

PG&E's 2021 ABAL Overview

Presentation to the California Energy Efficiency Coordinating Council
August 5, 2020





Presentation Overview

- **PG&E's 2021 ABAL Approach**
- **COVID Considerations**
- **2021 Budget, Savings, and Cost-Effectiveness**
- **Proposed Portfolio/Program Changes**
- **Cost-Effectiveness Challenges and Tactics**
- **Portfolio Transition Plan**
- **Statewide Funding and Budgets**



PG&E's 2021 ABAL Approach



New Local Programs

Resource Programs:

- New local programs across all five sectors (IND, AG, PUB, COM, RES); first three sectors fully addressed
- Wave 2 placeholders for remaining COM & RES coverage

Local Government Partnerships (LGPs):

- New non-resource programs to support resource acquisition programs



New Statewide Programs

PG&E-Led:

- All PG&E-led Statewide (SW) Programs expected to have launched or launching in 2021

Non-PG&E-Led:

- Forecasts based on information provided by other IOU leads



Existing Programs

3P-Qualified:

- Several existing contracts qualify under new 3P definition

Non-3P-Qualified:

- Minimal budget provided to existing non-3P qualified programs, both PG&E-implemented and 3P-implemented programs

- PG&E is actively transitioning its portfolio to new local and statewide programs
- Few existing non-3P-qualified programs will remain in 2021 to bridge transition to new 3P-qualified programs & in support of customer segments particularly impacted by COVID



Addressing uncertainty from COVID impacts



Residential

Positive Trends:

- Residential customers want tips on how to save energy, info on home energy usage, high bill alerts, and Energy Efficiency programs

Neutral Trends

- Majority of Res sector savings are coming from Behavior programs (HER and HEC) which have largely remained flat since beginning of pandemic

Negative Trends:

- HTR and DAC Direct Install Programs have installation challenges when Shelter in Place is in effect (customer and contractors have to be safe and follow local/state guidelines)



Non-Residential

Positive/Neutral Trends:

- Some industries such as grocery, laboratory, high tech, data centers, and communications have been flat or positively impacted

Negative Trends:

- Many commercial industries negatively impacted (e.g. restaurants, hospitality, retail, etc.)
- Banking industry forecasts reflect a reduced pool of lending capital available for EE project investment, credit-worthy customers, and construction/development of projects
- Reduced tax revenues and diversion of funds to support public health may result in federal and state funding reductions that trickle down to local governments, schools, & education, particularly for EE investments

- PG&E proactively increasing communication and marketing to meet Residential customers' demands for more energy saving information
- PG&E will actively monitor performance across portfolio to meet customer needs; may result in increased budget for the same/similar levels of savings
- Opportunity to address planning and forecast adjustments in upcoming negotiations for Commercial & Residential sectors



2021 Budget, Savings, and Cost-Effectiveness

| Sector | Program Year (PY) Budget | PY FORECAST ENERGY SAVINGS (Net) | | |
|--|-----------------------------|----------------------------------|---------------|-------------|
| | | kWh | kW | MMtherms |
| Residential | \$59,532,720 | 183,152,396 | 45,482 | 7.0 |
| Commercial | \$53,957,537 | 82,570,351 | 12,591 | 4.0 |
| Industrial | \$25,874,042 | 45,781,942 | 3,905 | 3.3 |
| Agricultural | \$11,563,312 | 17,782,872 | 3,962 | 0.1 |
| Emerging Tech | \$6,410,433 | 0 | 0 | 0.0 |
| Public | \$18,841,875 | 14,861,160 | 1,653 | 0.2 |
| WE&T | \$8,797,280 | 0 | 0 | 0.0 |
| Finance | \$4,801,794 | 46,651,867 | 7,931 | 0.1 |
| OBF Loan Pool | \$13,500,000 | 0 | 0 | 0.0 |
| PG&E Total Program Savings (w/out C&S) | \$203,278,993 | 390,800,588 | 75,524 | 14.6 |
| CPUC Program Savings Goal | | 358,000,000 | 73,000 | 14.0 |
| Forecast savings as % of CPUC Program Savings Goal | | 109% | 103% | 105% |
| Codes and Standards | \$24,877,494 | 976,402,091 | 212,619 | 14.5 |
| PG&E EM&V | \$9,506,520 | | | |
| PG&E PY Spending Budget Request | \$237,663,007 | | | |
| (LESS) PG&E Estimated Uncommitted and Unspent Carryover Balance | \$10,000,000 | | | |
| PG&E PY Budget Recovery Request | \$237,663,007 | | | |
| PG&E Authorized PY Budget Cap (D.18-05-041) | \$374,399,466 | | | |
| Total PA (IOU+CCAs+RENS) Recovery Budget | TBD | | | |
| PG&E Forecast PY TRC | 0.93 | | | |
| PG&E Forecast PY PAC | 1.25 | | | |
| PG&E Forecast PY RIM | 0.55 | | | |

PG&E total 2021 budget (excluding RENS and CCA):
\$237.7M

Savings forecast relative to goal, excluding market effects:
GWh: 109%
MW: 103%
Therms: 105%

PG&E portfolio TRC excluding C&S and market effects:
0.93

TRC with C&S, excluding market effects: 1.92
PAC with C&S, excluding market effects: 6.35



Proposed Portfolio/Program Changes for 2021



Portfolio-Wide

Net Benefits Increase of
~\$72.5M (based on
implementer forecasts)

Majority of portfolio
**transitioning to new
local or SW programs**



Budget

**~\$68M shifting from existing
to new programs**

**PG&E Portfolio
Administrator costs
reduced by \$8M (12%)**

Portfolio will **comply
with 40% outsourcing
target**



Program Closures

Majority of programs that do
not qualify for new 3P
definition will be **ramping
down/closing**

**Closely monitoring COVID
impact** and may need to
adjust to ensure customers
are served



Portfolio Balancing for Decision Making

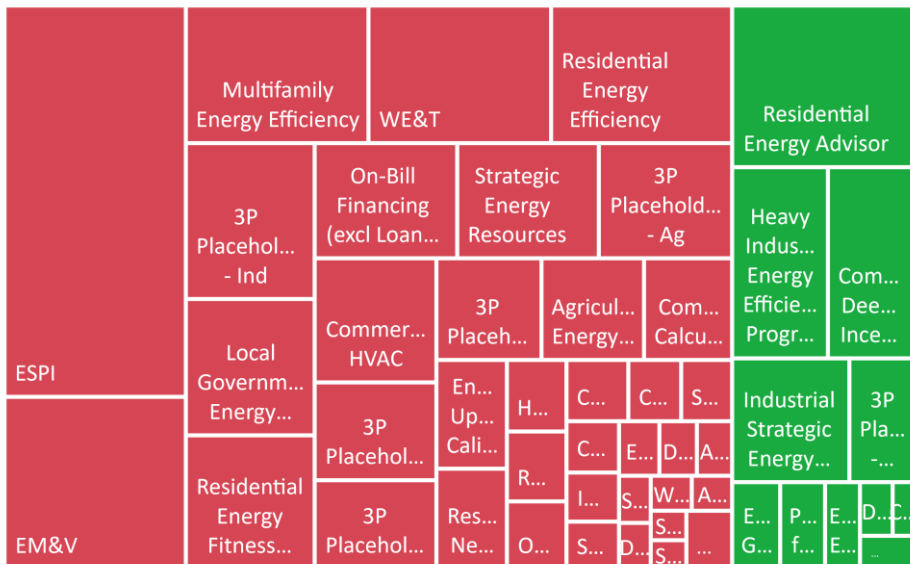
PG&E must take into consideration criteria from several key areas when balancing its portfolio





Transitioning Portfolio + Increased Net Benefits

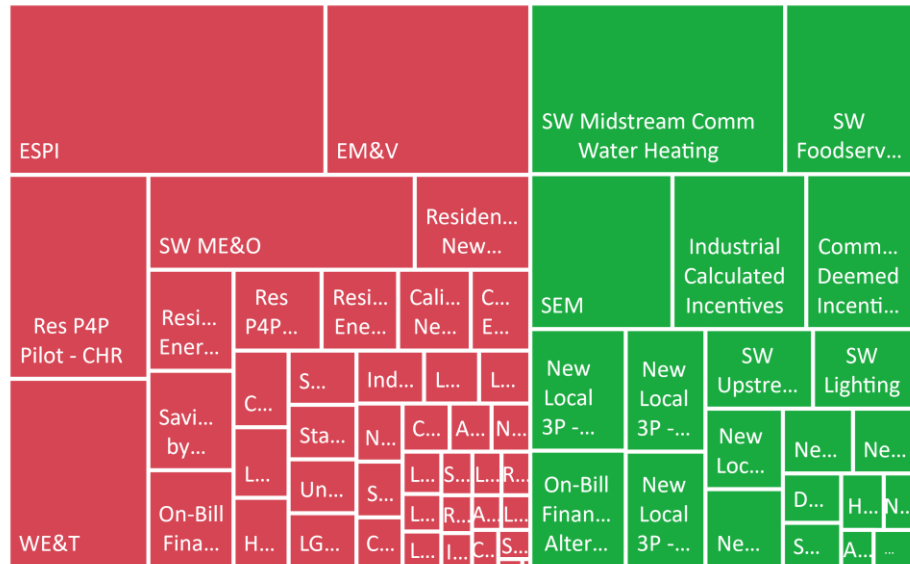
2020 Supplemental ABAL



Net Benefits: **-\$93.5M**, TRC = 0.71

2021 Draft ABAL

■ Negative net realized benefits
 ■ Positive net realized benefits



Net Benefits: **-\$21M**, TRC = 0.93

- Portfolio Net Benefits expected to increase by ~\$72.5M from 2020 ABAL (-\$93.5M) to 2021 ABAL (-\$21M)
- A portfolio TRC of 1.0 would have equal parts red and green net benefits



Cost Effectiveness Challenges & Tactics



Challenges

Diminished Availability of High-Volume and Positive Net Benefits Measures

- Historical portfolios relied on Primary Lighting for high-volume positive net benefits. These savings have been absorbed by C&S. No alternatives are currently as promising for future portfolios.

Downward Trend of Avoided Costs

- Directional change in benefits have been difficult to predict year-year and have trended downward since 2017 despite recent increase
- Final avoided costs adopted at late stage in portfolio planning

Non-Resource/“Policy-Driven” Programs

- Non-resource or “policy-driven” programs do not contribute TRC benefits to portfolio



Management Tactics

Portfolio Management & Balancing

- Prioritizing new 3P programs & ramp down of existing programs
- Continue to manage Portfolio Administrator costs
- Managing budget for non-resource-acquisition programs
- Monitor SW program impacts on portfolio

Responding to Changing Market & Regulatory Conditions

- Support and inform regulatory proceedings on C-E
- Annual program review and realignment as needed
- Leverage financing to smooth economic uncertainty

Portfolio Administrator Activities

- QA/QC program performance and ex ante /ex post alignment
- Incorporating cost effectiveness into performance payment terms

- Although PG&E’s portfolio cost effectiveness is forecasted to improve relative to its 2020 forecast, there are still significant cost-effectiveness challenges to forecasting and delivering a cost-effective portfolio
- PG&E will continue to actively manage its portfolio to foster the success of the new third-party programs and its portfolio



Portfolio Transition Plan



Ramp Down Plans

- Initiated for most existing programs
- Created a ramp down guide that required vendors to provide plans for ramp down, stakeholder and customer communication, and meeting contract deliverables
- Some programs extended into 2021



Ramp Up Plans

- For new programs & implementers
- Created a ramp up guide & trainings for program managers
- Kickoff meetings & Implementation plan reviews
- System enhancements to facilitate implementation of new program designs

Actively transitioning programs: Initiated ramp down for most contracts in the portfolio to ensure a smooth transition between existing program activities and new 3P programs coming onboard



PG&E-Led Statewide (SW) Funding and Budgets

| Statewide (SW) Programs | Estimated or Actual Launch Date | Maximum Annual Total SW Budget (Complete Year) | PG&E Share of Total SW Budget | 2021 Forecasted SW Program Budget | |
|--|---------------------------------|--|-------------------------------|-----------------------------------|------------------------------|
| | | | | 2021 Total SW Budget | PG&E Share of 2021 SW Budget |
| C&S Advocacy | Jan 2020 | \$13,155,000 | 45.6% | \$13,155,000 | \$5,998,680 |
| Residential New Construction | Apr 2021 | \$12,000,000 | 45.6% | \$5,292,000 | \$2,413,152 |
| Non-Res New Construction | Apr 2021 | \$20,000,000 | 45.6% | \$2,572,000 | \$1,172,832 |
| Institutional Partnerships – State of CA | Aug 2021 | \$2,500,000 | 45.6% | \$416,667 | \$190,000 |
| WE&T Career & Workforce Readiness | May 2021 | \$2,112,569 | 45.6% | \$1,232,332 | \$561,943 |
| WE&T K-12 Connections | May 2021 | \$1,000,000 | 45.6% | \$583,333 | \$266,000 |

- All PG&E-led Statewide Programs are expected to have launched by 2021 or will launch in 2021
- Estimated launch dates dependent on CPUC Advice Letter Approval for contracts exceeding 3 years or \$5M
- 2021 budgets reflect the estimated launch dates in 2021
- Maximum Annual Total SW Budgets can change with consensus across IOUs



Questions