Erik Jacobson
Director
Regulatory Relations

Pacific Gas and Electric Company
77 Beale St., Mail Code B13U
P.O. Box 770000
San Francisco, CA 94177

Fax: 415-973-3582

DRAFT

September 3, 2019

Advice XXXX-G/XXXX-E (Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

Subject: **PG&E's 2020 Energy Efficiency Annual Budget Advice Letter in Compliance with Decisions 15-10-028 and 18-05-041**

I. Purpose

Pacific Gas and Electric Company (PG&E) hereby submits its 2020 energy efficiency (EE) portfolio budget (2020 EE Budget) by Tier 2 advice letter in compliance with the *Decision Re Energy Efficiency Goals for 2016 and Beyond and Energy Efficiency Rolling Portfolio Mechanics,* the "Rolling Portfolio Decision" (D.15-10-028),[1] the *Decision Addressing Energy Efficiency Business Plans* (D.18-05-041),[2] and guidance from the California Public Utilities Commission (CPUC or Commission) Energy Division (ED) staff (Staff).

PG&E requests that the Commission approve its 2020 EE Budget of $256,727,072 effective as of January 1, 2020, for PG&E's approved EE programs.

II. Background

A. Regulatory Requirements

The Rolling Portfolio Decision (D.)15-10-028 requires each EE program administrator (PA) to file an advice letter with a budget for the next calendar year's EE portfolio by the first business day of September each year.[3]

Subsequently, the Commission issued the *Decision Addressing Energy Efficiency Business Plans* D.18-05-041, which established September 3, 2019, as the deadline for the 2020 Annual Budget Advice Letter (ABAL). The decision also adopted the budgets set forth in the Business Plans for 2018-2025.

1 D.15-10-028, Ordering Paragraph (OP) 4.
2 D.18-05-041, OP 41-47.
3 D.15-10-028, OP 4.

B. Filing Requirements

D.15-10-028 requires each program administrator's (PA) advice letter to contain:

- A portfolio cost-effectiveness statement; and
- Application summary tables with forecast budgets and savings by sector and program/intervention.

Furthermore, D.18-05-041 provides additional guidance to PAs regarding ABAL submission. D.18-05-041 requires that the investor-owned utilities' (IOUs) ABALs include the following:

- A forecasted Total Resource Cost (TRC) test score that meets or exceeds 1.25, except during program years 2019-2022, when the forecasted TRC must meet or exceed 1.0;
- Forecasted energy savings goals that must meet or exceed Commission-established savings goals for each IOU; and
- A forecasted budget that must not exceed the PA's annual budget in the approved Business Plans, or (if applicable) the revised annual budget in this ABAL.[4]

If a PA's ABAL submitted for program year 2019 through program year 2022 fails to meet the criteria above, including a forecasted portfolio TRC of 1.0 during program years 2019-2022, the PA is to hold a workshop to provide transparency into the associated challenges and receive feedback that would potentially aid the PA in revising its Business Plan pursuant to D.15-10-028 for Commission approval.[5]

C. Contents of this Filing

PG&E's advice letter is organized as follows:

- Budget
- Goals
- Cost-Effectiveness Statement
- Cost Recovery
- Prior Years' Unspent Funds
- 2020 Program Changes
- Evaluation, Measurement & Verification (EM&V)

---

[4] D.18-05-041, p. 133
[5] D.18-05-041, p. 134-135

DRAFT

- Metrics to date

In addition to the information above, PG&E's 2020 ABAL includes the following materials:

- Attachments:
    - Attachment 1 – California Energy Data and Reporting System (CEDARS) Filing Confirmation
    - Attachment 2 – Appendices
    - Attachment 3 – Caps and Targets Tables
    - Attachment 4 – Program Closures
    - Attachment 5 – Sector Level Metrics: Progress to Date

III. Discussion

A. Budget

PG&E proposes a 2020 EE budget of $256.7 million. This budget is based on portfolio modifications relative to 2019 that are oriented toward meeting the annual savings goal for 2020. However, this proposed portfolio is not forecasted to meet a TRC above 1.0 for 2020 – instead, it opts to facilitate a successful transition to the Commission's new statewide and third-party model for energy efficiency, with a focus on TRC for 2021 and beyond. This forecast allocates 25% of PG&E's 2020 EE budget to third-party programs through placeholders for third-party and statewide programs that will largely be ramping up in 2020 and not delivering a high volume of savings. More details on cost-effectiveness are presented in Section C.

While PG&E forecasts its TRC at 0.68 without Codes and Standards (C&S), the final 2020 program offerings, measure mixes, and corresponding portfolio TRC are subject to change after the September 3, 2019 filing of this 2020 EE Annual Budget Advice Letter as a result of the dynamic third-party program solicitations process that could possibly revamp PG&E's EE portfolio. Commission-issued dispositions, Database for Energy Efficiency Resources (DEER) updates, custom project refinements, and modifications to other key inputs will also impact portfolio savings and cost-effectiveness. As cost-effectiveness inputs change, PG&E will continue to evaluate the available mix of measures and programs and will balance the portfolio as necessary throughout 2020. This may include, but is not limited to, fund shifting, measure and program elimination, and modifications to rebate levels.

Table 1 provides an overview of PG&E's 2020 forecasted portfolio budget, savings, and cost-effectiveness. The net savings, Total Resource Cost (TRC), Program Administrator Cost (PAC), Ratepayer Impact (RIM) forecast values exclude market effects.

DRAFT

Table 1: PG&E 2020 Budget and Savings Summary

Sector	Program Year (PY) Budget	PA PY FORECAST ENERGY SAVINGS (Net)[6]		
		PA forecast kWh	PA forecast kW	PA forecast therms (MM)
Residential	$71,902,431	179,410,780	32,416	6.7
Commercial	$51,090,672	57,302,159	9,663	4.2
Industrial	$25,180,261	24,352,098	3,732	1.7
Agriculture	$15,147,127	17,328,135	4,893	0.7
Emerging Tech	$3,295,079	-	-	-
Public[5]	$28,849,675	25,955,834	5,207	0.6
WE&T	$9,074,526	-	-	-
Finance	$6,182,432	55,180,000	8,799	0.8
OBF Loan Pool	$13,500,000	-	-	-
PG&E Total Program Savings (w/out C&S)	$224,222,202	359,529,006	64,711	14.7
CPUC Program Savings Goal		310,000,000	64,500	12.1
Forecast savings as % of CPUC Program Savings Goal		116%	100%	121%
Codes and Standards	$22,235,787	667,770,923	133,269	16.2
PG&E EM&V	$10,269,083			
PG&E PY Spending Budget Request[1]	$256,727,072			
(LESS) PG&E Uncommitted and Unspent Carryover Balance[2]	$13,324,000			
PG&E PY Budget Recovery Request[3]	$243,403,072			
PG&E Authorized PY Budget Cap (D.18-05-041)[4]	$374,399,466			
MCE PY Budget Recovery Request (excl. CCA Uncommitted/Unspent Carryover)	TBD			
BayREN PY Budget Recovery Request (excl. REN Uncommitted/Unspent Carryover)	TBD			
3C-REN PY Budget Recovery Request (excl. REN Uncommitted/Unspent Carryover)	TBD			
Total PA (PG&E+CCAs+RENs) PY Recovery Budget	TBD			
PG&E Forecast PY TRC[6]	0.68			
PG&E Forecast PY[6]	1.00			
PG&E Forecast PY RIM[6]	0.45			

[1] This is the amount by which Statewide 25% requirement will be measured, and what the IOU intends to spend in the PY, including carryovers.

[2] The balance of all unspent and uncommitted reflects the total unspent uncommitted for all prior program years up to and through December 31, 2019. The unspent and uncommitted funds for 2019 are only an estimate at the time of this Advice Letter filing as these numbers have not yet been finalized.

[3] The amount of funds to be collected (budget recovery) for the Program Year.

[4] The IOU Authorized PY Budget Cap uses the "Subtotal" budget from PG&E's Budget True-Up Table 10 from its second supplemental 2019 Annual Budget Advice Letter (Advice 4011-G-B/5375-E-B), plus an EM&V budget of 4% of the IOU Authorized PY Budget Cap. Advice 4011-G-B/5375-E-B was approved by the CPUC on April 2, 2019.

[5] The public sector budget and savings in this table encompass all activity in the Government Partnership (GP) Programs. Starting in 2021, PG&E will determine a method for allocating GP program budgets and savings across to appropriate sectors (i.e., public, commercial, agriculture, and industrial) as applicable.

[6] The net savings, TRC, PAC, and RIM estimates shown in this table exclude 5% market effects.

DRAFT

1. Integrated Demand Side Management (IDSM)

Starting in 2019, each IOU PA is ordered to set aside a minimum of $1 million for the residential sector and a load-share-proportional fraction of $20 million for the commercial sector from each IOU PA's IDSM budget for testing and deployment of integration strategies.[6] In consultation and agreement with the California IOUs, PG&E will budget $8 million of the required $20 million for the commercial sector. With an additional $1 million of IDSM budget for the residential sector, PG&E's budget for IDSM activities will total $9 million.

B. Goals

PG&E's energy efficiency goals (GWh, MW, and MMtherms) are slated to reduce significantly from prior years if the Proposed Decision (PD) Adopting Energy Efficiency Goals for 2020-2030, issued on July 15, 2019, is adopted. The 2020 portfolio forecast described in this advice letter was designed around the goals in this PD, which will be voted on in August prior to the filing of this advice letter on September 3, 2019.

PG&E is forecasting a portfolio that meets the new 2020 savings goals. PG&E believes that administering a portfolio that meets the 2020 savings goals, but not the 2020 cost-effectiveness requirement, is the most effective way to administer a future portfolio in 2021 and beyond that has the best chance to meet both the savings goals and cost-effectiveness requirement in the future. A portfolio that meets the 2020 savings goals will help facilitate a transition from existing offerings to future ones. PG&E believes that significantly scaling back its savings targets in 2020 will impede customer adoption of EE in 2021 and beyond, hindering new third-party programs from ramping up and achieving success.

C. Cost-Effectiveness

As noted in Section A, PG&E is forecasting a portfolio TRC of 0.68 without C&S or market effects for 2020. As such, PG&E acknowledges that it triggers the application filing and business plan revision described in D.15-10-028, OP 2. PG&E expects to work with Energy Division on a schedule and process for refiling its business plan.

While PG&E is taking action to improve cost-effectiveness in 2020, PG&E believes that the best chance at delivering a cost-effective portfolio that meets annual savings goals *in the long run* is through the solicitations process. Competition and new program ideas will likely contribute cost-effectiveness improvements that tighter administrative vigilance cannot deliver alone.

---

[6] D.18-05-041, OP 10

DRAFT

Unfortunately, the timing of the multi-sector solicitations process results in uncertainty that manifests in PG&E's 2020 ABAL forecast. PG&E recognizes that new programs take time to launch, ramp up, and ultimately acquire participants and deliver savings. As such, PG&E is budgeting 25% of 2020 spend towards new third-party programs, while recognizing that those new programs will likely deliver few, if any, savings in 2020.

The 2020 forecast is a trade-off between reducing existing low-TRC program costs necessary to make room for solicited third-party programs coming online in 2020, which may not achieve savings in the same program year. PG&E expects incentive spending in 2020 to decrease relative to 2019 as a result of a) the ramp-down of existing rebate programs as PG&E's portfolio introduces new third-party programs and b) the ramp-up of new third-party programs resulting from solicitations that are expected to realize fewer savings during the program ramp-up phase relative to program costs expended. PG&E expects program costs to be incurred as a result of work necessary to complete solicitations, review and provide quality control over program designs, finalize contracts, and get programs approved by the CPUC (where appropriate), to launch in 2020.

Table 2 provides the TRC test and PAC test forecasts for its 2020 EE portfolio. The TRC and PAC estimates exclude market effects.

Table 2: PG&E 2020[7] Cost-Effectiveness Statement

Cost-Effectiveness Scenario	2020 TRC Forecast	2020 PAC Forecast	2020 RIM Forecast
Total portfolio including the Energy Savings and Performance Incentive (ESPI) award, and excluding C&S and market effects	0.68	1.00	0.45
Total portfolio including the ESPI award and C&S, and excluding market effects	1.06	3.21	0.54

TRC and PAC calculations include costs for:

- Resource and non-resource programs, including Financing and Workforce Education and Training (WE&T) programs;
- EM&V; and
- An estimated $12 million for PG&E's ESPI award in 2020.[8]

TRC and PAC calculations exclude:

- Emerging Technologies (ET) program costs;
- Statewide (SW) Marketing, Education and Outreach (ME&O) costs;
- BayREN and MCE benefits and costs;[9]
- Financing costs including credit enhancements approved for the Statewide Financing Pilots in D.13-09-044; and

7 The 2020 CET User Interface from CEDARS was used to calculate cost-effectiveness.

8 PG&E's $12 million ESPI award estimate for 2020 is based on historical trends of ESPI awards from past years.

9 D.12-11-015.

- Energy Savings Assistance (ESA) benefits and costs.

1. Portfolio Strategies to Boost Cost-Effectiveness in 2020

Following its third-party program solicitations process and schedule, PG&E will undertake "portfolio balancing" work after the September 3, 2019 filing date of this advice letter. Portfolio balancing is the process through which PG&E will identify high potential proposals, match them with incumbent programs to be replaced, and facilitate a smooth transition between the old and the new programs. Portfolio balancing yields an increase in projected portfolio TRC whenever an incoming program projects to exceed the TRC of the program(s) it is replacing, and it will likely continue as long as an incoming proposal can materially improve upon an existing component of the portfolio.

Portfolio balancing activities will seek to create a cost-effective EE portfolio through the selection of new, third-party programs for inclusion in the 2020 portfolio and either modification or closure of existing programs with low cost-effectiveness. Program contract negotiation for new and existing programs will also take place during this time.

[TBD – discussion of reduced portfolio administrator costs]

D. Cost Recovery

1. Collection of PG&E's 2020 EE Budget in Rates

Table 3. Authorized EE Funding in 2020 Rates

Category	Electric Energy Efficiency Funds	Natural Gas Public Purpose Funds	Total Energy Efficiency Funds[10]
Program Funds - Utility	TBD	TBD	TBD
Program Funds - BayREN	TBD	TBD	TBD
Program Funds - MCE	TBD	TBD	TBD
EM&V - Utility	TBD	TBD	TBD
EM&V - BayREN	TBD	TBD	TBD
EM&V - MCE	TBD	TBD	TBD
Total	TBD	TBD	TBD

[10] These funds were approved in D.18-05-041, OP 12. See also PG&E's Business Plan Budgets per A.17-01-015.

2. Collection of PG&E's 2020 Demand Response portion of Integrated Demand-Side Management (IDSM) Budget in Rates

Table 4: Authorized Demand Response IDSM Funding in 2020 Rates

Category	PG&E Electric Demand Response Funds[11]
Energy Efficiency	TBD
Demand Response	TBD
Total PG&E	**TBD**

3. Electric and Gas Benefit Split

TBD

E. Unspent Funds

1. PG&E Prior Years' Unspent Funds

Table 5 illustrates PG&E's unspent funds for prior years' program cycles. Balances are through June 30, 2019. This data is also presented in the Appendices on Table 6: Committed Energy Efficiency Program Funding Not Yet Spent, and Table 7: 2019 Authorized and Spent/Unspent Detail. As of June 30, 2019, PG&E estimates that approximately $13.3 million of funds may be unspent and uncommitted, and available to offset 2020 EE revenue collections.

Table 5: Prior Years' Unspent Funds as of June 2019

	PY2013-2015	PY 2016	PY 2017	PY 2018	PY 2019	Totals
Unspent & Committed						
EM&V [1]	$5,179,004	$15,672,827	$14,479,143	$11,501,157	$5,657,498	$52,489,629
Financing Pilots [2]	$2,257,726	$0	$165,400	$220,797	$439,288	$3,083,211
BayREN	$3,760,885	$0	$42,769	$5,218,732	$12,792,398	$21,814,784
MCE	$36,182	$104,615	$0	$223,670	$1,528,991	$1,893,458
3C REN	$0	$0	$0	$0	$2,833,090	$2,833,090
Total	**$11,233,797**	**$15,777,442**	**$14,687,312**	**$17,164,356**	**$23,251,265**	**$82,114,172**
Estimated Unspent & Uncommitted for 2020 Offset						
Utility Program Funds	$0	$0	$0	$0	$13,324,000	$13,324,000

[1] Includes unspent funds from the CPUC ($40.7 million) and PG&E ($11.8 million)
[2] 2017, 2018 & 2019 committed funds were authorized in AL 3904-G/5175-E, approved effective December 3, 2017.

[11] Administrative Law Judge's Ruling Providing Guidance for the 2012-2014 Demand Response Applications, Rulemaking (R.) 07-01-041, August 27, 2010 directed that future authority and funding for the demand response portion of the Integrated Design-Side Management activities be considered in EE proceedings starting with the EE applications for 2013-2015. These funds were approved in D.18-05-041, OP 10.

DRAFT

2. PG&E's MCE Sub-Account Prior Years' Unspent Funds

In D.14-10-046, the Commission instructed PG&E to offset MCE's unspent funds against payments to be made to MCE under its authorized electric EE portfolio budget. As of June 30, 2019, PG&E estimates that all of MCE's 2019 electric funds (authorized in ABAL 33-E and supplements) will be paid to MCE by the end of 2019.

F. 2020 Program Changes

This section identifies changes to PG&E's proposed programmatic activity in compliance with the Rolling Portfolio Decision[12] and Business Plan Decision.[13] PG&E's 2020 portfolio forecast represents significant budget adjustments to existing programs across the portfolio sectors. These budget adjustments are subject to change, pending the results of the solicitations process that will continue through 2019 and 2020 and subsequent contract negotiations. Budget reductions were driven by the removal of sunset measures (largely lighting) and the associated incentive budgets, as well as budget reductions necessary to make room for sector-level third-party program placeholders.

While the 2020 budget assumptions in this advice letter are subject to change, PG&E's 2020 program budgets will be finalized through the third-party solicitation portfolio balancing process described in Section C. In this process, new programs across sectors will be selected for inclusion into the portfolio and existing programs will be reviewed for continuation, modification, or closure. This process will result in contract negotiations that will determine final 2020 program budgets. The portfolio balancing activities, and subsequent contract negotiations, are dependent on the scope of new third-party programs that are reviewed and selected. Given the solicitations schedule, the scope of these new programs is uncertain at the time of this 2020 EE budget advice letter filing.

Despite the uncertainties of 2020 program budgets resulting from solicitations, PG&E has developed the 2020 budget presented in this advice letter using the best information that is currently available. The 2020 budget allocation in this advice letter represents a 17% drop from its 2019 ABAL budget, with reductions across multiple sectors.

G. EM&V

PG&E proposes a PG&E EM&V budget of $10,269,083, consistent with the 4% EM&V budget cap originally adopted in D.09-09-047 and further reviewed and upheld in

[12] D.15-10-028, p. 60.
[13] D.18-05-041

DRAFT

subsequent EE budget Decisions.[14] Following that same guidance, Table 6 reflects the 4% EM&V budget cap for each of the program administrators.

D.16-08-019 established grounds to revise the allocation of EM&V fund split between Commission and IOU EM&V efforts - beginning after the EE Business Plans are approved by the Commission - to at least 60% reserved for Commission staff evaluation efforts and up to 40% for PAs[15].

Table 6 presents the allocation as requested by PG&E, BayREN, MCE and 3C-REN in their 2020 ABALs. These allocation requests may vary by PA.

Table 6: 2020 EM&V Budget

PA	PA Total without EM&V	Ratio of PA Total without EM&V	EM&V	EM&V CPUC	EM&V PA	PA Total with EM&V
PG&E	TBD	TBD	TBD	TBD	TBD	$10,269,083
BayREN	TBD	TBD	TBD	TBD	TBD	TBD
MCE	TBD	TBD	TBD	TBD	TBD	TBD
3C-REN	TBD	TBD	TBD	TBD	TBD	TBD
Portfolio Total	TBD	TBD	TBD	TBD	TBD	TBD

H. Metrics

Pursuant to D.18-05-041, PG&E reported on sector-level metrics and their associated targets for program years 2017 and 2018 as part of the 2017 and 2018 EE Annual Report filings filed on May 1, 2018 and May 1, 2019, respectively. They can be found in spreadsheet form on the CPUC's data reporting website, Energy Efficiency Statistics (EEStats),[16] by filtering documents for the "Annual" Report Category and "Narrative & Spreadsheet" Report Type.

Protests

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than September 23, 2019, which is 20 days after the date of this filing. Protests must be submitted to:

---

[14] D.10-04-029, D.12-05-015, D.14-10-046, D.15-10-028, D.16-08-019

[15] D.16-08-019, OP 16.

[16] http://eestats.cpuc.ca.gov/Views/Documents.aspx

DRAFT

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102

Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest shall also be sent to PG&E either via e-mail or U.S. mail (and by facsimile, if possible) at the address shown below on the same date it is mailed or delivered to the Commission:

Erik Jacobson
Director, Regulatory Relations
c/o Megan Lawson
Pacific Gas and Electric Company
77 Beale Street, Mail Code B13U
P.O. Box 770000
San Francisco, California 94177

Facsimile: (415) 973-3582
E-mail: PGETariffs@pge.com

Any person (including individuals, groups, or organizations) may protest or respond to an advice letter (General Order 96-B, Section 7.4). The protest shall contain the following information: specification of the advice letter protested; grounds for the protest; supporting factual information or legal argument; name, telephone number, postal address, and (where appropriate) e-mail address of the protestant; and statement that the protest was sent to the utility no later than the day on which the protest was submitted to the reviewing Industry Division (General Order 96-B, Section 3.11).

Effective Date

TBD

Notice

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list and the parties on the service lists for R.13-11-005, A.17-01-013 et al. Address changes to the General Order 96-B service list should be directed to PG&E at email address PGETariffs@pge.com. For changes to any other service list, please contact the

DRAFT

Commission's Process Office at (415) 703-2021 or at Process_Office@cpuc.ca.gov. Send all electronic approvals to PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: http://www.pge.com/tariffs/.

/S/

Erik Jacobson
Director, Regulatory Relations

Attachments

- Attachment 1 – California Energy Data and Reporting System (CEDARS) Filing Confirmation
- Attachment 2 – Appendices
- Attachment 3 – Caps and Targets Tables
- Attachment 4 – Program Closures

cc: Peter Franzese, Energy Division
Service List R.13-11-005
Service List A.17-01-013 et al.

DRAFT