg 14.
[52] D.18-05-041, pg 138.
[53] D.15-10-028, OP 4.

adequate detail to satisfy the requirements in D.18-05-041.[54] We also accept PG&E's explanation that it needed to make cuts to the LGPs and other programs to achieve the threshold cost effectiveness forecast.

LGP Program Transitions

LGSEC states that the IOUs' ABALs ignore the Commission mandate in D.16-08-019, OP 14 which states "PA's shall ensure a smooth transition between existing energy efficiency program activities and the changes outlined in this decision, to be proposed in the business plans due January 15, 2017, minimizing program disruptions and avoiding any funding hiatus for ongoing efforts or partnerships."[55] LGSEC believes both the budget cuts to the LGP programs and move to competitively bid out LGPs to third-party competitive solicitation are out of compliance with OP 14 of D.16-08-019.[56]

The Joint Parties have two concerns with LGP Program transition. The Joint Parties state the IOUs verbally informed LGPs in stakeholder meetings that the LGPs would be required to bid into third-party solicitations for funding in 2020 and beyond. The Joint Parties are concerned with this as well as the IOUs' Joint Motion for Approval of Standard Contract for Local Government that a "pay for performance" contracting structure is preferred.[57]

First, the Joint Parties note that LGPs have never been required to bid into competitive solicitations and instead have been treated as a unique category of programs. The Joint Parties point to D.05-01-055 which states, "it would be counterproductive to require open bids in instances where, for example, current or future partnerships between the IOUs and local governments can take advantage of the unique strengths that both partners bring to the table to deliver cost-effective energy efficiency services."[58] The Joint Parties add that they are not suited for third-party solicitations, since LGPs were not created to pursue the low-hanging fruit with an eye to making a profit.[59] They add that the Commission found that to be true stating, "Increasing and streamlining support of the LGPs is an effective an [sic] essential component in serving hard-to-reach and disadvantaged communities."[60]

Second, the Joint Parties state that the IOUs' strong preference for pay-for-performance contracts that are included in the IOUs' proposed standard contract for LGPs puts LGPs at a major disadvantage vis-à-vis private companies.[61] They state that local governments are prohibited by the State Constitution from making gifts of public funds and it is not clear that local governments can enter into pay-for-performance contracts."[62] The Joint Parties add that under a pay-for-performance structure, a local government must expend public resources but may ultimately be denied compensation for those resources. They add that local governments may be legally vulnerable if they entered into such

[54] D.18-05-041, pg 138 states "for programs the PA proposes to significantly expand or reduce (i.e., more than 40 percent change in funding): a reason for these changes, and specifically what changes are being made, e.g., changes to design, incentive levels, eligible measures, and/or eligibility requirements, etc."
[55] D.16-08-019, OP 14.
[56] LGSEC protest, pg 2.
[57] Joint Motion for Approval of Standard Contract for Local Government in A.17-01-013, pg 11.
[58] D.05-01-055, FoF 34.
[59] The Joint Parties protest, pg 5.
[60] D.18-05-041, FoF 72.
[61] The Joint Parties protest, pg 6.
[62] California Constitution, Art. XVI, §6.

agreements without alternative funding.[63] Finally, the Joint Parties add that local governments have stringent budgeting and risk management policies which also make pay-for-performance contracting difficult.[64]

PG&E replies that it is inaccurate for the Joint Parties to claim that PG&E intend for all LGPs to go through a competitive solicitation. PG&E has stated publicly that they intend to competitively bid out all *resource* activities such as program implementation, "but to sole-source *non-resource* activities such as many of those performed by LGPs."[65]

<u>Discussion</u>

As noted in the previous section of this disposition, the "standard of review for staff disposition of the ABALs does not include review of program administrators' decisions on reducing, cancelling, expanding or adding individual programs or program areas." Staff interprets the plain language of this decision to include IOU decision-making on whether to competitively solicit programs to third parties, award sole source contracts to third parties or continue to administer their own programs, provided that the IOUs comply with the schedule by r which the IOUs shall allow third parties to design and implement programs provided in OP 1 of D.18-01-004. Thus, Energy Division rejects the claim by LGSEC that the third-party solicitation proposal by the IOUs is out of compliance with OP 14 of D.16-08-019 or D.05-01-055 as the Joint Parties claim.

Finally, we acknowledge the Joint Parties' concern that the IOUs' Joint Motion for a Standardized Contract with LGPs emphasizing pay-for-performance contracts may not be ideal for LGPs. However, any issue regarding the IOUs' Joint Motion for a Standardized Contract with LGPs should be addressed through that motion, not the ABAL review process (especially given the recent ALJ ruling seeking party input on the IOU's Joint Motion for a Standardized Contract with LGPs[66]).

IOUs failed to work with the LGPs on Cost-Effectiveness

LGSEC states that despite the language in D.18-05-041 OP 30 requiring the IOUs to work with local governments to improve cost effectiveness, compliance with this OP has not yet occurred.[67]

The Joint Parties note that with regard to PA administrative costs, the Commission stated:

> "[W]e find it reasonable to allow time for a thoughtful examination of energy efficiency cost-effectiveness policy as it related to the Commission's other energy efficiency policy goals, particularly in light of issue such as [San Francisco's] asserting that PG&E imposed administrative costs constituting 30 percent of the San Francisco Energy Watch LGP budget."[68]

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[63] The Joint Parties protest, pg 6.
[64] The Joint Parties protest, pg 6.
[65] PG&E reply to protests, pg 14.
[66] On February 28, 2019, ALJ Kao mailed "Administrative Law Judge's Ruling Regarding Joint Motion for Approval of Standard Contracts for Local Government Partnerships."
[67] LGSEC protest, pg 3
[68] D.18-05-041, pg 147.

The City and County San Francisco estimates that the administrative costs imposed by PG&E in the ABAL are approximately 22 percent of the SF Energy Watch budget.[69] While D.18-05-041 required the IOUs to work with the local governments to improve cost effectiveness, the PG&E administrative costs were never discussed during the development of the ABAL.

Discussion

Energy Division is confident that the IOUs working together with LGPs to leverage their unique strengths will allow IOUs to achieve more cost-effective savings from LGP programs as directed in OP 30 of D.18-05-041. Furthermore, program administrators should include LGPs in their portfolio where the LGPs further the ability to support California's aggressive energy and climate goals. Energy Division staff reviewed PG&E's stated efforts to work with local governments on improving cost-effectiveness. However, Energy Division refers to Section 7.2 of D.18-05-041, which includes the criteria for approving the ABALs. We note that this section does not require the IOUs to include a plan for working with their local governments to improve cost-effectiveness as part of Energy Division's review of the IOUs' ABALs. In addition, OP 30 of D.18-05-041 does not include a date for compliance with this requirement or state how the IOUs should demonstrate compliance with the requirement. Thus, we reject LGSEC's protest, but remind PG&E that they and the other IOUs must demonstrate compliance with D.18-05-041 OP 30 by working with local governments on cost-effectiveness.

Regarding the Joint Parties protest, Energy Division is concerned that administrative costs attributed to LGPs are opaque to the LGPs.[70] D.09-09-047 OP 13 states LGPs are excluded from the 10% cap on administrative costs.[71] IOUs are to provide transparency and consistency and appropriateness in treatment of administrative costs with commission policy through the workshop process and should any inconsistency and inappropriate placement of IOUs' costs into LGP administrative costs be identified, affected stakeholders should enter this into the record of R.13.11.005 proceeding pertaining to accounting and funding issues scope therein. Compliance with OP 30 of D.18-05-041 or the dicta on page 147 related to the LGP's high administrative costs are not a criterion for review before Energy Division can approve an IOU's ABAL. If the Joint Parties and LGSEC have concern over compliance with OP 30 or the previous Commission decision to eliminate LGP administrative cost from the overall IOU Administrative cost cap, they should file a motion in the proceeding to address this concern.

IOUs did not quantify non-energy benefits provided by LGPs

LGSEC claims the IOUs have not complied with OP 30, which orders the IOUs to work with the local governments to improve cost effectiveness or quantify co-benefits and local economic benefits for hard-to-reach and disadvantaged communities.[72] The Joint Parties agreed and stated that PG&E failed to quantify co-benefits and local economic benefits for LGPs.

PG&E responds that neither the CPUC nor PG&E currently have a method for quantifying LGP non-energy benefits, and non- energy benefits unique to LGPs are not accounted for in the total resource cost test and thus do not contribute to program or portfolio cost-effectiveness.[73]

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[69] Note, SF Energy Watch is the LGP run by the City and County of San Francisco.
[70] Joint Parties protest pg 7.
[71] D.09-09-047, OP 13, A states "Administrative costs for utility energy efficiency programs (excluding third party and/or local government partnership budgets) are limited to 10% of total energy efficiency budgets."
[72] LGSEC protest pg 3.
[73] PG&E reply to protests, pg 10.

Discussion

Energy Division again notes any issue regarding the IOUs' Joint Motion for a Standardized Contract with LGPs should be handled through that motion and not the ABAL review process.

Energy Atlas

LGSEC claims that the IOUs did not include sufficient detail on the expansion of Energy Atlas, designate a lead utility or provide specific information on funding allocations for Energy Atlas.[74]

Discussion

In the IOUs' supplemental ABALs filed on October 29, 2018, the IOUs selected SCE as the utility lead for Energy Atlas, provided an anticipated budget and a projected timeline for awarding the contract to a third-party implementer, and suggest that the implementer will be awarded a contract and begin expansion in 2020. Thus, the supplementals have provided more than an adequate amount of detail on Energy Atlas to satisfy LGSEC's protest. Energy Division rejects the protest by LGSEC that the IOUs have not provided sufficient details on the expansion of Energy Atlas.

PG&E's reductions to LGP programs conflicts with the SB 350 mandate to develop specific strategies to maximize EE savings in disadvantaged communities.

In their comments, the Joint Parties remind Energy Division that the SB 350 Legislation directed the Energy Commission to produce two reports assessing specific strategies to reduce barriers and maximize energy savings in disadvantaged communities, known as the "Low Income Barriers Studies"[75] (the first report was adopted by the Energy Commission on December 14, 2016).[76] The Joint Parties also point out that as the Commission recognized, LGP programs are focused on serving these communities and are a critical part of the state's goal to serve disadvantaged and hard-to-reach communities: "increasing and streamlining support of the LGPs is an effective and essential component in serving hard-to-reach and disadvantaged communities."[77] The Joint Parties add that D.18-05-041 directs the IOUs to "conform their portfolios with the State's overall efforts toward maximizing the contribution of energy efficiency in disadvantaged communities."[78]

The Joint Parties state the combined impact of the budget cuts, changes to cost-effectiveness metrics such as the net-to-gross ratio for hard-to-reach direct install programs proposed by the draft of DEER resolution E-4952, and the lack of support for LGP programs will mean that small businesses, hard-to-reach and disadvantaged customers will be not just under-served but left behind. They believe this result is in clear opposition to the State's important policy goal of ensuring that the benefits of ratepayer funded energy efficiency programs be spread equally and equitably across all ratepayers.

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[74] LGSEC protest, pg 3.

[75] "SB 350 Low Income Barriers Study, Part A, located at file:///C:/Users/nbstr/AppData/Local/Packages/Microsoft.MicrosoftEdge_8wekyb3d8bbwe/TempState/Downloads/TN214830_20161215T184655_SB_350_LowIncome_Barriers_Study_Part_A__Commission_Final_Report%20(3).pdf

[76] Public Utilities Code §§913.10, 913.11. SB 350 also required the Energy Commission to conduct a study on barriers to participation by low income customers in energy efficiency and weatherization programs,

[77] D.18-05-041, FoF 72.

[78] D.18-05-041, pg 53.

PG&E's response to the Joint Parties states that even though reductions were made to the *lead local partner* budgets, the proposed budgets of *implementers* that bring in most energy savings for LGPs, including for savings for hard-to-reach customers, have not changed significantly.[79] PG&E adds that the local government partnership channel should not be assumed to be the only channel capable of serving hard-to-reach customers.[80] PG&E points out that most of the LGPs do not use in-house staff to deliver energy efficiency services, but instead hire an implementer to deliver direct install services.[81] PG&E concludes that the cuts made were to the Government Partnership administrative budgets, but not implementer budgets for delivering savings, except in the case of program underperformance.[82]

Discussion

The Joint Parties protest relates to PG&E's budget cuts to LGPs, which staff has already noted is not within the scope of staff ABAL review, per D.18-05-041. Nonetheless, staff acknowledges the Joint Parties' concern that reductions to PG&E's LGP budgets could conflict with the SB 350 mandate to address barriers for disadvantaged community customers to adopt energy efficiency.[83] However, as PG&E correctly points out, LGPs are not the only channel for delivering energy efficiency to disadvantaged and hard-to-reach customers. In addition, PG&E's resource programs to serve disadvantaged communities and hard-to-reach customers, such as direct install offerings, are not necessary going away, but instead are being competitively bid rather than sole-sourced to the local government administering an LGP. This change does not equate to a reduced realization of savings from energy efficiency to disadvantaged communities.

Finally, the Joint Parties note that the then-Draft DEER Resolution E-4952-proposed net-to-gross ratios for hard-to-reach customers would be a barrier to serving these customers. Energy Division notes that this issue is moot as the adopted DEER Resolution E-4952, does not adopt new net-to-gross ratios for hard-to-reach customers.

Consequently, we reject the Joint Parties' protest both on process, since the standard for staff ABAL review does not include review of program administrators' decisions on program reductions, and on merit, since the argument that SB350 mandates will not be met is flawed because it presumes only local government administered energy efficiency programs are capable of delivering savings to disadvantaged communities.

The Utility Reform Network Protest and Reply Comments

Over-reliance on savings from Home Energy Reports

On October 4, 2018, The Utility Reform Network (TURN) filed its protest of SDG&E, PG&E, SoCalGas, and SCE ABALS in which it expresses concerns regarding the IOUs' respective energy savings forecasts, the predominance of energy savings from Home Energy Reports, and how a failure to achieve savings from this behavior program may negatively affect the IOUs' respective portfolio TRCs for 2019.

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[79] PG&E reply to protest, pg 12.
[80] PG&E reply to protest, pg 12.
[81] PG&E reply to protest, pg 13.
[82] PG&E reply to protest, pg 12.
[83] In the Joint Parties' October 4, 2018 protest of PG&E AL 4011-G/5375-e, PG&E's 2019 Energy Efficiency Annual Budget Advice Letter in Compliance with Decisions 15-10-028 and 18-05-041, the Joint Parties claim that between their LGP programs 70-90% of the customers they serve are considered hard-to-reach.

TURN does not ask the Commission to reject the IOUs' ABALs based on the reliance of behavior programs in the 2019 energy savings forecasts. Instead, TURN proposes that, if the Commission is "inclined to approve the 2019 ABALs of PG&E, SCE, SoCalGas and SDG&E," that the approval include the requirement that the IOUs submit a mid-year progress report on the performance of their behavior programs relative to their 2019 energy savings forecasts as presented in their respective ABALs.

In its response, PG&E asks the Commission to reject TURN's request for the IOUs to file a mid-year Tier 1 advice letter update on behavior programs, stating that an additional advice letter is unnecessary and burdensome, as the information TURN requests is available to all stakeholders in the monthly and quarterly reports that the IOUs file with the Commission on its public data website, the California Energy and Data Reporting System (CEDARS)[84].

PG&E also points to the California Energy Efficiency Coordinating Committee (CAEECC) discussions that will take place in July or August 2019 in advance of the 2020 ABAL filings as the more suitable venue for review of program administrators savings forecasts. Per Commission directive, program administrators must present drafts of their respective budget requests for 2020 and provide information portfolio- and program-level savings from prior and current years as part of the larger stakeholder review of the ABAL filings. SDG&E argues that TURN may request additional detail and reporting on Home Energy Reports within that larger discussion.

Discussion

The Commission requires the IOUs to file monthly and quarterly reports to CEDARS, a public data repository. The monthly reports provide program level information on gross and net savings achieved by a program in the given report month, as well as a year-to-date total for gross and net savings. The quarterly reports present a more refined variant of the same information presented in the monthly reports and represent the IOUs' "official" program savings claims for the quarter. TURN has full access to these data going back to the inception of the Home Energy Reports program in 2012.

Lastly, the Commission has evaluated various IOU Home Energy Reports programs from the 2010-2012 program cycle up to and through program year 2015; these evaluations are available on the CalMAC website (www.calmac.org), which is the repository of all Commission- and IOU-led evaluations (market, process and impact) dating back to the early 2000s.

Consequently, because of the abundance of program-level information for the IOUs Home Energy Reports program, including multiple impact evaluations from prior-program years, as well as the ABAL review process and parallel desire to reduce regulatory burden, the Commission rejects TURN's request that the IOUs file a mid-year advice letter on behavior program progress.

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[84] See "PG&E Reply to Protests from the Public Advocates Office, The Utility Reform Network, the Local Government Sustainability Coalition, and the Joint Parties of Bay Area local government partners, regarding Advice Letter 4011-G/5375-E (PG&E's 2019 Energy Efficiency Annual Budget Advice Letter in Compliance with Decision 15-10-028, OP 4)" (PG&E Reply to Protest), pp. 7-8.

Please direct any questions regarding Energy Division's findings in this non-standard disposition to Peter Franzese for administrative costs, behavior programs, the ABAL workshop process, and PG&E's portfolio (peter.franzese@cpuc.ca.gov); Nils Strindberg for DEER issues and Local Government programs (nils.strindberg@cpuc.ca.gov); Christina Torok (christina.torok@cpuc.ca.gov) for Statewide programs; Abhi Wadhwa (abhilasha.wadhwa@cpuc.ca.gov) for lighting programs; and Kevin Feizi (kevin.feizi@cpuc.ca.gov) for Finance programs.

Sincerely,

Edward Randolph
Deputy Executive Director for Energy and Climate Policy/
Director, Energy Division

Cc: Service Lists R.13-11-005 and A.17-01-013
- Pete Skala, Energy Division
- Jennifer Kalafut, Energy Division
- Alison LaBonte, Energy Division
- Nils Strindberg, Energy Division
- Peter Franzese, Energy Division
- Christina Torok, Energy Division
- Michael Campbell, Public Advocates Office
- Daniel Buch, Public Advocates Office
- Henry Burton, Public Advocates Office
- Hayley Goodson, The Utility Reform Network
- Irene Moosen, on behalf of the Local Government Sustainable Energy Coalition
- Theresa Cho, The City and County of San Francisco
- Jennifer West, East Bay Energy Watch
- Kerrie Romanow, The City of San Jose