STATE OF CALIFORNIA EDMUND G. BROWN JR., *Governor*

PUBLIC UTILITIES COMMISSION
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298

F I L E D
10-09-12
03:57 PM

October 9, 2012

Agenda ID #11655
Ratesetting

TO PARTIES OF RECORD IN APPLICATION 12-07-001 ET AL.

This is the proposed decision of Administrative Law Judge (ALJ) Julie A. Fitch. It will not appear on the Commission's agenda sooner than 30 days from the date it is mailed. The Commission may act then, or it may postpone action until later.

When the Commission acts on the proposed decision, it may adopt all or part of it as written, amend or modify it, or set it aside and prepare its own decision. Only when the Commission acts does the decision become binding on the parties.

Parties to the proceeding may file comments on the proposed decision as provided in Article 14 of the Commission's Rules of Practice and Procedure (Rules), accessible on the Commission's website at www.cpuc.ca.gov. Pursuant to Rule 14.3, opening comments shall not exceed 15 pages.

Comments must be filed pursuant to Rule 1.13 either electronically or in hard copy. Comments should be served on parties to this proceeding in accordance with Rules 1.9 and 1.10. Electronic and hard copies of comments should be sent to ALJ Fitch at jf2@cpuc.ca.gov and the assigned Commissioner. The current service list for this proceeding is available on the Commission's website at www.cpuc.ca.gov.

/s/ KAREN V. CLOPTON
Karen V. Clopton, Chief
Administrative Law Judge

KVC:acr

Attachment

Decision **PROPOSED DECISION OF ALJ FITCH** (Mailed 10/9/2012)

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of 2013-2014 Energy Efficiency Programs and Budget (U39M).	Application 12-07-001 (Filed July 2, 2012)
And Related Matters.	Application 12-07-002 Application 12-07-003 Application 12-07-004

DECISION APPROVING 2013-2014 ENERGY EFFICIENCY PROGRAMS AND BUDGETS

Table of Contents

Title **Page**
DECISION APPROVING 2013-2014 ENERGY EFFICIENCY PROGRAMS AND BUDGETS 1
1. Summary 2
2. Procedural Background 4
3. Regional Energy Network (REN) Proposals 7
3.1. Issues Common Across All REN Proposals 7
3.1.1. Definition, Purpose, and Governance of RENs 7
3.1.2. Threshold of Review 16
3.1.3. Cost-Effectiveness Considerations 17
3.1.4. Evaluation, Measurement, and Verification 19
3.2. SoCalREN 19
3.2.1. Energy Upgrade California (EUC) 20
3.2.1.1. Flex Path Incentives 20
3.2.1.2. Local Marketing and Outreach Programs 24
3.2.1.3. Contractor Outreach and Training 26
3.2.1.4. Green Building Labeling 26
3.2.1.5. Low Income Retrofit Program 26
3.2.1.6. Smart Tech Path Household Energy Management Pilot 27
3.2.1.7. Multi-Family Program 28
3.2.2. Financing Programs 29
3.2.2.1. Public Building Loan Loss Reserve 29
3.2.2.2. Single-Family Loan Loss Reserve 29
3.2.2.3. Multi-Family Loan Loss Reserve 30
3.2.2.4. Non-Residential Property Assessed Clean Energy (PACE) 30
3.2.2.5. Public Agency Revolving Loan Fund 31
3.2.3. Southern California Regional Energy Center (SoCalREC) 31
3.2.4. Approved Budget 33
3.3. BayREN 34
3.3.1. Single Family Energy Upgrade California 34
3.3.1.1. Single Family Flex Path Incentives 35
3.3.1.2. Audit Incentives 35
3.3.1.3. Home Upgrade Advisor Service 36
3.3.1.4. Marketing, Outreach, and Professional Engagement 36
3.3.2. Multi-Family Program 36
3.3.3. Financing Programs 37
3.3.3.1. Single-Family Loan Loss Reserve 38
3.3.3.2. Multi-Family Capital Advance Program Pilot 38

Table of Contents (cont.)

Title **Page**

3.3.3.3. Commercial PACE 39
3.3.3.4. Pay As You Save (PAYS) Water Efficiency Pilot 39
3.3.3.5. Commercial PACE Incentives 39
3.3.4. Codes and Standards Program 40
3.3.5. Approved Budget 40
4. Marin Energy Authority Proposal 41
4.1. General Issues 41
4.1.1. Threshold of Review 42
4.1.2. Cost-Effectiveness 44
4.1.3. Evaluation, Measurement, and Verification (EM&V) 44
4.2. MEA Programs 44
4.2.1. Multifamily Energy Efficiency Program (MFEEP) 45
4.2.2. Small Commercial Program 45
4.2.3. Single Family Utility Demand Reduction Program 46
4.2.4. Financing Pilot Programs 47
4.3. Approved Budgets 48
5. Utility Portfolio Proposals 49
5.1. Portfolio-Wide Issues 49
5.1.1. Portfolio Cost-Effectiveness Requirements 49
5.1.2. Spillover Effects 51
5.1.3. Savings Goals Related to Codes and Standards Support 54
5.1.4. Utility Alternative Proposals for *Ex ante* and Custom Project Review Processes 56
5.1.5. Evaluation, Measurement, and Verification 57
5.2. Program-Specific Issues 58
5.2.1. Financing Programs 59
5.2.1.1. OBF Programs 60
5.2.1.1. Financing Programs Previously Funded by ARRA 60
5.2.1.2. New Financing Pilots 61
5.2.1.3. Approved Financing Budgets 63
5.2.2. Residential Programs 64
5.2.2.1. Energy Upgrade California 64
5.2.2.2. Middle Income Direct Install (MIDI) 69
5.2.2.3. Multi-Family Energy Efficiency Rebates (MFEER) 69

Table of Contents (cont.)

Title **Page**

5.2.2.4. California Advanced Home Program and Energy Star Manufactured Homes Program 70
5.2.2.5. Residential HVAC Programs 70
5.2.2.6. Behavioral Programs 72
5.2.3. Commercial Programs 73
5.2.4. Industrial and Agricultural Programs 73
5.2.5. Lighting Programs 74
5.2.6. Third Party Programs 76
5.2.7. Local Government Partnerships (LGPs) and Institutional Partnerships 79
5.2.7.1. Institutional Partnerships 81
5.2.8. Integrated Demand Side Management (IDSM) 81
5.2.9. Workforce, Education, and Training 83
6. Revenue Requirements and Cost Recovery 85
6.1. Treatment of Unspent Funds from Prior Portfolio Cycles 85
6.2. Total Authorized Revenue Requirements and Program Budgets 87
6.3. SCE Treatment of Administrative Costs 95
7. Next Steps and Compliance Requirements 96
7.1. *Ex ante* Energy Savings "Lockdown" 96
7.2. Utility, REN, and MEA Compliance Filings 97
7.3. Finalizing EM&V Plans 98
7.4. Finalizing REN Contracts 99
7.5. Finalizing New Pilot Financing Activities 99
8. Other Issues 99
9. Comments on Proposed Decision 100
10. Assignment of Proceeding 101
Findings of Fact 101
Conclusions of Law 106
ORDER 117

DECISION APPROVING 2013-2014 ENERGY EFFICIENCY PROGRAMS AND BUDGETS

1. Summary

This decision approves a portfolio of energy efficiency programs and budgets to be implemented in 2013 and 2014 by Pacific Gas and Electric Company, San Diego Gas & Electric Company (PG&E), Southern California Gas Company (SoCalGas), and Southern California Edison Company (collectively, the utilities), as well as two regional energy networks (RENs) (San Francisco Bay Area Regional Energy Network and Southern California Regional Energy Network) and one community choice aggregator (CCA) (Marin Energy Authority (MEA)).

The decision provides a definition of RENs, differentiates them from local government partnerships run by utilities, and identifies certain roles and responsibilities for the REN proponents and the utilities. The decision also identifies the cost-effectiveness requirements for RENs and requires them to comply with the applicable portions of the Energy Efficiency Policy Manual as it relates to cost-effectiveness inputs, reporting requirements, fund shifting, audits, and evaluation. The decision also acknowledges that CCAs are subject to a slightly different set of statutory rules, but generally treats them similarly, though not identically, to RENs.

For the utility portfolios, the decision clarifies the application of our cost-effectiveness rules to the prospective portfolio filings, and adopts an adjustment for market effects or "spillover" to apply to all utility portfolios. Changes to the *ex ante* and custom project review process are deferred. The proposed third-party solicitation process is approved, as are new (lower) goals

for codes and standards advocacy to account for lower new construction rates during the program period.

Utilities are also required to allocate unspent funds from previous program cycles toward the budgets for 2013-2014 before collecting new funds. In addition, they are required to significantly lower the planned expenditures in their budgets that fall outside of the categories for incentives without reducing energy savings targets or the average program levels available to customers over the past few years.

On a program level, on-bill financing programs and continuation of financing pilots that were launched with federal stimulus funding are continued, with funding for new pilot programs set aside for further decision-making.

Utilities are required to continue to refer to the residential whole-house program as the Energy Upgrade California (EUC) program to take advantage of brand recognition and synergies with the statewide marketing campaign. The utilities are also authorized, as they proposed, to hire expeditiously a consultant to design additional market transformation aspects of the EUC program. This effort will also involve a stakeholder process to revise the Basic Path of EUC and merge it with the Flex Path already piloted by the Southern California REN for areas not being served by a REN.

Next, for the statewide lighting program, the decision clarifies that light-emitting diode incentives for high-quality bulbs are authorized in advance of the adoption of the California Quality Standard under consideration by the California Energy Commission. Finally, the utilities are directed to develop a comprehensive strategy for addressing the myriad concerns raised by parties with respect to their workforce, education, and training activities in their energy efficiency portfolios, while also tracking certain workforce data.

For issues proposed in the applications of the investor-owned utilities or the motions of the RENs and MEA, if they are not directly addressed or deferred in this proposed decision, then those aspects of the proposals are deemed to be approved.

2. Procedural Background

In May 2012, the Commission adopted Decision (D.) 12-05-015, which provided guidance on policies and programs for energy efficiency in the 2013-2014 portfolio cycle. In addition to requiring portfolio applications from the four large electric and natural gas investor-owned utilities (IOUs) by July 2, 2012, the Commission also invited proposals for regional energy networks (RENs) from local government entities.

An administrative law judge (ALJ) ruling issued June 20, 2012 in the energy efficiency Rulemaking (R.) 09-11-014, related to the REN proposals and opportunities for community choice aggregators (CCAs) to administer energy efficiency programs, set a date of July 16, 2012 for motions to be filed in this proceeding for approval of RENs and CCA program proposals.

On July 2, 2012, Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric (SDG&E), Southern California Gas (SoCalGas), and Southern California Edison (SCE) filed applications (A.) 12-007-001 through A.12-07-004, respectively, for approval of their energy efficiency portfolios, both programs and budgets, for 2013 and 2014.

On July 16, 2012, motions for four RENs and one CCA program portfolio were filed by the San Francisco Bay Area REN (BayREN), Southern California REN (SoCalREN) (one for electric and one for natural gas programs), the CRHMFA Homebuyers Fund (CHF), and the Marin Energy Authority (MEA).

On July 13, 2012, an ALJ ruling consolidated these applications and set a date for protests/responses to the applications and to the REN and CCA motions of August 3, 2012, with August 13, 2012 for replies.

Protests/responses to the utility applications were filed by the following parties: Ameresco; Brightline Defense Project; California Building Performance Contractors Association (CBPCA); California Center for Sustainable Energy (CCSE); California Construction Industry Labor Management Cooperation Trust (CILMCT); California Energy Efficiency Industrial Council (Efficiency Council); California Housing Partnership Corporation (CHPC); City of Berkeley (Berkeley); City of Oakland (Oakland); the County of Los Angeles (LA County); Division of Ratepayer Advocates (DRA); EnerNOC, Inc.; Environmental Health Coalition (EHC); FirstFuel Software, Inc. (FirstFuel); the Greenlining Institute, Green for All, and the Ella Baker Center for Human Rights (jointly); Institute of Heating and Air Conditioning Industries, Inc. (IHACI); Local Government Sustainable Energy Coalition (LGSEC); National Association of Energy Service Companies (NAESCO); Natural Resources Defense Council (NRDC); Pulse Energy; Sierra Business Council; SolarCity Corporation (SolarCity); The Utility Reform Network (TURN); and Women's Energy Matters (WEM).

Responses to the REN and MEA proposals were filed by the following parties: CILMCT; Berkeley; Oakland; MEA; NAESCO; PG&E; Renewable Funding; SCE; SDG&E; and SoCalGas.

Replies to the protests and responses were filed by the following parties: Air Conditioning Contractors of America (ACCA); Association of Monterey Bay Area Governments (AMBAG); BayREN; Building Performance Institute (BPI); CBPCA; Central Valley Partners; CCSE; City and County of San

Francisco (CCSF); Community Development Commission of Mendocino County; CHPC; CILMCT; Efficiency Council; EHC; Five Star Bank; Global Green USA; Greenlining Institute, Green for All, and the Ella Baker Center (jointly); LA County; LGSEC; MEA; NRDC; Opower; PG&E; Pulse Energy; SCE; SDG&E; SoCalGas; Trane Utility Solutions (Trane); Wal-Mart Stores and Sam's West, Inc.; WEM.

On August 16, 2012 a prehearing conference (PHC) was held. The Scoping Memo was issued on August 27, 2012 following the PHC, along with a set of questions requesting supplemental information from the utilities, RENs, and MEA on September 5, 2012, to which parties could respond on September 14, 2012, with reply comments due on September 21, 2012.

On August 31, 2012, CHF filed a withdrawal of its motion for approval of its REN proposal, stating that CHF would seek to negotiate funding directly with the utilities rather than pursuing its REN proposal with the Commission.

Supplemental information as requested in the Scoping Memo was filed on September 5, 2012 by BayREN; MEA; PG&E; SCE; SDG&E and SoCalGas (jointly); and SoCalREN. On September 7, 2012 SCE and SoCalGas filed supplemental amendments to their September 5, 2012 filings. In addition, on September 13, 2012, SDG&E filed an amendment to its application related to an error correction in the stated rate increases that would apply to street lighting consumers if the application is approved.

On September 14, 2012, 24 sets of comments in response to the supplemental information filed on September 5, 2012, as well as raising certain additional issues, were filed by the following parties: BayREN; Brightline Defense Project; Build It Green; CBPCA; the California Climate and Agriculture Network (CalCAN); CCSE; CCSF; CHPC; CILMCT; DRA; Efficiency Council;

EHC; Greenlining Institute and Green for All (jointly); LA County; LGSEC, BayREN; and SoCalREN (jointly); MEA; NRDC; PG&E; SDG&E and SoCalGas (jointly); SCE; SolarCity; TURN; WEM.

On September 21, 2012, 15 sets of reply comments were filed by the following parties: BayREN; BPI; CCSF; Efficiency Council; EHC; Global Green USA; Greenlining Institute and Green for All (jointly); LA County; MEA; NRDC; Opower; PG&E; SCE; SDG&E and SoCalGas (jointly); and TURN.

3. Regional Energy Network (REN) Proposals

As summarized above, REN proposals were filed by ABAG on behalf of BayREN, LA County on behalf of SoCalREN (for both electric and natural gas programs/budgets), and CHF proposing a statewide financing program. CHF subsequently withdrew its motion for approval of the REN, leaving us with two REN proposals to evaluate.

3.1. Issues Common Across All REN Proposals

In this section, we address issues common across both REN proposals received during this portfolio application cycle, and set out definitions and a policy framework that the Commission will use in the future to evaluate REN proposals. We will then discuss the individual REN proposals later in this decision.

3.1.1. Definition, Purpose, and Governance of RENs

In protests and comments in this proceeding, a number of parties have espoused various viewpoints, explicit or implicit, about how to define a REN, the purpose of RENs, how RENs should be overseen and managed, and whether or not REN programs should be allowed to duplicate or compete with utility programs. We address those issues in this section.

In D.12-05-015, the Commission invited proposals from local governments to form RENs. Those proposals were invited separately from utility portfolio proposals, thus differentiating at the outset the REN proposals from the utilities' own portfolios. As pointed out in multiple filings both by BayREN and SoCalREN in response to utility comments, the Commission originally found the "concept of local government regional pilots to be reasonable"[1] and asked that the proposals be submitted directly to the Commission, in part, "to determine if local governments are in a position to plan and administer energy efficiency programs absent utility support and intervention."[2]

Thus, the key aspect of the REN proposals that sets them apart from third party programs or other local government partnerships (LGPs) is the selection process itself. Instead of being a part of a utility portfolio, along with the LGPs and the third party programs, the RENs are distinguished by their selection process, which is handled by the Commission instead of by the utilities.

Therefore, we reject the notion put forward most recently by PG&E in its reply comments, and by the other utilities as well to varying degrees, that the RENs should simply become another category in the utility portfolios. The REN concept invitation by the Commission represents the culmination of a number of events over the past several years, including provision of federal American Recovery and Reinvestment Act (ARRA) funding for energy efficiency purposes to local governments, which built local capacity, as well as several years of hearing increasingly vocal complaints from local governments that utility LGP

---

[1] D.12-05-015 at 148.

[2] *Ibid*. at 149.

approaches were not fully meeting their needs. Had the utilities been proactive over the past several years and reached out to the local governments to create true partnerships that took advantage of the expertise and viewpoints of the local governments, perhaps the Commission would not have felt the need to step in to allow the REN proposals to be submitted directly and the RENs could indeed have been satisfied with being part of the utility portfolios. Perhaps that goal can be achieved in the future. But for now, RENs are distinguishable from other LGPs by the fact that they are selected by the Commission instead of the utilities.

This does not mean, however, that RENs will be totally independent of utilities. By their very nature, most of the program proposals put forward by the RENs assume certain characteristics of ongoing utility programs with which they are linked. For example, many REN proposals seek to drive more customer participation in rebate or whole house programs already being offered by the utilities. Thus, they are not totally separate or independent/stand-alone propositions. All consumers will be well served if there is close coordination and cooperation between the RENs and the utilities to ensure seamless program offerings and avoid customer confusion.

There are also practical limits to the Commission's ability to oversee and manage RENs directly. Since the REN concept was developed by regulation and not legislative mandate, the Commission has no additional staff to devote to REN oversight. Our limited staff resources are already stretched very thin covering all market segments and conducting evaluation and planning activities for the entire portfolio of programs.

The REN proponents, as well as LGSEC, CCSF, WEM, and MEA, all argue that D.12-05-015 sets up roles and responsibilities for Commission staff as "joint contract manager[s]"[3] for REN contracts.

However, upon further reflection, there are serious practical impediments to that approach, as mentioned earlier. The Commission has limited staff devoted to regulatory functions, not contract management functions. Thus, we remove the requirement that the Commission be named as a party to the REN contracts. While Commission staff may not be able to be involved in day-to-day contract management tasks, they will be available to coordinate policy and implementation issues, particularly during rollout, and help provide guidance and input.

In addition, the Commission's basic authority is as a regulatory body, overseeing utility expenditures of ratepayer funds. Thus, our only option is to rely on the utilities as fiscal agents to disperse funds to RENs and conduct general management and monitoring activities in compliance with Commission directives. Thus, the RENs will, by necessity, have a contractual relationship with a utility or, in some cases, several utilities.

The utility role as the contract manager should encompass all of the usual fiscal and management functions, including fiscal oversight and monitoring. The utilities will be responsible for the timely advance of payments to the RENs for work authorized by the Commission, as outlined in a contract that the IOUs will be required to put in place for the RENs within their territories by no later than 60 days after the issuance of this decision. The IOUs will also receive monthly

[3] D.12-05-015, Ordering Paragraph 36.

invoices from the RENs and will have to review to ensure that activities are in line with the scope of work and that sufficient budgetary authority exists.

However, the utility function will not extend to program design or modification, in the case of the RENs. The RENs will have the independent ability, within the confines of the approvals of their proposals granted by the Commission, to manage, deliver, and oversee their own programs independently, without utility interference or direction as it relates to the design and delivery of their programs. The RENs will also be required to make periodic reporting both to the utilities and to the Commission. The RENs will also be independently accountable for delivering results outlined in their respective program implementation plans (PIPs), as further directed in this decision.

Utilities and RENs may, however, agree collaboratively on program designs or modifications, but the utility may not unilaterally make any such changes a condition of contract extension or release of funds if the Commission has already authorized the REN programs and budgets.

If Commission staff determines that changes are necessary to the design or delivery of a REN program, staff will work with the REN in determining and implementing those changes. Ultimately, the Commission retains the authority to direct changes to the REN energy efficiency programs. If a REN desires to modify its PIP, they should notify the appropriate utility and Commission staff by providing the proposed modifications. Once agreed upon with Commission staff, the REN may modify the PIP by documenting the changes in the Energy Efficiency Groupware Application website, utilizing the same process by which the utilities make changes to their PIPs. If RENs wish to eliminate a program or propose a new one in 2013 or 2014, they also must file an advice letter to request permission from the Commission to do so.

The utilities, as well as NRDC, argue that RENs should be treated like LGPs. Edison, in particular, argues that only utilities, according to D.05-01-055, may administer programs and that therefore RENs may only be treated as part of the utility portfolios. TURN argues that RENs are distinguishable from LGPs and should be counted on to deliver results independently, unlike LGPs which are counted as part of the utility portfolios.

We agree with TURN that RENs are distinguishable from LGPs in at least two ways. One is described above: the IOUs typically have more control over program designs with LGPs; with RENs, that program design is selected by the Commission, though subject to requirements for cooperation and coordination with the IOUs. Second, most, but not all, LGPs are with individual cities, counties, and/or geographically limited associations of governments. The vision for RENs is that they are *regional,* which, in the context of defining a REN, means that they represent several local government entities and not just one or two. For example, BayREN and SoCalREN represent two of the most populous regions of the state, encompassing multiple city and county governments within their structures. Similar, common-sense identifications of regions could include the Central Valley, the Sierras, the San Joaquin Valley, etc.

The basic idea is that each REN be able to represent a large group of customers with similar characteristics by geography or demography, at a minimum. A proposal by one or two cities or counties would not necessarily constitute a REN. Another consideration is to discourage overlapping RENs where a single community is served by more than one REN.

We should also be clear about what RENs are *not.* In its original application, SDG&E proposes a "REN" run by SDG&E to cover its region. If the proposal is not made to the Commission by a local government entity, it is not a

REN. However, in the case of San Diego, this may be a regional partnership that is part of its portfolio of LGPs. PG&E already has similar LGPs, for example with the Association of Monterey Bay Area Governments. We do not, however, discourage SDG&E's approach. In fact, we approve it in the sections below. We do not, however, characterize it as a REN within the meaning described above.

Likewise, PG&E's proposal, in its September 14, 2012 comments, to create regional partnerships, is also not a REN proposal. We encourage the utilities to offer local government partnerships to regional entities where possible, and not just individual city and county governments, but those partnerships still will not constitute a REN as envisioned by the Commission in D.12-05-015. However, any additional expansions by the utilities of LGPs that are regional in nature would be welcomed by the Commission if they also achieve deep retrofits as required by D.12-05-015. We also clarify that the RENs should in no way take away from the LGPs (in design or budget) that are being implemented as part of the utilities' portfolios. The RENs are intended to be additional to and not instead of LGPs.

The approach taken by SCE in its application is likely the most appropriate and proactive, where an assumed budget for the RENs was reserved by SCE, subject to the Commission's approval, thus facilitating integration once the programs are funded and implemented. As noted above, we agree that the RENs are independently accountable for delivering results. Utilities will, however, receive attribution for the energy savings delivered by the RENs.

A further issue that has been raised by a number of parties is the degree to which RENs should be subject to the Energy Efficiency Policy Manual which reflects the rules applied to IOU program portfolios. TURN suggests that compliance with "the relevant parts" of the policy manual is necessary to ensure

consistency for comparison purposes between local government and utility program portfolios, while also pointing out that some parts of the manual are outdated and/or inapplicable to RENs (for example, the components associated with the utility shareholder risk/reward incentive mechanism). CCSF suggests updating the manual to reflect the emergence of the RENs. LGSEC agrees with applicability of the rules, but points out that RENs will have a learning curve given the complexity of some of the requirements. MEA proposes to create its own policy manual altogether and submit it for California Public Utility Commission (CPUC) review once approved by its governing board.

In general, we agree with TURN that it is fair to apply the same rules, if they are relevant and not specific to utilities, to all implementers of energy efficiency programs and/or portfolios. The metrics used to evaluate cost-effectiveness, directions about program implementation plans, reporting requirements, and policy guidance all apply to all program implementers, including not only RENs, but also utilities. MEA's point about having their own policy manual to apply to their programs would be logical if MEA were only electing to administer the energy efficiency funds collected from its own customers. Similarly, for CCA programs where the CCA has applied to utilize funds from all ratepayers to deliver programs to customers beyond their own specific retail customer base, CCAs should also be subject to the same rules and policy manual requirements as any other program implementer.

Two areas seem to require additional clarification. First, there is a hard administrative cost cap of 10% and a soft marketing and outreach cost cap of 6% imposed by D.09-09-047. The 10% administrative limit is also a soft cap for LGPs. For these purposes, RENs and MEA are more like LGPs – we will not

apply hard caps on these expenses at this time, though we encourage RENs and MEA to keep administrative and marketing costs down as low as possible.

Second, the fund-shifting rules are designed to apply to utilities and not other implementers. The Commission does need to have some assurance that the funds it has authorized will be spent in the manner articulated in its approval. Thus, for REN purposes, the fund-shifting limits will apply to the categories of programs similar to the IOUs' statewide categories. For example, all REN residential programs will be treated as one "bucket," with financing programs in another "bucket," and so on, such that the limits apply on shifting between those program types, as they do for IOUs. Should a REN wish to exceed the fund-shifting limits in 2013 or 2014, it should file an advice letter justifying the proposed shifts of funds that exceed the 15% limit, just as a utility would.

LGSEC also makes a logical point that many of the rules may require learning and capacity building for the RENs to fully comply. The cost-effectiveness rules and spreadsheets, for example, are complex and developed based on decades of experience among Commission staff, utility employees and consultants. The RENs and MEA have already made significant strides in improving their filings between July and now. We trust that by 2015, current REN and CCA proponents will have mastered these requirements, but will be somewhat lenient with new applicants, offering Commission staff and consultant assistance where needed and useful.

In addition, we agree with a number of parties who commented that the Energy Efficiency Policy Manual is outdated and should be revised, so that the same (and correct) rules are applied to all program implementers. Commission staff already has an update under development, and should publish an updated

version of the Manual to conform with all recent decisions, including this one (once it is adopted) and including all other Commission decisions adopted since the previous version was released. The Policy Manual should be updated as soon as practicable and before 2015 program planning begins.

In summary, the Commission intends to treat the RENs like a hybrid between a utility and an LGP. For purposes of program design and delivery, the RENs will be treated like utilities, with up-front selection and approval coming directly from the Commission. For purposes of funding flow and fiscal oversight, the RENs will be treated like LGPs under contract to utilities.

3.1.2. Threshold of Review

Each of the REN proposals presented in July 2012 was evaluated against the following criteria, as further discussed below. In addition, REN proposals that offered nothing unique to be tested and duplicated existing utility program infrastructure, creating additional ratepayer costs without any likely offsetting benefits, were screened out and were not recommended for approval.

1. **Activities that utilities cannot or do not intend to undertake**. The rationale for this should be obvious – if a REN can deliver a service to the market that the utilities cannot, it should be considered.
2. **Pilot activities where there is no current utility program offering, and where there is potential for scalability to a broader geographic reach, if successful**. In this case, the concept would be to test program delivery that is different or unique, for potential to be scaled up to a statewide approach delivered either by RENs and/or by utilities in the future.
3. **Pilot activities in hard to reach markets, whether or not there is a current utility program that may overlap.** These activities may or may not be intended to be scalable to a larger area. The rationale is that hard-to-reach markets

> (including multi-family and low- to moderate-income residential, as well as small commercial)4 need all the help they can get to achieve successful energy efficiency savings. A piloted approach may work well in a particular geographic region because of its specific characteristics, or it may be appropriate for a wider delivery by RENs and/or utilities elsewhere.

3.1.3. Cost-Effectiveness Considerations

Several parties commented on whether there should be a cost-effectiveness threshold for approving REN proposals. SDG&E and SoCalGas argue that a REN proposal should be required to meet a threshold Total Resource Cost (TRC) test ratio of 1.0 or better or else it should be considered an LGP as part of the utility portfolio. PG&E said that if RENs are willing to partner with the utility, as in PG&E's regional partnership proposal, then the TRC and other cost-effectiveness test results can be shared.

As a general matter, the Commission already considers TRC and program administrator cost (PAC) test factors on a portfolio basis for all utilities. This means, practically speaking, that activities that are less cost-effective can be offset by activities that are more cost-effective, so that the expenditure of ratepayer funds it cost-effective overall, without preventing certain market transformational or other experimental approaches that may lead to cost-effective activities in the long run.

---

[4] The Energy Efficiency Policy Manual defined hard to reach residential customers as "those customers who do not have easy access to program information or generally do not participate in energy efficiency programs due to a language, income, housing type, geographic, or home ownership (split incentives) barrier." Hard to reach business customers also include factors such as business size and lease (split incentive) barriers.

Applying this logic, even if some REN proposals are not cost-effective, if the same proposals had been made by utilities, they would have had the opportunity to be approved as part of a larger portfolio. The same should therefore be true for REN proposals, since they will become part of the larger portfolio that the Commission will approve. The REN proposals should not be held to a higher standard than similar utility programs. The difference is that the utilities are not fully in control of the REN proposals and cannot make the cost-effectiveness tradeoffs themselves within their own portfolios. Instead, it becomes the responsibility of the Commission to approve a portfolio, including both utility and REN proposals, that is cost-effective overall.

It should also be noted that many of the REN program plans address hard to reach market segments that are generally more expensive than average to deliver. REN proposals should not be punished for that, because, if successful, their pilot approaches could lead to breakthroughs for most cost-effective solutions in the future. They should, however, be encouraged to find cost savings and additional energy savings and other benefits to the extent possible, and improve their cost-effectiveness over time.

Therefore, the Commission will not set a threshold cost-effectiveness level, either TRC or PAC, for RENs at this time. Rather the dual test for overall portfolio cost-effectiveness, taking into consideration passing both the TRC and PAC tests for the entire approved portfolio, including RENs, will continue to govern the CPUC's cost-effectiveness for the energy efficiency programs.

In addition, we note that across the board, many of the savings assumptions put forward by the RENs in their proposals, appear overly optimistic. There were improvements made between the initial submissions in July 2012 and the responses to the Scoping Memo questions submitted

September 5, 2012. However, some issues remain. This may be due to what LGSEC describes as the "learning curve" for RENs, given that the often complex requirements were developed over decades for use with utility programs. However, in the end, we wish to hold all program implementers to the same standards, and therefore Commission staff will work with the RENs during the course of 2013 and 2014 to ensure that program impacts are being estimated and measured accurately.

3.1.4. Evaluation, Measurement, and Verification

Several parties raised the question of how the RENs, if approved, will be evaluated. We see no reason why the RENs should be treated any differently than any other programs. Because RENs are being tested for the first time, Commission staff should manage all REN evaluations, including impact and process evaluations. This is consistent with how we evaluate new utility pilot programs. Commission staff will include evaluation of any funded REN programs in their evaluation, measurement, and verification (EM&V) plans and budgets for 2013-2014.

It will be especially important, with the first round of REN activities, to emphasize more evaluation to determine if certain piloted activities were successful and should be scaled up in 2015 and beyond, or discontinued altogether. To the extent possible, Commission staff and RENs themselves should consider early evaluation activities prior to the end of 2014, in order to have more information going into the 2015 portfolio design process.

3.2. SoCalREN

On behalf of SoCalREN, LA County has submitted a proposal for a REN to serve the counties, cities, and unincorporated areas within SCE and SoCalGas

territory, with a combined electric and natural gas budget of $63.7 million over two years.

SoCalREN essentially seeks to capitalize on and continue activities that were previously funded by the American Recovery and Reinvestment Act (ARRA). According to LA County, over the past several years, local governments that will participate in the SoCalREN have leveraged over $40 million in federal stimulus funding made available via the California Energy Commission and the U.S. Department of Energy (DOE). These funds continue through June 2013.

The SoCalREN proposal consists of three programs that will be offered to participating cities and counties: Energy Upgrade California (EUC), Financing, and a Southern California Regional Energy Center. Each of these proposals is discussed in more detail below.

3.2.1. Energy Upgrade California (EUC)

SoCalREN proposes to undertake a number of activities under the heading of EUC. These include: Flex Path incentives; local marketing and outreach; contractor outreach and training; green building rating and real estate training; low-income retrofit programs; a smart tech behavior pilot; and an EUC multi-family program. The total requested budget for all of these programs is approximately $30.8 million with electric and natural gas funds combined. We discuss each proposal below.

3.2.1.1.Flex Path Incentives

SoCalREN's proposal includes a plan to expand the EUC Flex Path incentives that have been offered in LA County under ARRA to the other geographic areas covered by SoCalREN. This program is one of the highest profile areas in which the REN and IOU proposals overlap. The Flex Path was

designed originally as an alternative to the IOUs' EUC Basic Path offering. Because of this overlap, we discuss both the IOU and REN (including SoCalREN and BayREN) proposals in this section.

In general, there appears to be widespread agreement in parties' comments, including NRDC, TURN, DRA, the utilities, and the REN proponents, that the IOUs' Basic Path EUC program has a great deal of room for improvement. LA County, in offering the Flex Path alternative with ARRA funding, has exceeded the number of projects completed by SCE in the same time period. It is not clear, however, that the Flex Path is exactly the right long-term solution either. It is clear that an alternative is needed to the Advance Path of EUC being offered by the utilities, because not all homeowners can afford the level of investment required for a project, especially in this economy. There also appears to be widespread consensus among parties that a menu-based approach, such as the Flex Path, is a positive step. We have concerns, however, that the Flex Path offers too great an incentive for too little action. The EUC program is, after all, intended as a whole-house retrofit program.

In parallel with the REN Flex Path proposals, the IOUs have submitted information about improvements they intend to undertake with respect to the design of the Basic Path, which they are now informally referring to as the Enhanced Basic Path. In addition, NRDC and DRA, supporting the utilities' proposal in their alternative portfolio filings, have called for the IOUs to hire a market transformation consultant to design a long-term approach to the EUC program, as well as to develop a tiered advisory committee approach to the oversight of the continued improvements to the design of the program.

All of these ideas have some merit. All will take some time to develop and implement. What we are faced with in this decision is to determine how to allow

program offerings to be available to consumers while these details and improvements are being worked out. We also must determine which entities should be administering or implementing which program components, and their design, during this transition period.

Our ultimate goal, with the EUC Flex Path and Basic Path program designs, is to have a coordinated set of program offerings, where consumers see a consistent set of marketing and outreach as well as program designs that are not confusing or conflicting. We also want a comprehensive program approach that leads to deep and lasting energy savings, helping consumers save energy and money.

Neither the existing Flex Path nor the Basic Path meets all of these objectives. Therefore, we would like to see the REN proponents and the IOUs work together to design a programmatic approach that covers all of the geographic areas of the IOU service territories with a seamless set of offerings. This means that the RENs would implement the modified EUC Flex Path (or a new program name, if one is agreed upon) in the geographic areas that they cover, while the IOUs would implement the program in the rest of their territory. We recognize that this cannot happen overnight, and will require teamwork.

Thus, we believe the best way to accomplish our goals is to require a cooperative design and implementation approach that involves all parties with an interest in EUC. We will approve the IOU proposal to hire a market transformation consultant to assist with improvements to the long-term EUC design. We do not specify which IOU should hold this contract, but allow the IOUs to decide that by mutual agreement.

Whichever IOU is chosen to hire the consultant should also form and co-chair a working group on the EUC program made up of EUC implementers,

Commission and CEC staff, and CCSE as the statewide marketing and outreach coordinator. The working group shall also select one non-utility co-chair. Working group co-chairs should solicit views and direction from Commission staff on working group operations. This should be an informal working group, and may choose to form subgroups and/or hold stakeholder outreach meetings, as suggested in the utility proposal endorsed by NRDC and DRA, with peer review groups and/or public advisory groups, as useful.

In their comments, SolarCity and CBPCA include a number of proposals to improve the EUC experience for contractors and provide practical suggestions to improve the flexibility and speed of the EUC process. We support those proposals and direct the utilities to address these issues in the EUC working group with SolarCity, CBPCA, BPI, and other interested stakeholders, to determine final statewide aligned and streamlined protocols regarding heating, ventilation, and air-conditioning (HVAC) emergency replacements and high performing contractors. These should be included in the updated EUC PIP due no later than April 1, 2013.

We will also require that the program design developed jointly by the RENs and IOUs should have the following two characteristics, at a minimum:

- the program shall require that each project include at least three qualifying energy efficiency measures;
- the program shall also include scaled or tiered incentives, as recommended by TURN, such that greater incentives are available for greater levels of energy savings.

We will require that the working group co-chaired by an IOU and a non-IOU, with assistance from the market transformation consultant hired by the IOUs, to produce an updated PIP and file it by advice letter for approval by no later than April 1, 2013. At that time, if not before, both the RENs and the IOUs

should conform their program offerings to the new program design developed by consensus. The offerings by the RENs and the IOUs need not be identical, since it may be worthwhile to test various program offerings and their appeal to different types of consumers. However, the programs should be able to be marketed under one umbrella to avoid customer confusion.

In the meantime, prior to the launch of the new Flex Path or Enhanced Basic Path or Basic Path offering, we will allow the IOUs to continue to offer the Basic Path and SoCalREN only to offer the Flex Path as currently designed, only in the geographic areas where the Flex Path was previously available under ARRA funding. Until the new program design is agreed upon, SoCalREN may not offer Flex Path into other parts of the SoCalREN area where it was not previously available. Therefore, we will approve only half of the budget requested by SoCalREN for this program.

Once the new program design is finalized, SCE, SoCalGas, and SoCalREN should jointly agree on which entity will offer the program in the other areas of SCE and SoCalGas territory where ARRA Flex Path funding was not previously available. If SCE, SoCalGas, and SoCalREN cannot agree, they shall include the options in their advice letter filing to the Commission.

In addition, if improvements can be made sooner than April 2013 to both the Basic Path and the Flex Path, we welcome that outcome.

3.2.1.2.Local Marketing and Outreach Programs

SoCalREN proposes to conduct local marketing activities associated with the EUC program, including workshops, presentations, exhibit booths, promotion of events, marketing collateral, emails, a locally-customized EUC website, etc. SCE raises concerns about the need to coordinate this marketing activity with the existing IOU marketing and/or the statewide

marketing efforts. As with other aspects of EUC implementation, coordination is required here.

In addition, SoCalREN proposes several specific activities with separate budgets. The first is to provide vouchers to contractors for free EUC audits, to be used at sales events. This proposal raises a policy issue that is also raised in certain IOU proposals discussed later in this decision. The question is whether incentives should be offered for audits alone. Evaluation results in the past have shown that free audits do not necessarily lead to customers making further investments to install energy efficiency measures. In addition, we do not want to encourage contractors to structure their businesses around selling free audits alone without properly emphasizing actual retrofit projects.

Thus, we will allow the audit vouchers only under the condition that, consistent with the EUC Flex Path discussion above, the audit leads to an EUC project involving at least three energy efficiency measures. In other words, the free audit voucher may only be fulfilled if a larger project is also undertaken. Otherwise, the audits cannot be offered for free.

SoCalREN also proposes to offer a $200 coupon at homeowner workshops for the EUC Advanced Path only, to incentivize participation in the program. This program tests customer responsiveness to limited-time availability promotions and should be funded.

Finally, SoCalREN proposes a program called Energy Champions, which trains volunteer organizations such as the Boy Scouts on the benefits of EUC and provides them a monetary payment for project leads. SDG&E questions this approach, pointing out that in the past, leads have only resulted in about ¼ the amount of projects. We think this approach has some promise, but the budget level of $920,000 appears excessive for the stated purpose. We will limit funding

for this program to $300,000 total, to allow continued testing to see if a better conversion rate can be accomplished.

3.2.1.3.Contractor Outreach and Training

SoCalREN proposes several activities under this general heading, including a heating ventilation, and air conditioning (HVAC) contractor incentive pilot, contractor training and sponsorships, and contractor cooperative marketing. Parties did not raise specific concerns with these proposals. However, we are concerned about the contractor training and sponsorships portion of the proposal. This sub-program provides $500-$1,000 per contractor scholarships for certifications. It is questionable whether this level of incentive is scaleable beyond a small target market, given cost-effectiveness constraints. Thus, we deny this portion of the budget request, which totals $1.8 million, leaving a budget of approximately $1 million.

3.2.1.4.Green Building Labeling

SoCalREN proposes to spend approximately $2 million on realtor training, assessment incentives, and homeowner education and outreach, to utilize industry best practices for assessing environmental performance at time of sale and for appraisals. In general, this program is additive to the approaches being taken in utility programs. It also makes sense to pilot this approach regionally. We approve the budget for this program but specify that the funds that are used to pay for green building ratings may not pay for the ratings at a level above their actual costs.

3.2.1.5.Low Income Retrofit Program

SoCalREN proposes a set of programs for low-income buildings, including development of new multi-family projects and single-family rehabilitation, to be funded with a total of $1.4 million in funds. The multi-family aspect is designed

to transition from discontinued redevelopment agency funds and to be coordinated among public agencies across the region. The single-family portion would address rehabilitation projects administered by the county public housing authorities in many jurisdictions, for abandoned or foreclosed properties.

In the context of a recent decision on the Energy Savings Assistance Program (ESAP),[5] the Commission required the IOUs to hire a consultant to conduct a study on the best ways to address the low-income multi-family building sector. Thus, it would be premature for us to allow funding for this portion of the program, pending that consultant study. In the meantime, we will approve funding only for the single-family portion of this program.

3.2.1.6. Smart Tech Path Household Energy Management Pilot

In this program proposal, SoCalREN proposes to educate smart meter utility customers to become good managers, fostering enduring behavior change, with a focus on plug loads. The program targets customers for promotion of bundled residential programs, with an incentive of up to $200 per year for an annual target of 10% energy savings.

We are concerned that at this time this program proposal contains insufficient analysis of market options and potentially duplicates the Energy Advisor program. It also does not appear to be scaleable at this level of incentives, and is similar to the 20-20 program approach conducted in the past, which has been criticized for the high percentage of free ridership. For these reasons, we deny funding for this program at this time.

---

[5] See D.12-08-044, Ordering Paragraph 72.

3.2.1.7.Multi-Family Program

In this program proposal, SoCalREN proposes to implement a pilot approach that is similar to the pilot program that the IOUs have proposed to launch with 2012 funding. LA County had piloted the SoCalREN approach with ARRA funding. The approach is a rater/consultant model that targets major upgrade event. Incentives are paid to property owners and technical assistance is offered. This program is attempting to drive marketing transformation through building labeling, and real estate and appraiser training. It is one of five pilot proposals targeted to this market segment, including two IOU multi-family whole building pilots, a BayREN pilot, and the MEA pilot.

Staff analysis indicates that the energy savings claimed for this program may be overstated. Given the high incentive amounts, we are concerned about long-term cost-effectiveness of this program. However, because this market is extremely hard to reach, and we are open to all solutions that may succeed in delivering real savings, we approve this program for piloting in 2013 and 2014.

We will need careful evaluation of the costs and benefits of actual program success of all of these pilot efforts. Therefore, we require each implementer of a multi-family EUC pilot to participate in a mid-cycle (late 2013 or early 2014) workshop to report on pilot tests and initial lessons learned. The IOUs should organize and convene this workshop, coordinate it with activity in the Energy Savings Assistance Program and its working group, and notice it to the service list for this proceeding. Commission staff will also reserve evaluation funds to study the various approaches to the multi-family segment of the residential market.

3.2.2. Financing Programs

SoCalREN submitted proposals for five components of a financing program to be delivered in their geographic area. These include: a public building loan loss reserve, a single-family loan loss reserve, a multi-family loan loss reserve, a non-residential program, and a public agency revolving loan fund. The funding for these programs would come out of the SCE budget for financing programs that were previously funded by ARRA. We discuss each briefly below.

3.2.2.1.Public Building Loan Loss Reserve

Under this proposal, SoCalREN proposes a loan loss reserve for public buildings with an interesting delivery approach, aggregating public building projects. On the other hand, it is not clear that public buildings need additional sources of financing, given their other options. The proposal is basically an on-bill financing (OBF) program for a specific market. The program will also be receiving additional money via the Energy Commission from ARRA sources. Therefore, we will not authorize additional funding for piloting this approach from ratepayer funds at this time.

3.2.2.2.Single-Family Loan Loss Reserve

This program is proposed to support EUC and solar projects, and will be led by the City of Santa Monica. This program is small but may be scaleable, and has already been tested on a limited basis utilizing ARRA funding. We generally approve continuing to pilot this program. In addition, given the source of funding, these loan funds may only be spent on energy efficiency projects and not distributed generation.

3.2.2.3. Multi-Family Loan Loss Reserve

This program proposal was submitted by SoCalREN but does not contain sufficient detail at this time for how the program will be structured or how the budget will be divided among credit enhancement, further program development, and program administration. This program is in a hard-to-reach area that we have targeted for further work and asked the statewide financing consultant to identify strategies for this market segment. Therefore, at this time, we will reserve funding for this possible program approach, but defer approval of the program itself until after we have further information from the statewide financing consultant about the pilots that will be recommended. At this point it would be premature to fund REN pilot initiatives without considering the overall financing picture statewide within which they will be operating. Therefore, we defer authorization of the program launch itself.

However, SCE, SoCalGas, and SoCalREN should include a placeholder in their contract for the funding of this program, should it be approved in the future. At the time of this decision, however, no funds should be expended until further action by the Assigned Commissioner or the full Commission, as further discussed below in the section related to the IOU financing proposals.

3.2.2.4. Non-Residential Property Assessed Clean Energy (PACE)

This program was proposed by SoCalREN to provide a debt service reserve for commercial PACE projects. The $4-million budget seems large, considering the small volume of PACE loans developed to date. SCE, in its budget, proposes to fund only the administrative and marketing costs associated with this program, but not the debt service reserve itself. At this point, we agree

with SCE's approach, and authorize funding only for the purposes identified by SCE. We decline to provide funding for the debt service reserve.

3.2.2.5.Public Agency Revolving Loan Fund

This program is proposed as an addition to the local government loan loss reserve discussed above. For similar reasons to those stated in relation to that program, we do not think funding for this program is needed at this time. Public agency financing was not a significant gap identified in our earlier analyses. In addition, it is not clear that additional subsidies are needed beyond OBF. Similar to the PACE program above, it may be valuable to have SoCalREN do marketing activities to promote other financing offerings. Therefore, we will approve the funding for administration and marketing, but not for the revolving loan fund itself.

3.2.3. Southern California Regional Energy Center (SoCalREC)

SoCalREN has proposed a program called SoCalREC that continues a pilot launched by the County of Los Angeles and the City of Huntington Beach in 2011, jointly funded by LGP to support Strategic Plan activities and ARRA funds. SoCalREN proposes approximately $17.7 million over two years to offer comprehensive technical support to local governments to enable them to implement deeper and more cost effective energy management practices through the following services: aggregated regional procurement and contracting; utilization of a software system for integrated and comprehensive energy data management; region-wide building benchmarking; supporting local Climate Action and Energy Action plans to move to implementation; creation of a

water-energy nexus pilot with water utilities; and developing a regional energy project tracking and permitting system.[6]

SoCalGas has also proposed a similar program within their LGP proposals that creates a new "virtual center."[7] This approach would augment existing LGPs by "providing turnkey resources through hands on support, results oriented management" to be available to support both partners and non-partners. Activities include: project management support, technical assistance for engineering and analytical support, and a library of boiler plate agreements and templates that can support local government with the RFP process as well as assistance securing financing from various sources. SoCalGas' proposed budget for this program was approximately $645,000 in its original application. In SoCalGas and SDG&E's reply comments, SoCalGas clarifies that they do not see an overlap in proposed services, but do see a need for a collaborative effort between the utility and the REN. Their budget request for their portion of the program was also updated to $1.5 million for two years.

No party commented specifically on these program proposals other than the program proponents themselves. Both proposals appear to be meeting a gap and delivering services that have not been previously delivered by utility programs alone. Since SoCalGas intends to work collaboratively with SoCalREN on this program, we update their portion of the funding to be the $1.5 million requested in their comments, to be contracted through SoCalREN. We expect SoCalGas and SoCalREN to work together to create a common set of roles and

---

[6] SoCalREN proposal of July 16, 2012 at 28.

[7] SoCalGas PIP, Appendix C at 2282.

responsibilities to deliver these services. We encourage SoCalREN and SoCalGas to coordinate to ensure that materials that are developed are shared for this program to be run by SoCalREN. SCE should also cooperate in these efforts for the electricity-related portions of the program.

3.2.4. Approved Budget

The following budgets for the SoCalREN programs described above are approved. The table below represents the total funding for 2013 and 2014 combined, for each program.

Table 1. Authorized 2013-2014 Budgets for Southern California Regional Energy Network.

Program	Electricity Budget (SCE)	Natural Gas Budget (SoCalGas)	Total Budget
Energy Upgrade California			
Flex Path Incentives	$3,205,962	$1,408,346	$4,614,308
Local Marketing and Outreach	$2,364,121	$908,623	$3,272,744
Contractor Outreach and Training	$709,966	$304,284	$1,014,250
Green Building Labeling	$1,407,000	$603,000	$2,010,000
Low-Income Single-Family	$490,000	$210,000	$700,000
Multifamily	$6,485,643	$3,058,158	$9,543,801
EUC Subtotal	**$14,662,692**	**$6,492,411**	**$21,155,103**
Financing			
Single Family Loan Loss Reserve	$2,953,750	$521,250	$3,475,000
Multifamily Loan Loss Reserve*	$1,275,000	$225,000	$1,500,000
Non-residential PACE	$1,200,000	$211,500	$1,411,500
Public Agency Revolving Loan	$400,000	$72,000	$472,000
Financing Subtotal	**$5,828,750**	**$1,029,750**	**$6,858,500**
SoCal Regional Energy Center	**$15,086,725**	**$1,500,000**	**$16,586,725**
Total SoCalREN Budget	**$35,578,167**	**$9,022,161**	**$44,600,328**

*This budget item is reserved but may not be spent without further authorization after the statewide financing consultant proposals are complete and further authorization is granted.

3.3. BayREN

BayREN is a regional group designed to serve consumers in the jurisdictions of local governments in the San Francisco Bay Area. Members of BayREN include the Association of Bay Area Governments (lead), Alameda County Waste Management Agency, City and County of San Francisco, City of Suisun City (representing Solano County), County of Contra Costa, County of Marin, County of Napa, County of Santa Clara, and the Sonoma County Regional Climate Protection Authority. BayREN proposes a budget of approximately $41.6 million over two years from PG&E electricity ratepayer funds.

BayREN proposes many similar programs to those proposed by SoCalREN. Its EUC program proposals are very similar, as are its financing proposals. BayREN does not propose a regional energy center, however, but does propose something unique: a program focused on codes and standards. We discuss most of these proposals in turn below. Where possible, we do not repeat the discussion above related to the SoCalREN proposals, but make the same requirements of BayREN as we did for SoCalREN, where their proposals are similar.

3.3.1. Single Family Energy Upgrade California

BayREN proposes several components under the single-family EUC program, including Flex Path incentives; an audit incentive program; a home upgrade advisor service; and marketing, outreach, and professional engagement. We discuss each below.

3.3.1.1.Single Family Flex Path Incentives

BayREN proposes to offer the Flex Path of EUC, similar to the offering piloted by LA County with ARRA funding. This approach has not yet been piloted in the Bay Area, however, and thus BayREN has not yet established a track record and relationships with contractors to deliver this program. Similar to our discussion in the SoCalREN section above, many parties are concerned about the potential for customer confusion and overlap between this program and the IOUs' Basic Path or Performance Path proposals.

We see value in having BayREN handle implementation of this program in its geographic area in the long run, while PG&E offers its improved Basic Path program in the rest of its service territory. We may learn from these parallel efforts. However, because BayREN has not yet launched the program pending our consideration of its proposal, except in select geographic areas very recently, we will not fund BayREN to launch this program in the San Francisco Bay Area until we have a new program design agreed upon in coordination with SoCalREN, the IOUs, and the IOUs' market transformation consultant, as described in the SoCalREN section above. We see no reason to allow BayREN to conduct a wide-scale rollout of a program where we already know improvements are needed. However, once the new program is designed, we expect BayREN to implement it in its geographic area. Therefore, we approve half of BayREN's budget request to pilot this program beginning after the new design is finalized.

3.3.1.2.Audit Incentives

Like SoCalREN, BayREN proposes to offer audit incentives to customers. As with SoCalREN's proposal, we require that any audit incentives be coupled

with a requirement to actually follow through with a project involving at least three measures. Otherwise, the audit may not be offered for free.

3.3.1.3.Home Upgrade Advisor Service

BayREN proposes a unique approach to customer outreach that would have an advisor available on a call-in line to advise consumers on financing options, online assessments, etc. The proposal involves creating a "premium contractor list," something the IOUs are reluctant to do. The advisor will also offer advice on water efficiency measures. This appears to be an innovative approach that is local in nature and involves some activities that the IOUs are not be able to offer. We therefore approve the budget for this activity and will monitor the results.

3.3.1.4.Marketing, Outreach, and Professional Engagement

BayREN proposes to continue its marketing efforts begun under ARRA-funded programs for EUC. The activities appear to be basic marketing and outreach activities, such as radio ads, homeowner workshops, web site maintenance, etc.

The only concern here is related to overlapping marketing budgets and approaches between BayREN and PG&E. These efforts should be coordinated. Both PG&E and BayREN appear to utilize the same contractors for EUC marketing, or at least they have in the past. Therefore, there may be some cost savings that can be achieved. The proposed BayREN budgets are approved.

3.3.2. Multi-Family Program

BayREN proposes a multi-family EUC program similar to the one proposed by SoCalREN. The program is aimed at medium-sized trigger events, such as the need to replace one or more pieces of equipment upon failure. The

program proposal indicates that large jobs will be referred to the IOU multi-family pilot program. This program offers a larger measure list than the IOUs' programs, and includes some emerging technologies.

One issue raised in the Scoping Memo questions relates to the proposal to fund solar thermal (hot water) projects through this program. Because there is a separate program under the California Solar Initiative (CSI) that offers incentives for solar thermal measures, no additional incentive funding should be authorized through this program, but may be referred for incentives to the CSI program.

We have similar concerns about the high incentive levels for this program as articulated above in response to the SoCalREN proposal. We also require BayREN to participate in a mid-cycle workshop to report on program progress, in cooperation with all implementers of multi-family pilots during 2013 and 2014. We authorize pilot funding for this program since it addresses a hard to reach market in a unique manner.

However, we reduce the overall budget by 25% to keep it proportional to the EUC single-family efforts by BayREN, as well as the SoCalREN multi-family efforts.

We also require BayREN to participate in the mid-cycle workshop to discuss multi-family program results and possible improvements to program design and delivery.

3.3.3. Financing Programs

BayREN proposes several financing programs that are similar to the SoCalREN proposals, plus a few additional items. BayREN's proposal includes: a single-family loan loss reserve, a multi-family capital advance program, a

commercial PACE approach, a pay as you save water efficiency pilot, and commercial PACE incentives.

3.3.3.1.Single-Family Loan Loss Reserve

BayREN proposes a single-family loan loss reserve program similar to the one proposed by SoCalREN. Unlike in the case of SoCalREN, this program was not previously piloted under ARRA in the Bay Area. In addition, this program proposes up to a 35% loan loss reserve, which is a major amount of funding and not very much leverage. There may be potential for a pilot here, but it should be coordinated with the programs proposed by the statewide financing consultant to ensure coordination and a comprehensive program design. At this stage, we do not have enough information about the program details, but will reserve funding pending the outcome of the statewide financing consultant's proposals.

3.3.3.2.Multi-Family Capital Advance Program Pilot

BayREN proposes a multi-family financing program that addresses this hard-to-reach market. This is a new program proposal for the Bay Area. It appears to be based on a New York home performance program. The subsidy proposed to be offered is up to $5,000 per unit, which is considerable. In general, the program proposal lacks a lot of detail. It also is related to the multi-family financing pilot that the statewide financing consultant will be proposing. Therefore, we reserve the funds for this BayREN financing program under the assumption that it may be coordinated with the multi-family statewide pilot.

Similar to our approach with the SoCalREN multi-family financing proposal, we direct PG&E and BayREN to include in their contract provisions for funding this program and the single-family program discussed in the section immediately above. However, program activities are not authorized to be launched until further action by the Commission or the assigned Commissioner,

as discussed further below under the discussion related to the IOU financing pilots.

3.3.3.3.Commercial PACE

BayREN proposes a commercial PACE program almost identical to the SoCalREN proposal. We have concerns about the budget amount, given the small number of commercial PACE loans in existence. We also agree with the comments by Renewable Funding that suggest that the CaliforniaFIRST PACE program could be leveraged for the Bay Area, rather than funding the establishment of an entirely new regional PACE program. Therefore, we do not fund this program at this time.

3.3.3.4.Pay As You Save (PAYS) Water Efficiency Pilot

BayREN proposes to continue a small PAYS program that builds off of an ARRA-funded approach piloted in Sonoma County. The program appears to be analogous to an on-bill repayment (OBR) approach, except utilizing water bills instead of electric bills. We are generally supportive of testing additional programs with water-energy benefits. We are concerned, however, about of the amount of energy savings that can be delivered via this program design, but the budget is small enough and the approach unique enough to authorize the funding for 2013-2014 to continue to test this unique mechanism for its broader applicability.

3.3.3.5.Commercial PACE Incentives

This BayREN proposal would offer incentives for investment quality audits to develop commercial PACE proposals. The per-audit expense of between $1,500 and $11,000 proposed seems high, and the program description does not provide enough justification for why this approach is unique or important. Therefore, we will not fund this program at this time.

3.3.4. Codes and Standards Program

BayREN proposes a program to explore an integrated approach to supporting energy code compliance, through baseline compliance activities. Among the activities proposed include the following: support for reach codes developing a public agency forum, peer to peer training, and training for contractors and elected officials. The program seeks to establish compliance quality assurance programs at individual jurisdictions. Other activities include developing and delivering local trainings, and delivering forums for sharing best practices, resources, and tools.

With the caution that there are portions of this proposal that likely overlap with IOU training offerings already available, we otherwise suggest that this is a REN proposal that meets our first criterion. Namely, it proposes to address an activity that IOUs mostly cannot cover. Local governments are responsible for building code compliance, and IOUs are limited to somewhat of an arms-length interaction with those efforts. This proposal appears to be an innovative attempt to improve code compliance and generate additional energy savings at the local level. BayREN should coordinate closely with PG&E in order not to duplicate training materials development and delivery. We approve the funding requested for this program.

3.3.5. Approved Budget

The following budgets for the BayREN programs described above are approved. The table below represents the total funding for 2013 and 2014 combined for each program.

Table 2. Authorized 2013-2014 Budgets for Bay Area Regional Energy Network.

Program	Total Budget (PG&E)
Energy Upgrade California	
Single Family	$9,000,000
Multi-family	$7,293,750
Subtotal EUC	**$16,293,750**
Financing	
Single-Family Loan Loss Reserve*	$3,825,000
Multi-Family Capital Advance*	$2,000,000
PAYS Water Efficiency Pilot	$650,000
Subtotal Financing	$6,475,000
Codes and Standards	$3,349,000
Total BayREN Budget	$26,117,750
*These budget items are reserved but may not be spent without further authorization after the statewide financing consultant proposals are complete and further authorization is granted.	

4. Marin Energy Authority Proposal

MEA submitted a motion for approval of four types of programs to be delivered within the jurisdictional service area of MEA, which includes the City of Belvedere, Town of Corte Madera, Town of Fairfax, City of Larkspur, City of Mill Valley, City of Novato, City of Richmond, Town of Ross, Town of San Anselmo, City of San Rafael, Town of Tiburon, and the County of Marin. Programs would be available to any electricity customer within those jurisdictions, whether or not they are retail customers of MEA. As such, MEA's application seeks energy efficiency program funds collected from the general body of PG&E ratepayers and not just its own customers.

4.1. General Issues

This section addresses governance and the overall review framework for MEA's proposal.

4.1.1. Threshold of Review

Unlike the REN proposals discussed above, which were invited by the Commission, CCAs are subject to particular treatment in statute under Public Utilities Code Section 381.1[8] related to their desire to administer energy efficiency funds. Senate Bill (SB) 790 (Stats. 2011, Ch.599, Leno) modified Section 381.1 in various ways to allow CCAs to access energy efficiency funds. Comments and reply comments have been filed in response to a ruling on the implementation of SB 790 in R.09-11-014. A decision will be rendered in that proceeding on the overall permanent procedures for handling CCA activities with respect to energy efficiency programs and funds. In the meantime, however, MEA is requesting in this proceeding to administer funds in 2013 and 2014. Thus, the decision we render on this proposal is without prejudice to the ultimate framework and determinations that the Commission will make in R.09-11-014 or its successor.

In this proceeding, MEA has requested to administer funds in 2013 and 2014 under Section 381.1(a)–(d), which allows MEA to access not only energy efficiency funds collected from MEA's customers, but also from other customers within PG&E's territory. In 2012, MEA elected to administer funds only from its own customers under Section 381.1(e) and (f), for which Resolution E-4518 was approved by the Commission August 23, 2012.

This distinction is important because Sections 381.1(a)-(d) are the same code sections under which the Commission allows other non-

[8] Hereafter all references to code sections are to the Public Utilities Code unless otherwise noted.

utility-implemented programs with energy efficiency funding. The only distinction for CCAs in these sections comes in Section 381.1(d), which states:

"The commission shall establish an impartial process for making the determination of whether a third party, including a community choice aggregator, may become administrators for cost-effective energy efficiency and conservation programs pursuant to subdivision (a), and *shall not delegate or otherwise transfer the commission's authority to make this determination for a community choice aggregator to an electrical corporation*." (Emphasis added.)

Thus, it appears the Commission itself must handle the selection of the CCA programs. In this way, the administrative structure for CCA programs is exactly the same as for the RENs described above. Therefore, even though MEA's proposal for 2013-2014 is not defined as a REN, we treat it, for administrative purposes for this portfolio period, as if it were a REN. If MEA had elected to administer funds only from its own customers under Section 381.1(e) and (f), our conclusion would likely have mirrored our resolution on MEA's 2012 energy efficiency plan.

MEA also argues that it should not be subject to the Energy Efficiency Policy Manual, and may design its own Policy Manual. For the reasons of consistency described above with respect to RENs, we see no reason why MEA should be treated any differently than any other program administrator or implementer. MEA in 2013 and 2014 will be operating its programs at the discretion and selection of the Commission, and therefore should be subject to the Commission's policies and rules governing the energy efficiency funds overall. Therefore, MEA will be subject to the Energy Efficiency Policy Manual version 4.0 and any updates issued by Commission staff as a result of this decision.

In keeping with this approach, we have screened the MEA proposals utilizing the same three criteria as for the RENs, described in Section 3.1.2 above.

4.1.2. Cost-Effectiveness

With cost-effectiveness, as with the general policies described above, we see no reason why MEA's proposals should be treated any differently than the REN proposals. As with the RENs, MEA's proposals mostly address hard to reach sectors and thus may not always pass TRC and PAC tests on a standalone basis. However, since the Commission will be responsible for selecting the RENs and the CCA proposals, those proposals will be judged in tandem with the utility portfolios such that the Commission takes responsibility for approving cost-effective portfolios overall for each service territory. Therefore, we do not set a minimum threshold cost-effectiveness requirement for CCA proposals submitted under Section 381.1(a), at least until we address the overall framework for CCA programs in R.09-11-014 or its successor.

4.1.3. Evaluation, Measurement, and Verification (EM&V)

MEA also stated, in its filings, that it should conduct its own EM&V activities and be answerable to its governing board for program results. While we encourage MEA to undertake its own evaluation activities, particularly to help improve program delivery and uptake, the Commission itself retains the ultimate responsibility for evaluation of program impacts for purposes of counting savings and assessing actual benefits and costs delivered by programs. Therefore, MEA's programs may be independently evaluated by the Commission and/or its consultants.

4.2. MEA Programs

In this section, we address MEA's specific programmatic proposals.

4.2.1. Multifamily Energy Efficiency Program (MFEEP)

MEA proposes to pilot an approach to serving multifamily residential buildings with incentives on two or more measures of up to $50 per unit, with an aim of a 15% total energy savings goal. This program also proposes to provide financing for the remainder of costs via an on-bill repayment mechanism described further below. MEA intends to pre-screen program participants to ensure they are not also participating in a PG&E multifamily program for the same measures.

PG&E comments that this program is duplicative of its multi-family offerings. However, according to our criteria above, we will allow some duplication in hard to reach markets in order to test various approaches to serving them. In addition, with pre-screening, there should be no double payments for incentives.

Because this program targets a hard-to-reach market with an innovative offering, we fund it for 2013 and 2014. The funding request is relatively small and the program will test another option for addressing this market. Evaluation of this approach should be prioritized to see if it can accomplish cost-effective delivery to the multi-family segment and to capture lessons learned for use elsewhere.

We require that MEA also participate in the mid-cycle multi-family workshop to discuss program results and possible design and delivery improvements based on lessons learned.

4.2.2. Small Commercial Program

MEA proposes to fund a program for small commercial customers. The program offers incentives for multi-measure retrofits, initiated through targeted outreach and technical support to small commercial property owners in high

energy use segments which include, but are not limited to, restaurants, retail, and professional services. MEA proposes to make financing options available through MEA OBR or future BayREN programs that may include PACE commercial and loan loss reserves. This program is proposed to have three main sub-programs: convenience store and small grocer energy efficiency development; restaurant energy efficiency project; and professional services energy efficiency project.

In its comments on the proposal, PG&E asserts that this program duplicates PG&E's Marin Energy Watch Smart Lights program and should not be funded. In response, MEA replies that it has coordinated with the Marin Energy Watch implementers and that any potential for overlap in customers will be handled through pre-screening and that those participating in Smart Lights will not be eligible for any of the same incentives offered by MEA.

This program targets a hard to reach segment of the commercial market by targeted outreach to building owner, operators, and facility managers, in an attempt to overcome split incentive barriers. The program also targets bundled measures to encourage projects beyond lighting. For those reasons, we find the program has merit and should be funded.

4.2.3. Single Family Utility Demand Reduction Program

MEA also proposes to launch this pilot program to target high-energy-consuming single-family homes within its service area. The program offers targeted marketing and on-line software to offer options to high users for both energy efficiency and renewables. The program does not propose to offer incentives, but is rather aimed at awareness and information leading to behavior and retrofit enhancements.

PG&E states that this program is duplicative of its audits through Energy Advisor. However, this program seems aimed at a niche of high energy users that would not be targeted by any other program specifically. Since no incentives will be involved, there is no duplication if the customers were to subsequently engage with a utility or REN-sponsored program to receive incentives to upgrade their homes. If successful, and with careful evaluation of actual impacts, this kind of approach could be a model for local marketing and engagement elsewhere. Because this program tests an approach not being utilized anywhere else, we approve funding for this program.

4.2.4. Financing Pilot Programs

MEA proposes to launch an OBR program and a Standard Offer program to enable financing for underserved markets. MEA states that the OBR program will streamline loan application and enrollment processes, offering customers and contractors support for wider and deeper retrofits, leveraging other MEA programs and services. The OBR program plans to partner with private banks or financing entities to provide financing to building owners, with the repayment charge placed as a line item on the bill. MEA is somewhat unique in that it relies on PG&E for its billing, but controls certain line items related to its services.

MEA also proposes to pilot a standard offer program for energy efficiency procurement, for both residential and small business customers, where a fixed payment per unit of savings will be offered to vendors who deliver resource adequacy services to MEA. These offerings can work together if energy services companies can combine both financing and standard offer payments for energy efficiency projects.

All utilities argue in their comments that any CCA or REN proposals that are related to the statewide pilots that the Sempra statewide financing consultant

is working on should be denied, or at least deferred, until the Commission renders a decision on the statewide pilots.

In this case, MEA has proposed a unique offering that leverages most of its other proposed programs, in combination with local relationships with banks, to test a comprehensive approach to financing in certain market segments. As a non-utility electric service provider, MEA may have flexibility to test innovative solutions that the utilities and the Commission otherwise cannot. Therefore, this is a pilot worthy of testing despite its potential overlap with the other statewide efforts being designed in parallel. As with the other pilot programs recommended for approval above, good evaluation of these approaches will be essential to decide whether the approach should be continued in the future both in Marin and elsewhere.

4.3. Approved Budgets

The following table details the approved budgets for MEA for the programs described above. The values represent the total funding for both 2013 and 2014 combined.

Table 3. MEA Approved Budget for 2013 2014 Energy Efficiency Programs.

Program Name	Total Electricity Budget (PG&E)
Multi-family Pilot	$861,781
Single Family Utility Demand Reduction	$581,400
Small Commercial	$1,380,024
Financing Pilots	$1,192,000
Total Budget (2013 and 2014)	$4,015,205

5. Utility Portfolio Proposals

5.1. Portfolio-Wide Issues

In this section of the decision, we cover several issues that are common across all aspects of the utilities' proposed portfolios, including cost-effectiveness requirements, the application of a spillover adjustment for market effects, savings goals related to codes and standards programs, proposals for changes to the *ex ante* and custom project review process, and evaluation issues.

5.1.1. Portfolio Cost-Effectiveness Requirements

In their applications, all of the utilities presented cost-effectiveness analyses and results for both the total resource cost and program administrator cost test. However, there appears to be some confusion, particularly in the cost-effectiveness showing put forward by SCE, as to what values are required from the utilities to have their portfolios deemed cost-effective on an *ex ante* basis. SCE refers to a 2/3 to 1/3 weighting of the results of the TRC and PAC tests as the standard. SCE's application cites to D.05-04-051 which states that "the portfolio as a whole must have a benefit-cost ratio greater than one when calculated with two-third of the TRC benefit-cost ratio plus one-third of the PAC benefit-cost ratio."

However, that same decision also states, "today's adoption of a

performance basis that weights these two tests does not, however, alter our requirement that the portfolio of energy efficiency programs should pass both the TRC and PAC tests of cost-effectiveness on a prospective basis during the program planning stage."[9] This second reference is to the so-called "dual test" requirement, originally adopted in D.93-02-041. This standard is reflected in the Energy Efficiency Policy Manual,[10] which states that "a prospective showing of cost-effectiveness using the Dual-Test [applying both the TRC and PAC tests individually] for the entire portfolio…is a threshold condition for eligibility of ratepayer funds." D.09-09-047 also clarifies that "in order to be eligible for ratepayer funding, each utility portfolio and the entire statewide portfolio must pass both [the TRC and PAC] tests on a prospective basis, considering all costs of the programs. These include costs not assignable to individual programs, such as overhead, planning, and EM&V, but do not include ETP [Emerging Technologies Program] costs."[11]

The practice for weighting the TRC and PAC tests 2/3 and 1/3 originates from the calculations related to the awarding of shareholder incentives, originally developed in D.94-10-059, which stated, "it is reasonable to adopt a weighted average approach for the TRC and UC [utility cost, now called the PAC] cost components in establishing the basis for earnings and penalties under a shared savings mechanism. The weighting should be 2/3 TRC and

---

[9] D.05-04-051 at. 43.

[10] Energy Efficiency Policy Manual, version 4.0, Rule IV.6.

[11] D.09-09-047 at 68-69.

1/3 UC [PAC] to reflect our policy emphasis on total resource costs and benefits."[12]

The shareholder incentive mechanism for 2013-2014 is still under consideration in another proceeding. However, up until now,, the "dual test" where the portfolios are required to pass both the TRC and PAC tests (without counting ETP costs) has applied on a prospective basis to the approval of portfolios, and the weighted 2/3 TRC and 1/3 PAC approach has applied to the calculation of shareholder incentives after a portfolio has been delivered and evaluated. Thus, for our purposes in this decision, each utility's portfolio must pass both the TRC and the PAC tests on a prospective basis, after subtracting ETP costs. To pass, the benefit-cost ratios for both tests must be greater than 1.0. In addition, as discussed above with respect to the REN proposals, the Commission's overall adopted portfolio in each service territory will also be evaluated against both the TRC and PAC tests.

5.1.2. Spillover Effects

D.12-05-015 permitted the IOUs to present estimates of market effects or "spillover" that may result for their proposed programmatic activities, and include proposed spillover effects in their cost-effectiveness analyses and results. The decision also required that the proposals be vetted with stakeholders and Commission staff prior to the application filing.

The approach the utilities proposed in their applications applies program-specific adders for spillover effects to the net-to-gross (NTG) ratios of some portfolio programs, such that a 10% spillover effect would add 0.1 to the NTG

[12] D.94-10-059 at 210.

ratio for a given program. According to the utilities, their proposed spillover estimates are derived from results of past market effects studies from California, New York, and other states. The proposed values were modified by the utilities in response to comments from consultants to the Commission, as well as stakeholder input at a May 29, 2012 Program Advisory Group meeting.

We note that while their approach was consistent in the proposed spillover tables provided by the utilities in their respective applications, the spillover values included in their cost-effectiveness calculators were not. SCE and PG&E each included only some of the spillover values from their proposal in their actual cost-effectiveness calculators, while SDG&E and SoCalGas did not include any of the proposed spilover values in their cost-effectiveness calculations.

Most parties support adopting some spillover estimates, since they agree that spillover is happening to some degree. The Commission's consultants endorsed the methodology used by the utilities, which is also in place in New York and Washington State. They note that very little research on spillover has been completed in California in the last decade and thus the program-specific values may be inaccurate or inappropriate for application in California.

NRDC supports of adopting the spillover values now, but recommends continuing to conduct better research to refine the values in the future. CCSE is broadly supportive of including spillover estimates, and the Efficiency Council notes that spillover effects are reasonable to include if free ridership effects are also incorporated.

TURN and DRA both oppose use of the utility-proposed spillover estimates. TURN believes that because the spillover data is from other jurisdictions, somewhat outdated, and not program-specific, it should not be used. DRA requests that spillover effects not be included until a concrete plan is

in place to gather better data. They also object that spillover may result in double-counting of benefits in cases where Commission decisions have elevated NTG ratios in a manner not consistent with the evaluation findings.

We agree with many parties who point out the shortcomings of the spillover estimates. However, as a policy matter, the Commission endorses the concept that spillover is real, just as free ridership is real. Each occurs in varying degrees depending on program design and delivery, as well as individual customer behavior and investments. Thus, we decline to wait until we have perfect data on which to rely before we acknowledge spillover effects.

However, most of the values provided by the utilities were derived from fairly dated studies from other jurisdictions, mostly from the East Coast, with their own program designs, demographics, and customer behaviors. These states had relatively small sample sizes, there is little on the record that speaks to the level of technical rigor associated with them, and some are quite dated. Therefore, we believe that accepting the program-specific values proposed by the IOUs for the 2013-2014 portfolio would convey a false specificity and accuracy in this important area when the appropriate research and data does not yet exist.

Instead, at this time we find it more appropriate to apply a portfolio-level "market effects adjustment" of 5% across the board to the entire 2013-2014 portfolio cost-effectiveness calculation in recognition that California's long history of commitment to energy efficiency resources has resulted in measure adoption outside of program channels. This is analogous and parallel to our default NTG ratio prior to completion of specific studies on program free ridership.

A case could be made that we could develop a middle-ground approach based on spillover theory and existing data, such as applying sector-level or age-

of-program differentials, but absent any comments in the record to support these types of approaches, we think the portfolio-wide adjustment better represents the state of recent research in this area in California and does not convey false precision.

We further commit that Commission staff will provide evaluation funds to develop research and estimates of spillover effects in studies during the 2013-2014 period.

5.1.3. Savings Goals Related to Codes and Standards Support

In its application, SCE raises the issue that the codes and standards goals contained in the 2011 Energy Efficiency Potential Study by Navigant Consulting (and relied upon for the goals adopted in D.12-05-015) did not account for the downturn in the economy and the associated reduction in new construction rates. To address this issue, Navigant published, and the Energy Division shared with the service list to this proceeding, a 2011 Potential Study Addendum on September 6, 2011. In the Addendum, new construction rates were adjusted downward, which creates a resulting decrease in the savings forecast from codes and standards advocacy by the IOUs.

No party raised any concerns about the new savings goals for codes and standards in its comments or reply comments. We believe the new estimates represent the best available estimates based on new information incorporated into the Title 24 code update by the California Energy Commission. Therefore, we will adopt the new figures proposed by the Navigant study of September 6, 2011, as detailed in the tables below. Despite these reductions, the codes and standards goals remain a significant share of the utilities' overall savings goals. Given their prominence in meeting energy savings goals, we expect the utilities

to make effective use of the funding we authorize for codes and standards programs.

Table 4. Adjustments to Codes & Standards Advocacy Goals from D.12-015-015.

	GWh		MW		MMTherms	
	2013	2014	2013	2014	2013	2014
PG&E						
Previous C&S Advocacy Goal	276	262	36	38	1.12	1.57
New Adjusted Goal	254	239	31	32	0.07	0.55
Percent Difference	-8%	-9%	-15%	-15%	-93%	-65%
						SCE
Previous C&S Advocacy Goal	285	270	37	40	0	0
New Adjusted Goal	262	246	32	33	0	0
Percent Difference	-8%	-9%	-15%	-15%	0%	0%
						SCG
Previous C&S Advocacy Goal	0	0	0	0	1.8	2.5
New Adjusted Goal	0	0	0	0	0.12	0.89
Percent Difference	0%	0%	0%	0%	-111%	-269%
						SDG&E
Previous C&S Advocacy Goal	65	61	8	9	0.13	0.18
New Adjusted Goal	59	56	7	8	0.01	0.06
Percent Difference	-8%	-9%	-15%	-15%	-93%	-65%

Table 5. Revised Adopted Energy Savings Goals.

2013-14 Electric Goals	PG&E		SCE		SDG&E		Total	
	2013	2014	2013	2014	2013	2014	2013	2014
Annual electricity savings (GWh/yr)								
IOU program targets	599	593	660	678	162	156	1422	1427
Codes and Standards Advocacy	254	239	285	270	59	56	598	565
Total Annual Targets	**853**	**832**	**945**	**948**	**221**	**212**	**2020**	**1992**
Annual peak savings (MW)								
IOU program targets	114	100	149	144	36	33	300	277
Codes and Standards Advocacy	31	32	37	40	7	8	75	80
Total Peak Savings Targets	**145**	**132**	**186**	**184**	**43**	**41**	**375**	**357**

2013-14 Gas Goals	PG&E		SCG		SDG&E		Total	
	2013	2014	2013	2014	2013	2014	2013	2014
Annual natural gas savings with interactive effects (MMTherms/yr)								
IOU program targets	21.0	20.3	24.0	22.3	2.2	2.1	47.2	44.8
Codes and Standards Advocacy	0.1	0.6	1.8	0.1	0.0	0.1	3.1	4.3
Total Gas Targets	**21.0**	**20.8**	**25.8**	**22.5**	**2.2**	**2.2**	**50.2**	**49.0**

5.1.4. Utility Alternative Proposals for *Ex ante* and Custom Project Review Processes

In their July 2, 2012 application testimony, all of the utilities propose changes to the processes conducted by Commission staff and utilities for both the *ex ante* energy savings estimates review and the custom project review. These proposals were supported by NRDC, the Efficiency Council, and EnerNOC, and opposed by TURN. We are always open to constructive ideas for how to improve this process further. Due to the timeframe for developing this decision and the desire to have a Commission-adopted portfolio in time for January 1, 2013 launch of programs, there was not sufficient time to evaluate the utility proposals in detail. We therefore defer consideration of these issues and do not address them in detail in this decision.

We do, however, wish to point out that there is a misleading aspect to the way these proposals have been presented. The utilities all refer to these as proposals to improve the "customer experience" of energy efficiency. To our knowledge, there is nothing about these processes that should involve end-use customers directly. Even if projects or savings estimates related to specific customer projects are selected by our staff for review, nothing prevents the utility from proceeding with the project with the customer while Commission review is taking place in parallel. If reasonable estimates of energy savings are

submitted to Commission staff originally by the utilities, there should be minimal risk to all parties in proceeding with the project. If, on the other hand, customer projects are being held up pending Commission staff review so that utilities can minimize their own risk and/or shift responsibility onto Commission staff or consultants, this is the utility's responsibility and not a problem with the review process itself, and may also be an indicator of lack of good faith estimation of energy savings on the part of the utilities. No process changes on the part of Commission staff will remedy that.

Thus, in the meantime while we defer consideration of the specific recommendations put forward by the utilities, we encourage the parties representing the efficiency industry and consumer interests to explore more deeply with the utilities why the perceived flaws exist in the process, as it is being handled today, and what improvements should be made.

5.1.5. Evaluation, Measurement, and Verification

As with past portfolios, the utilities have proposed to reserve 4% of the total budget for EM&V, consistent with the guidance in D.12-05-015. No party objects to this funding level. Since it is in line with budgets from prior portfolios, we adopt it. We also maintain the same division of funding between evaluation activities overseen by Commission staff and those handled by utility personnel.

Planning is already well underway for use of these funds. As in 2010-2012, as outlined in D.10-04-029, we continue the existing process of collaboration and dispute resolution between Commission staff and the utilities.

We also require that the Joint CPUC-IOU Evaluation Plan be finalized within 60 days after the adoption of this decision. The Evaluation Plan should be filed as a report in this proceeding and served on the service list. We delegate to the Assigned Commissioner and/or ALJ if it is necessary to take further action

on the Evaluation Plan at that point, though we anticipate that will not be necessary.

One issue that has come up during the 2010-2012 evaluation cycle is related to funding for legislatively-mandated end-use surveys that the Energy Commission relies upon for its demand forecasts. At the moment, continued funding of these end-use surveys out of the 4% EM&V budget is presenting a significant constraint on resources needed for other evaluation activities. Alternate funding sources for these studies are currently being considered and may be preferable to align them with forecasting needs and ensure their continued support. If alternate funding sources do not end up being viable, we may need to take further action to provide funding for the conduct of these studies within the EM&V budget.

Finally, we note that Commission staff continues to work to improve our public tracking and comment systems to provide more transparent access to status on EM&V projects, spending, and results. This work is ongoing. We also intend to improve access to archived evaluation data and results, within some confidentiality constraints. For example, we are working with the U.S. Department of Energy to provide data for their Building Performance Database through a unique non-disclosure agreement.

5.2. Program-Specific Issues

In this section we address programmatic issues related to the utilities' proposals. Before discussing program-specific details, we think it will be useful for all parties if we define the categories of programs in which the utilities will be conducting activities. These categories also represent the groups to programs to which our fund-shifting rules apply. The table below includes the categories for utility programs.

Table 6. Utility Program Categories to Which Fund-Shifting Rules Apply.

Statewide Programs
1. Residential
2. Commercial
3. Agricultural
4. Industrial
5. Lighting
6. Codes and Standards
7. Emerging Technologies
8. Workforce, Education, and Training
9. Marketing, Education, and Outreach*
10. Integrated Demand Side Management
11. Financing
Other Programs
12. Third Party Programs (competitively bid)
13. Local Government Partnerships
14. Other
*Statewide marketing, education, and outreach proposals are being addressed in a separate application A.12-08-007 et al. Budgets for this program are not approved in this decision.

5.2.1. Financing Programs

As directed by D.12-05-015, all utilities propose three types of financing programs to be offered in 2013-14: on-bill financing, continuation of financing programs previously funded by ARRA, and new pilot programs proposed by the statewide financing consultant hired by SDG&E/SoCalGas as directed in D.12-05-015. We address each of these areas in the sections below.

5.2.1.1.OBF Programs

The utilities propose to continue their OBF programs as required by D.12-05-015 and to allocate the approximate annual funding levels expected to have been spent in 2012 to these programs in 2013-2014. SCE takes a roundabout way of getting there, however, by proposing this level of budget only in its alternate or "preferred" portfolio, claiming that D.12-05-015 requires SCE to allocate too much funding to OBF. Notwithstanding this confusion, the funding level for SCE in its preferred portfolio represents our original intent and therefore we adopt it, along with the OBF budgets proposed by the other utilities.

5.2.1.1.Financing Programs Previously Funded by ARRA

All of the utilities also propose to continue financing programs that were previously funded by ARRA. The utilities do not all provide complete detail of the programs that they intend to fund with their budgets in this category. In addition, it appears that some of the utility funding relates to the same program proposals submitted by SoCalREN and BayREN. Therefore, the utilities should fund the SoCalREN and BayREN financing programs we discussed above out of this category of funding, with the exception of the MEA program and the single-family and multi-family programs associated with EUC. Those programs are discussed further in the next section.

Since we directed the utilities to reserve funding for certain successful financing pilot programs previously funded by ARRA, we approve their budgets as proposed. We expect the utilities, in their compliance filings, to indicate the exact programs to be funded in this category, in addition to the SoCalREN and BayREN proposals that we specifically authorize.

In order to avoid market confusion leading to customer inaction, we direct the utilities to coordinate closely with the REN financing programs as well as the other financing programs funded out of the utilities' portfolios. While we are concerned about unnecessary confusion, we will not completely prohibit overlap of programs, because multiple financing program options may be beneficial for consumers. Consumers today can take out loans from multiple banks; there should be analogous opportunities for energy efficiency financing programs. Given this is a relatively new area, we do not prescribe how the program offerings should be coordinated or marketed in specific geographic areas, but instead encourage the utilities and RENs, in particular, to coordinate this as they are coordinating their approaches to geographic coverage for the EUC program overall, to be filed in their EUC advice letters on April 1, 2013.

5.2.1.2.New Financing Pilots

All of the utilities propose to reserve funding for the new financing pilots being developed by the statewide financing consultant under contract to SoCalGas and SDG&E. Due to the timing of the consultant's work, we are not able to evaluate the substance of those proposals in this decision. A workshop has been conducted on October 2, 2012 and it is anticipated that a final proposal for the approach to the new pilots will be delivered to the Commission on or about October 19, 2012. Thus, we will necessarily need to defer consideration of the content of the pilot programs until after this decision is adopted. To accomplish this, we delegate to the Assigned Commissioner to address further issues related to the content of the pilot programs and to approve their final implementation via rulings.

To facilitate the launch of these pilot programs, we approve, in this decision, the funding levels that are to be devoted to the new pilots. In keeping

with the requirement in D.12-05-015 to propose a total of at least $200 million statewide in 2013-2014 for financing programs, and after considering the amounts proposed for OBF and the previously-ARRA-funded programs discussed above, we find the utilities' proposed funding amounts for the pilots to be reasonable.

Also, as discussed above related to the REN proposals, we also reserve funding for the REN financing proposals that are related to the pilots to be proposed by the statewide financing consultant hired by SDG&E and SoCalGas. This will allow the REN proposals to be considered alongside the consultant's proposals, so that the Assigned Commissioner may evaluate the proposed approaches together and approve a comprehensive and robust set of pilot programs. We also request that all implementers of financing programs participate in the process being undertaken by the statewide financing consultant, including MEA, BayREN, and SoCalREN.Several issues were raised in parties' comments with respect to the operation of the pilot programs, as directed in D.12-05-015. The first relates to the ability to offer financing for measures beyond energy efficiency with budgets from the energy efficiency portfolios. In D.12-05-015 we said that "financing offerings need not be limited to energy efficiency, and can support all types of demand-side investments." To be clear, this statement was intended to apply to on-bill repayment (OBR) or other types of pilot activity where the funding for the loans themselves come from sources other than ratepayers. For other types of financing, such as OBF, credit enhancements, etc., where energy efficiency funds are being utilized, they should be used for energy efficiency projects only at this time, unless a budget contribution can be shared from other sources of program funding for distributed generation or demand response.

The next issue relates to the timeline for rollout of the pilot programs. PG&E, for example, estimates that it could take 6-12 months for the information technology upgrades necessary to enable OBR. These changes should be underway now, since the utilities have been on notice since May 2012 that the capability to offer OBR is required by the Commission. We continue to expect rollout of the pilot programs, once finalized, by the first quarter of 2013. Finally, the utility applications raise the issue of jointly offering incentives and financing together and seem to feel that D.12-05-015 prohibits them from offering both. We clarify that in 2013, the intent was to experiment with program designs and joint offerings to better understand the best combination of rebates, financing, or both that is appealing to customers. We did not intend to prohibit offering both incentives and financing, but these considerations need to be balanced carefully with cost-effectiveness constraints. This type of testing is the purpose of pilot programs, and we hope the experience in 2013 will better inform calibration of the incentive and financing offerings for 2014 and beyond.

5.2.1.3.Approved Financing Budgets

The following table details the budgets authorized for each utility for financing program, including continuation of programs previously funded by ARRA, as well as the new pilot programs that are related to the work of the statewide financing consultant.

Table 7. Authorized 2013-2014 Financing Budgets (in $ millions).

Program	PG&E	SCE	SDG&E	SoCalGas	Total Statewide
On-Bill Financing*	**$47.5**	**$54.3**	**$17.7**	**$3.7**	**$123.2**
ARRA Program Continuation					
Utility-chosen under Commission direction	$3.3	$5.0	$2.2	$3.2	$13.7
SoCalREN	NA	$4.6	NA	$0.8	$5.4

BayREN	$0.7	NA	NA	NA	$0.7
Subtotal ARRA-Continuation	**$4.0**	**$9.6**	**$2.2**	**$4.0**	**$19.8**
New Pilots					
Utility-proposed (with statewide consultant)	$24.0	$21.9	$12.0	$8.8	$66.7
MEA	$1.2	NA	NA	NA	$1.2
Reserved for SoCalREN	NA	$1.3	NA	$0.2	$1.5
Reserved for BayREN	$5.8	NA	NA	NA	$5.8
Subtotal Pilots	**$31.0**	**$23.2**	**$12.0**	**$9.0**	**$75.2**
Financing Total	**$82.5**	**$87.1**	**$31.9**	**$16.7**	**$218.1**
*Note: SDG&E and SoCalGas have not requested program funds to cover the revolving loan funds for financing, and instead request them in their general rate cases. Thus, those revolving loan funds are not reflected in the total approved budgets in this decision.					

In return for these budget authorizations, we require all entities operating financing programs in 2013 and 2014 utilizing these ratepayer funds to participate in efforts to collect data to populate a database of financing-related information.

5.2.2. Residential Programs

The utilities propose a number of different residential programs and sub-programs in their statewide offerings. We discuss only a few of those below: Energy Upgrade California, Middle Income Direct Install, Multi-Family Energy Efficiency Rebates, California Advanced Homes and Manufactured Housing programs, Heating, Ventilation, and Air-Conditioning programs, and behavioral programs.

5.2.2.1.Energy Upgrade California

The IOU proposals raise several issues related to the EUC program, including the name of the program, how to revise the Basic Path EUC offering, a proposal to hire a market transformation consultant and to conduct certain

stakeholder engagement activities, the treatment of labor costs in the cost-effectiveness tests, the appropriate program targets (low, medium, or high participation scenarios), and whether incentives should be provided for whole-house audits. TURN also raised the issue of whether the program should be targeted to hotter climate zones.

First, the IOUs all began, in their applications, referring to the EUC programs as the Whole House Upgrade Program (WHUP). In response to a question in the Scoping Memo, the IOUs explain that this name change was intended to differentiate the program as the residential whole house program, as distinct from the statewide marketing, education, and outreach (ME&O) campaign which will now be utilizing the EUC brand. They state that the name change was not necessarily intended as a consumer-facing brand for the program.

As pointed out in several comments, even name changes in regulatory filings do not necessarily remain confined to that space and have a habit of making it into general usage. SolarCity and CBPCA, representing contractors, both object to any name change because it has the potential to dilute the value of the EUC brand, which has been contributed to by many entities over the past few years, not just IOUs. WEM also correctly points out that the WHUP acronym is distasteful. More importantly, we are not convinced that utilizing EUC as the name of both a campaign and a program is inherently confusing. To the contrary, it is one of the reasons why the Commission adopted a change from Engage 360 to the EUC brand in the first place, to more closely associate the statewide messaging with residential and small commercial whole building energy efficiency actions.

Therefore, the IOUs shall not refer to WHUP in any of their materials. The program name shall remain EUC pending any further recommendations that may emerge from the statewide ME&O efforts underway in A.12-08-007 et al.

Second, as discussed above related to SoCalREN's Flex Path proposal, it is clear that the EUC Basic Path offering is in need of revision. We set out a process above to allow the IOUs to hire a statewide market transformation consultant for the EUC program, as well as to engage other EUC REN implementers in a program redesign. As discussed above, we expect that redesign to be completed by April 2013, and for the RENs to launch the revised program within their geographic regions at that time, with the IOUs launching the same or substantially similar program in their service territory areas not covered by RENs.

In addition, the IOUs' applications included a proposal to revise the cost-effectiveness treatment of the EUC program on a pilot basis. The proposal would be to remove the labor costs from the cost-side of the cost-effectiveness equation, to account for the fact that not all labor associated with an EUC project is associated with the efficient upgrade of equipment or measures. This proposal was meant as a proxy to offset the fact that the cost-effectiveness methodology does not currently reflect any non-energy benefits associated with the program.

NRDC supports the proposal. TURN and DRA oppose it. TURN includes an alternative proposal for discussion that would discourage "cream-skimming" requiring multiple visits to one site, by accounting for the costs of those multiple visits.

We will not approve the IOU proposal to remove labor costs from cost-effectiveness analysis for EUC at this time, for several reasons. The main concern we have is that the proposal is too broad brush. While it is true that

some labor costs may be associated with the need to replace equipment whether or not it is efficient, it is the *incremental* labor costs that should still be included. In many cases, there are incremental labor costs associated with installing efficient equipment, because it may take more time to install or may have more activities associated with it. For example, installing an efficient furnace may not take additional time beyond a regular-efficiency furnace, but to truly take advantage of the furnace efficiency, duct sealing may also be necessary, which would result in additional labor costs.

Our other concern is not to make cost-effectiveness methodology modifications on a piecemeal or program-by-program basis. Work is going on in R.09-11-014 to address improvements to our cost-effectiveness methodologies. This proposal should be further discussed and vetted in that context, or in other arenas, as appropriate, for the 2015 program cycle.

We see promise in TURN's notion to limit cream-skimming, but also do not adopt this proposal at this time because it is not sufficiently developed. We suggest that TURN explore this idea further in R.09-11-014 with other stakeholders.

The IOUs all also proposed low-, medium-, and high-participation scenarios for the EUC program. We agree with SolarCity that adopting any other scenario besides the high-participation one would send a signal that the Commission is not fully invested in the program. EHC also supports the high participation scenario. TURN points out that the utilities should be required at least to meet or exceed the participation levels from 2010-2012. By our estimation, even the high-participation scenario is not aggressive, given the size of this state and the Strategic Plan goals. The IOUs should meet or exceed all of

the targets in the high-participation scenario. We also reject SCE's proposal for limiting annual spending to enable the IOUs to "nurture" the EUC program.

As discussed above, both SoCalREN and BayREN propose to offer incentives for whole-house audits. We approved them, in certain circumstances, for the REN programs, and see no reason why the utilities should not be able to offer similar incentives. TURN and CCSE propose that audit incentives could be offered if a homeowner completes a retrofit. Built It Green and SolarCity also agree that subsidizing audits may be appropriate, especially if the incentive is offered to the contractor. NRDC, PG&E, and SDG&E also support these limited incentives. Only SCE opposes.

We agree that audits are often a critical element of EUC residential retrofits. Therefore, we will allow utilities and the RENs to subsidize the audits if a retrofit follows that involves at least three energy efficiency measures, consistent with our requirements for the Basic or Flex Path portion of the EUC program.

Next, we address the proposal by TURN to focus the EUC program in the hotter climate zones of the state. Many parties commented on this idea and most, including CCSE, Efficiency Council, CBPCA, Solar City, and the utilities, agree that weather should be an important factor, but not the only factor that determines the approach to targeted marketing of the EUC program. Build It Green, SDG&E, and SCE are generally opposed to targeting more funding to hotter climate zones. DRA and NRDC suggest that the market uptake should dictate the level of funding offered in each area.

We agree that weather is one factor, but it is an important one. TURN raises a valid point that it is more likely that customers in hotter regions will see more benefits, on average, from the program, than customers in other climate

zones. We direct the IOUs to devote a greater percentage of their marketing and outreach efforts towards climate zones 9-16, as suggested by TURN. We suggest that the marketing and outreach budget, at a minimum, should be at least 25% higher for those climate zones than other parts of the state.

Finally, we address an issue with respect to the EUC multi-family path pilot implementation. In PG&E's September 5, 2012 filing in this proceeding, they submitted and updated PIP for EUC that included much more detailed information about the multi-family whole-building approach. The other utilities should also update their EUC PIPs to include this additional information, clearly indicating unit treatment targets and budgets, utilizing funding both from 2012 and as part of the 2013-2014 funds authorized herein.

5.2.2.2.Middle Income Direct Install (MIDI)

Utilities all made proposals to continue their MIDI programs. EHC raised a concern about the program targets being so low compared to the eligible participant population and the exclusion of multi-family units from the program. We agree with EHC. All of the utilities should double their number of projected participants and the associated budgets for these programs in their compliance filings and ensure program eligibility for customers residing in multi-family buildings.

5.2.2.3.Multi-Family Energy Efficiency Rebates (MFEER)

The IOUs propose to continue their MFEER programs. CHPC raised the issue about whether these rebates would continue to be available after multi-family financing becomes available, and that the financing offerings should be coordinated with the rebates. We agree with both of these points.

With respect to one of the questions in the Scoping Memo related to the MFEER program, we also direct the IOUs to take into consideration some of the

evaluation study findings. In particular, the program measures need to be made more comprehensive to go beyond lighting measures, corporate-level outreach is needed to the largest multi-family building owners, appropriate training and certification is needed for MFEER participating contractors, and technical assistance offerings should be improved for building owners. PG&E and SCE made some vague references to these issues in their September 5, 2012 filings. The MFEER PIPs should be updated to address these issues.

5.2.2.4.California Advanced Home Program and Energy Star Manufactured Homes Program

The only issue raised with respect to these programs is related to the level of incentives offered. In their September 5, 2012 filings, the IOUs all indicated a desire to meet and confer with Commission and Energy Commission staff by December 1, 2012, to agree upon the respective incentive levels. The new incentive levels should be reflected in updated PIPs filed in compliance with this decision.

5.2.2.5.Residential HVAC Programs

The utility proposals for their 2013-2014 subprograms raise a few issues and concerns. These include whether the utilities should offer an incentive to distributors of residential HVAC equipment, whether incentives should be offered for installation of HVAC equipment that only meets but does not exceed code requirements, and whether the proposed programs can meet the ambitious goals outlined in the Strategic Plan and the associated HVAC Action Plan.

TURN calls for the utilities to introduce a residential HVAC distributor program. TURN recommends that this element be added to the other HVAC directives of D.12-05-015, in light of the fact that nearly 800,000 HVAC units may be replaced per year in California, but the residential HVAC programs account

for only about one percent of portfolio savings. The utilities represent that launching an upstream distributor program in 2013-2014 faces barriers but is feasible.

We agree with TURN and believe that the utilities should begin exploring ways to include an incentive in their portfolios for distributors of residential HVAC equipment. This is important for two major reasons. First, the utility residential HVAC programs propose little progress in the HVAC sector in 2013 and 2014. Second, the commercial HVAC distributor incentive has proven to be the most successful HVAC program in terms of savings claimed. A distributor incentive could prove successful in the residential sector as well.

Therefore, we direct the utilities to propose an incentive program for distributors of residential HVAC equipment and file an advice letter to do so by no later than April 1, 2013.

Several other parties commented on whether it is appropriate to offer incentives for energy efficiency activities that get equipment or building up to code. SolarCity and EHC oppose providing any incentive for these activities or measures, while TURN supports doing so. The utilities also generally support the idea, with the exception of SCE which only supports it in the case of early replacement projects.

There is a low rate of code compliance in residential HVAC replacements. The CEC estimates that less than ten percent of HVAC systems obtain legally-required permits and up to 50% are not properly installed. We support further investigation of providing incentives for code compliance in the residential sector. The utilities should pilot "to code" incentives in the hotter climate zones (climate zones 9-16) in 2013 and 2014. They should provide an advice letter filing by no later than June 1, 2013 including their detailed program approach.

Finally, the utilities proposed continuing and/or re-designing many of the HVAC quality installation and quality maintenance (QI/QM) programs for the residential and commercial sector. TURN protested the utility applications in part because they claimed that the utilities were not in compliance with the directives of D.12-05-015 regarding deep residential retrofits and strategic peak HVAC savings.

We agree with TURN's concerns. The utilities' QI/QM proposals fail to project significant savings or ambitious enough targets to achieve any of the Strategic Plan goals for the HVAC sector, particularly in the residential markets. To address this critical gap, the utilities should update their targets and approaches in their compliance filings, and focus on a market transformation approach to this program area, with significantly augmented goals, by 2015.

5.2.2.6.Behavioral Programs

The utilities included very little detailed information in their applications or responses to the Scoping Memo discussing their intention with respect to behavioral programs. Opower raises concerns in its comments about maintaining the definition of and requirements for behavioral programs and encouraging the utilities to explore expanding the definition for future program cycles.

We agree with Opower on both points. For purposes of 2013 and 2014, the definition of behavioral programs in D.10-04-029 is maintained such that all behavioral programs are required to employ comparative energy usage and disclosure, ex post measurement, and experimental design. We also maintain the 5% target for residential households by 2014, as required by D.12-05-015. Finally, we encourage the utilities to work with Opower, EHC, and other

interested parties to initiate a stakeholder process for expansion of behavioral programs in the future.

5.2.3. Commercial Programs

In general, the applications of the utilities comply with our guidance in the commercial area. Several areas of concern remain, consistent with D12-05-015. We asked the utilities to focus on several areas:

- Achieving deep energy savings through bundled measures;
- Incorporating a comprehensive whole building approach;
- Reducing the split-incentive barrier in commercial multi-tenant buildings;
- Sub-metering and plug load control technologies;
- Requiring an audit on customers who implement three or more measures;
- Collecting and utilizing performance data; and
- Targeting the municipal, university, schools and hospitals market.

These objectives continue to be important and we will monitor the utilities' progress toward these goals.

5.2.4. Industrial and Agricultural Programs

In general, the industrial and agricultural programs comply with our guidance in this area. We have two areas of concern. First, we notice an increase in the number and a decrease in the size of the custom projects included in the projections for this cycle. This trend is not explained in any utility application materials. Utilities should address it in their compliance filings.

The second issue was raised by several parties, including the California Climate and Agriculture Network, and relates to the agricultural programs. In

general, there is more potential for energy savings related to agricultural water pumping and use. This relates to our ongoing policy priority of the water-energy nexus. We expect the utilities to work with stakeholders in the agricultural area to improve their programmatic approaches over the course of the 2013-2014 program cycle.

5.2.5. Lighting Programs

In accordance with Commission guidance in D.12-05-015, the utilities proposed a statewide lighting program with several components. D.12-05-015 said, "we see benefit to reducing the number and complexity of programs by consolidating lighting measures into a single statewide program." In an effort to be responsive to this directive, each utility took a slightly different approach, which makes it difficult to compare the budgets and strategies across utilities. SCE and SDG&E seem to have moved all of the lighting measures and savings out of individual programs and into one statewide program, even though individual programs will still offer lighting measures. PG&E still attributes lighting savings to its LGP and third party programs, where the measures and installations will actually occur, but includes other lighting measures and savings in the statewide program.

PG&E's approach seems to best balance the intent of the guidance from the Commission, which was to consolidate lighting into a statewide program in order to emphasize a statewide market transformation strategy for addressing lighting. However, we recognize the lighting measures will continue to be offered in other programs beyond the statewide lighting program, and those savings should continue to be reflected in those programs. SCE and SDG&E should update their approach to reflect the savings from lighting measures in the

programs in which they are delivered, while still maintaining an emphasis on a comprehensive lighting strategy in the statewide program.

To avoid further confusion on this issue, in their compliance filings further described in Section 7 of this decision, we require each utility to file their cost-effectiveness calculators and program placemats two different ways: once with lighting reflected only in the statewide lighting program, and another version with lighting measures reflected in the programs which actually deliver the lighting measures. This will allow comparison across programs and utilities with complete information.

A second issue which arises in the context of the lighting programs surrounds the question of an impending adoption of a light-emitting diode (LED) lighting Quality Standard by the California Energy Commission (CEC). We note that there is already a federal standard for LEDs in place as part of the Energy Star program. The question for us is whether the utilities should offer LED incentives in advance of an additional standard being adopted by the CEC, or whether incentives should await the new standard.

D.12-05-015, Ordering Paragraph 87, stated that the utilities "shall only propose rebates for general service screw base [LED] products that are consistent with the quality standards developed by the California Energy Commission." However, the intent of this language was not to prevent deployment of LEDs in California, with incentives, altogether, pending the CEC standard. But without such a standard in place, our dilemma is how to evaluate which LED products are appropriate for incentives.

For now, we offer the guidance that the utilities should be encouraged to offer incentives to the LED products that they consider to be in the top half of the products available on the market at any given time. In terms of measuring

quality, the most important metric would seem to be lighting quality, both in terms of color rendering and light output. We leave to the utilities to determine how to implement this guidance, in cooperation with the CEC. Our goal, as in D.12-05-015, is to avoid offering incentives for lighting products that do not meet consumer expectations and result in a poor lighting experience, discouraging customers from investing in energy efficient lighting in the future. In updates to their PIPs, the utilities should detail the types of bulbs for which they intend to offer incentives, and at what level.

5.2.6. Third Party Programs

In their applications, all utilities propose an approach to third party solicitations called IDEEA365. The concept is basically an approach to continuous solicitations for third party programs, as well as a way to identify improvements to the process throughout the program cycle.

All parties who commented on the proposal seem to agree that this program is a good model for third party solicitations. The Efficiency Council and NRDC were both particularly supportive. EHC also expressed general support for the opportunities that the solicitation process will present for workforce purposes. NRDC noted that this program creates the opportunity for new programs and ideas. The Efficiency Council finds the approach to be capable of quick operation, filling gaps in the portfolio, and encouraging innovation.

NRDC also recommended that the utilities provide an opportunity for stakeholder input and assessment of how the process is working mid-way through this program cycle, presumably around the middle of the program cycle. PG&E, in its reply comments, was supportive of such engagement with stakeholders.

Because of its widespread support, we approve the third party solicitation proposal for 2013-2014, and require the utilities to provide a forum in late 2013 or early 2014 for stakeholders to provide input on how the process is working. We also note that all utilities have made commitments to launch this program by January 1, 2013 if the Commission approves it before then. We encourage this timetable.

The Efficiency Council also raised two other issues with respect to third party programs. The first was raised in its initial comments on the applications in August 2012, related to the Commission's ongoing portfolio requirement for at least 20% of each utility's budget to be spent on third party programs. The Efficiency Council asked for clarification as to whether this percentage was inclusive or exclusive of EM&V budgets.

The original 20% requirement comes from D.05-01-055, which states: "the IOUs will identify a minimum of 20% of funding for the entire portfolio that will be put out to competitive bid to third parties *for the purpose of soliciting innovative ideas and proposals for improved portfolio performance*."[13] Though this is not specific about how to define the "funding for the entire portfolio," a common-sense interpretation would be that it meant total budget, including EM&V costs. From here forward, we clarify that the third party requirement for 20% of the portfolio to be competitive bid to third parties, is 20% of the total portfolio budget, including EM&V costs.

The logical question that arises from clarification of this issue is whether the utilities are all in compliance with that 20% requirement. The IOUs all

[13] D.05-01-055 at 94.

present data showing that they meet or exceed the 20% requirement. However, staff analysis suggests otherwise for SCE and SDG&E. In the case of SCE, because they removed their lighting measures from all programs except the statewide program, it may be that if the lighting measures were included in third party programs, the budgets would meet or exceed the 20% requirement. Once we see re-filed information in the compliance filings, we will know for sure.

In the case of SDG&E, it appears that they are classifying some activities as third party that are actually part of their statewide program delivery. We clarify that unless a program is selected through a third party solicitation, it does not count toward the 20% minimum. We do encourage SDG&E to continue utilizing third parties to deliver portions of their statewide programs. We simply require them to show that the budget for programs solicited directly and competitively from third parties exceeds the 20% requirement. SDG&E should make this showing clearly in their compliance filings required by this decision.

The second issue raised by the Efficiency Council relates to the commitment of 2012 funds at the end of this year. The Efficiency Council points to different actions on the part of individual utilities, with some encouraging work through the end of the year, even if installation will be complete in 2013, with other utilities requiring installations by the end of the year under their contracts. TURN support the Efficiency Council's request for clarification.

Current Commission policy, articulated both in D.05-09-043 and D.07-10-032, is to "count only actual savings as they occur both towards the savings goals (and MPS) [Minimum Performance Standard] and also in calculating the PEB [Performance Earning Basis] net benefits," rather than when the funds are encumbered through commitments. This would mean that savings achieved by 2012 contracts where installations are completed in 2013 would

count toward 2013 savings. We do not believe it is necessary to modify this policy. We simply state that there is no reason why the utilities should be requiring that 2012 contracts complete all installations in 2012, since the savings will count whenever the projects are completed. For practical reasons, it may not be possible for all projects to be completed in 2012.

Finally, we note that the utilities' portfolio filings lack specific proposals to focus on more of their third party program initiatives on the municipal, university, school, and hospital (MUSH) market as directed in D.12-05-015. The same is true with respect to third party offerings focused on strategic plan objectives, such as the Sustainable Communities programs. We encourage the IOUs to redirect additional budget toward these types of efforts during the program cycle.

5.2.7. Local Government Partnerships (LGPs) and Institutional Partnerships

The utilities all propose to continue, and in some cases expand, LGPs for 2013-2014. Some parties raise policy issues that the Commission may contemplate for 2015 programs, but that are not possible to handle in the timeframe for this decision. For example, EHC suggests that SDG&E be required to move their LGPs to be resource programs so that they will be encouraged to deliver more savings. At this time, we have not evaluated these ideas in any detail. We may wish to explore these ideas for 2015. In the meantime, we require SDG&E to provide reporting information on the number of installations of energy efficiency measures caused by LGP activity. We also address the process to arrive at the 2013-2014 proposals and the expanded funding and activities.

LGSEC complained in their comments that the IOUs, with the exception of SDG&E, did a poor job of reaching out to their LGPs as they developed and applied success criteria for continuation or expansion of LGPs proposed for 2013-2014. LGSEC also stated that SCE and SoCalGas LGPs were not provided with an advance review opportunity of the filed PIP or budgets associated with their partnerships.

PG&E responded that it encouraged existing partners to submit proposals for expansion and met with its partnership to discuss their ideas. PG&E focused on incorporating elements that focused on achieving deeper savings and complementing existing and continuing programs. PG&E says it did not reject any proposed LGP.

SCE responded that they evaluated all partnerships according to the success criteria filed and determined that all SCE partnerships should be continued and that no LGPs proposed have been rejected.

SoCalGas also responded that they did not reject any proposed LGPs and that all of their existing LGPs met their success criteria.

We are satisfied that, while not perfect, the IOU process used was reasonable and achieved a satisfactory outcome. The IOUs should strive to improve their communication and collaboration with the LGPs wherever possible.

As noted, PG&E proposes to expand its LGP funding by about 10% to include more comprehensive customer outreach and energy efficiency solutions for residential and business customer needs. The partnership expansions fall into one of three categories: a new program element with an existing partner, a new partner within an existing partnership (such as a new local government within a regional partnership), and a new partnership in a region not previously

served by an LGP. No party has opposed these expansions. We see no reason why all of these types of expansions should not be approved.

There was a great deal of discussion in the comments about how LGPs relate to the REN proposals. We reiterate here that the LGP budgets should not be penalized to account for the REN proposals, and we see no evidence that this has occurred for this cycle.

Also as discussed above, the proposal in SDG&E's application that is referred to as SDREN should be approved, but renamed to be a San Diego regional partnership under the LGP umbrella and within SDG&E's portfolio.

In sum, all of the LGPs and their budgets proposed by the IOUs are approved by this decision.

5.2.7.1.Institutional Partnerships

The utilities all propose to continue collaborative partnerships with institutional and state government partners in 2013 and 2014. These partnerships include activities such as incentives for retrofit projects, training for energy managers, and sharing of best practices. These partnerships are with state agencies, universities, community colleges, and, in the case of SDG&E, a private university and a county water authority. SCE also applies this category to its county government partnerships.

No party is opposed to these partnerships. We approve funding for these partnerships as well.

5.2.8. Integrated Demand Side Management (IDSM)

Since 2008, the Commission has directed the IOUs to develop strategies and programs that offer customers opportunities to better integrate their energy efficiency, distributed generation, and demand response energy choices. Integrated demand side management is identified in the Strategic Plan as an

overarching strategy to promote customer-side energy management and achievement of zero net energy goals. The IOUs have taken steps to pursue IDSM, but significant barriers remain that prevent the development of more cohesive IDSM strategies, programs, and tools. Funding silos – and particularly funding of distributed generation components of IDSM efforts – remain a major barrier.

While the IOUs should continue to identify opportunities to leverage IDSM funding contributions from distributed generation and demand response programs, we direct them to utilize appropriate energy efficiency IDSM funds to "backstop" funding of IDSM tools to ensure that they provide customers with information that supports all demand-side resources (such as marketing, emerging technologies, integrated audits, piloting of integrated projects, etc.), consistent with IDSM objectives.

In addition, the IOUs are directed to re-submit their IDSM PIPs, as part of their compliance filing ordered in this decision. The IOUs should reintegrate language that was removed from the 2010-2012 PIPs not in accordance with Commission directives. In addition, they should provide a matrix of budget figures broken down by funding source (energy efficiency, demand response, solar, etc.) for: IDSM marketing, IDSM pilots, integrated Continuous Energy Improvement, IDSM online and on-site audits, IDSM training, and IDSM data tracking. The IOUs should also include a narrative description of the technologies being promoted and how the efforts support IDSM goals.

In addition, to the directives in D.12-05-015, the utilities were required by D.12-04-045, a decision in the demand response program application proceeding, to file requests for the demand response portion of their IDSM budgets in this proceeding. All utilities except SoCalGas made such requests, but they each

approach their IDSM activities and funding differently. PG&E requests approximately $6.5 million in demand response funding, but shows no detectable energy efficiency budgets associated with their integration activities. SDG&E has three separate IDSM budgets totaling $2.4 million out of demand response funding, with associated funding out of energy efficiency funds. SCE proposes $23.4 million in demand response IDSM funding, compared with $2.5 million for energy efficiency. SCE states that the incremental demand response funding will be provided to 14 different energy efficiency programs to ensure both a demand response and energy efficiency component.

The budgets, particularly on the demand response activities, are disparate, but it may be due to the different approaches. We do note that SCE's budgets for particular activities, in some cases, appear quite a bit larger than they have been able to effectively utilize in previous portfolios. We encourage the utilities to discuss with staff a consistent approach beginning in 2015. For 2015 in their energy efficiency portfolio applications, we intend to require each utility to submit a comprehensive plan for its IDSM strategies and budgets from all sources.

5.2.9. Workforce, Education, and Training

The IOUs all propose in their applications various activities related to workforce, education, and training (WE&T). A number of parties devote a serious amount of attention in their comments and protests to the shortcomings in these IOU proposals. EHC, CILMCT, Greenlining Institute and Green for All, and Global Green USA all raise numerous concerns about the IOUs' lack of attention or understanding of these issues in their program plans. We have not had time during our short evaluation of the utilities' portfolio proposals to

analyze these programs in detail, nor is it particularly within the Commission's core expertise to do so.

We are greatly concerned, based on the comments from numerous parties, that the IOUs' efforts to date do not appear to represent our directives in this area. Given the amount of funding devoted to energy efficiency programs in this state, and the level of unemployment in the economy in general, this is an area in dire need of more focused attention.

One of the reasons for lack of progress in this area may be that the IOUs suffer from a lack of specific expertise in this area as well. Although workforce impacts are a byproduct of the programs that we oversee and that the utilities deliver, they are not our primary expertise and focus. Therefore, in an analogous way and similar to the financing efforts underway within these portfolios during the transition period, we may benefit from expertise outside of the regulatory realm to help us focus and design these workforce efforts more effectively. Though the WE&T taskforce has been operating for some time, it remains somewhat of a niche effort. We are also encouraged by the comments of Greenlining Institute that they are making progress toward an agreement with the IOUs for certain purposes. It is not clear that this will address the totality of the concerns raised by parties in comments thus far, however.

Therefore, we require the IOUs, during this transition portfolio, to hire an expert entity to help design a comprehensive approach to the WE&T issues inherent in the energy efficiency portfolios. We note that the California Workforce Investment Board and the Labor and Workforce Development Department may both be appropriate for consultation and assistance in this effort. In their compliance filings, the utilities should propose a contract of at least $500,000 in budget, to design a comprehensive approach, with stakeholder

consultation, for workforce development efforts to be launched in the 2015 portfolios.

In the meantime, the utilities should emulate, for their energy efficiency programs, the data collection protocols with respect to workforce initiatives recently adopted by the Commission for the low-income programs in D.12-08-044. This will assist us in evaluating new proposals for energy efficiency program workforce efforts, based on a more robust set of data in the future.

In addition, for the 2013-2014 portfolios, in their compliance filings, the utilities should update their materials to provide a budget breakdown by sub-program in the WE&T area, for the amount of funds spent on the following: energy center classes, sector strategy efforts for HVAC, sector strategy efforts for CALCTP, other sector strategies, training partnerships with community colleges and adult education, training partnerships with trade organizations, and training partnerships with community-based organizations or other government agencies. The IOUs should also update their narrative descriptions of their partnerships.

6. Revenue Requirements and Cost Recovery

This decision needs to address several issues related to funding requests and total budgets for each utility. These issues are addressed below.

6.1. Treatment of Unspent Funds from Prior Portfolio Cycles

A key issue we need to determine in this decision is the total revenue requirement the utilities are authorized to collect to fund the 2013-2014 energy efficiency portfolios. Most of the utilities have funding carried over from prior program cycles that has not been spent. DRA and TURN request that the new revenue requirements proposed for the 2013-2014 be offset by the unspent funds from prior program cycles, either by returning the unspent funds directly to

ratepayers or reducing the new revenue requirements for 2013 and 2014 by a commensurate amount.

We agree that there is no need to collect new revenues while unspent funds from prior program cycles sit idle in balancing accounts. In response to the Scoping Memo, each utility submitted an accounting of unspent funding from prior cycles, including the 2010-2012 cycle still in progress.

Since revenue requirements are usually calculated on an annual basis, we direct the utilities to do the following:

- For unspent funds from 2009 and earlier, utilize those funds, including any associated interest collected on the funds, to reduce the 2013 revenue requirement for the energy efficiency portfolios.
- For unspent funds from the 2010-2012 program cycle, utilize any actual unspent funds, as calculated after the end of 2012, including any associated interest collected, to offset revenue requirements for the 2014 revenue requirement for the energy efficiency portfolios.

The table below gives the detailed amounts that each utility shall use to offset their energy efficiency program revenue requirements for 2013. The 2014 offset amounts are to be determined based on actual unspent funds calculated after the end of 2012 and reflected in the 2014 net revenue requirement (net of unspent 2010-2012 program and EM&V funds). Both the former electric public goods charge (PGC) funds and the electric procurement funds should be used (combined), to offset future electric procurement funds. If any of these amounts below do not reflect interest earned in the balancing accounts, the interest amounts shall also be used to offset new revenue requirements.

Table 8. Unspent Energy Efficiency Program Funding to Offset 2013 Revenue Requirements ($000).

Category	Electric Former PGC Funds	Electric Procurement Funds	Natural Gas Public Purpose Funds	Total
Pacific Gas and Electric				
EM&V Funds, 1998-2009	$4,047	$6,625	$2,080	$12,752
Program Funds, 1998-2009	$21,242	$27,035	$7,268	$55,545
Total PG&E	**$25,289**	**$33,660**	**$9,348**	**$68,297**
Southern California Edison				
EM&V Funds, 1998-2009	$3,400	-	NA	$3,400
Program Funds, 1998-2009	-	$8,845	NA	$8,845
Total SCE	**$3,400**	**$8,845**	**NA**	**$12,245**
San Diego Gas & Electric				
EM&V Funds, 1998-2009	-	$10,714	$806	$11,520
Program Funds, 1998-2009	$42,208	($10,167)	$7,296	$39,337
Total SDG&E	**$42,208**	**$547**	**$8,102**	**$50,857**
Southern California Gas*				
EM&V Funds, 1998-2009	NA	NA	-	$0
Program Funds, 1998-2009	NA	NA	-	$0
Total SoCalGas	**NA**	**NA**	**$46,748**	**$46,748**
*SoCalGas' spent budget amounts are not differentiated, and therefore only a total is shown.				

6.2. Total Authorized Revenue Requirements and Program Budgets

Each utility's portfolio application includes a requested budget, which includes a combination of demand response balancing account funding, and

energy efficiency funding from electric and gas sources. In addition, a portion of the energy efficiency budget is set aside for EM&V activities at the level of 4% of the total energy efficiency funds.

The table below shows the budgets as requested in the utility filings, for context.

Table 9. Total Requested Budgets for 2013 and 2014 Combined ($000).

Category	Electric Demand Response Funds	Electric Energy Efficiency Funds	Natural Gas Public Purpose Funds	Total Energy Efficiency Funds
Pacific Gas and Electric				
Program Funds	$6,528	$721,943	$137,513	$859,456
EM&V	NA	$28,928	$5,510	$34,438
Total PG&E	**$6,528**	**$750,871**	**$143,023**	**$893,894**
Southern California Edison				
Program Funds	$23,492	$755,958	NA	$755,958
EM&V	NA	$30,238	NA	$30,238
Total SCE	**$23,492**	**$786,196**	**NA**	**$786,196**
San Diego Gas & Electric*				
Program Funds	$9,888	$183,954	$20,439	$204,393
EM&V	NA	$7,664	$852	$8,516
Total SDG&E	**$9,888**	**$191,618**	**$21,291**	**$212,909**
Southern California Gas*				
Program Funds	NA	NA	$168,760	$168,760
EM&V	NA	NA	$7,199	$7,199
Total SoCalGas	**NA**	**NA**	**$175,959**	**$175,959**
Total – All Utilities				
Program Funds	$39,908	$1,661,855	$326,712	$1,988,567
EM&V	NA	$66,830	$13,561	$80,391
Total All Utilities	**$39,908**	**$1,728,685**	**$340,273**	**$2,068,958**

*Note that SDG&E and SoCalGas do not include revolving loan funds for financing programs in their budget requests while the other utilities do. SDG&E/SoCalGas funding for these purposes comes from other sources. These revolving loan amounts are not counted as costs in any of the utilities' cost-effectiveness calculations.

In order to evaluate the appropriate funding levels to approve, we looked at two key factors: a comparison with approved budgets in the 2010-2012 portfolio cycle (annualized), and an analysis of portfolio-level cost-effectiveness. In most cases, the overall budgets planned are similar to the levels from 2010-2012. That leaves us with a more detailed review of cost-effectiveness as the most important consideration in our budget analysis.

To help us evaluate the overall portfolios, Commission consultants have developed some spreadsheet tools that roll up all of the individual program cost-effectiveness calculators submitted by the utilities into an overall snapshot of their portfolios. Commission staff will make these tools available to all parties via a notice to the service list in this proceeding during the comment period on this proposed decision.

These spreadsheet tools allow us to look at a number of factors across the various utilities' portfolios. One issue that becomes immediately apparent is the ratio of incentive costs to non-incentive costs. Despite a hard cap of 10% on administrative costs, as well as a soft cap of 6% on marketing and outreach expenses, the proportion of other non-incentive costs (the category called "Implementation – Customer Services" in the budget templates) as a percent of the total budgets has been rising steadily, approaching close to 45% in some cases in the budgets as proposed by the utilities. In several cases, the total non-incentive budgets approach 70%. We recognize that some of this increase in non-incentive costs is likely due to Commission directives that result in higher non-incentive costs. However, given that the "implementation – customer services"

category of costs is not defined anywhere in our rules or decisions, it appears to have become a catch-all category of costs that is steadily growing.

As we prepare for 2015 portfolio filings, we intend to further delineate the types of costs that are covered in the "implementation – customer services" category, so that we can better understand what kinds of costs are increasing and for what reasons. In the meantime for the 2013-2014 portfolios, commensurate with the rising non-incentive costs, we have been presented with a set of very low cost-effectiveness values when compared on an "apples to apples" basis with prior approved portfolios. By this we mean the calculation of the TRC ratios before considering codes and standards or spillover effects. When doing the TRC analysis for 2013 and 2014 before codes and standards and spillover benefits are applied, in many cases the TRC benefit-cost ratios are very close to 1.0.

In addition, all of the energy savings (and therefore benefits, from a cost-effectiveness perspective) have not yet been reviewed in detail, and are likely somewhat optimistic, as with the REN and MEA proposals. Therefore, we face a risk that the portfolios we are approving may not be cost-effective without further adjustment.

Another risk is that the programs do not actually deliver the energy savings forecasted because of a reduced number of measure installations, even if the per-measure forecasts are accurate. This could result in an implemented portfolio that is not cost-effective after factoring in the full complement of non-resource efforts (and their associated costs) contemplated in the portfolios. This is a risk with all of the utility, REN, and MEA proposals and the outcome will not be known until after the portfolio is evaluated and has authorized budgets have been spent.

Potentially offsetting these factors are two provisions in D.12-05-015 that would improve cost-effectiveness, one that allows the utilities to count spillover effects and another that permits the benefits of codes and standards advocacy work to count toward the cost-effectiveness calculations. We intend to treat these benefits as a bonus. This treatment is not intended to diminish the value of either of these real and positive components of the utilities' energy efficiency programs. Rather, we prefer to treat them as hedges against uncertainties in the other components of the portfolios to ensure that the implemented portfolios are cost-effective in reality.

For all of these reasons, since the TRC values for these portfolios are the limiting factor, we will require each utility's portfolio to have a TRC ratio of at least 1.25, independent of:

- The costs and benefits of the REN and MEA programs
- Spillover effects
- Codes and Standards program costs and benefits.

To accomplish this outcome for this portfolio cycle requires an across-the board reduction in the non-incentive costs across all utility portfolios of approximately 30%, at a minimum. The reduction may need to be more when coupled with the 1.25 minimum TRC constraint we are applying (to the extent that these reductions result in reductions in forecast savings of any kind).

The table below presents the TRC benefit-cost ratios under each of the scenarios we evaluated to determine the appropriate portfolio budgets for each utility in this decision. Each scenario assumes the application of the scenario above it in the table, such that the effects are compounded.

Table 10. TRC Cost-Effectiveness Scenario Results.

Cost-effectiveness Scenario (TRC)	PG&E	SCE	SDG&E	SoCalGas
Portfolios as filed, with Commission-verified calculations	1.07	1.16	1.14	0.95
Reduction in non-incentive budgets of ~30%	1.22	1.34	1.29	1.36
Market effects adjustment	1.24	1.36	1.31	1.40
Codes and Standards included	1.39	1.56	1.25	1.27
REN and MEA programs included	1.35	1.52	NA	1.24

Application of all of these steps and criteria, with the non-incentive budget reductions in appropriate budget line items, results in the total approved budgets for each utility in the table below.

We note two important things about these budget levels. First, they are not accompanied by a reduction in the savings goals associated with these portfolios. Thus, the utilities will be expected to meet or exceed their savings goals for the reduced budgets, resulting in a lower cost per unit of energy saved. Second, these approved budget levels represent an activity level in the programs (as measured by funding spent and measures installed annually) that is close to the highest level this decade, which was achieved in 2011. It is not clear that the utilities would be able to effectively utilize additional funding beyond this level even if we granted it, and we are loathe to collect additional funds from ratepayers today in this economy if the funds are only destined to become unspent balancing account reserves for use in future program cycles.

Table 11. Total Approved Budgets for 2013 and 2014 Combined ($000).

Category	Electric Demand Response Funds	Electric Energy Efficiency Funds	Natural Gas Public Purpose Funds	Total Energy Efficiency Funds
Pacific Gas and Electric				
Program Funds - Utility*	$6,528	$594,171	$113,175	$ 707,347
Program Funds – BayREN	NA	$21,939	$4,179	$26,118
Program Funds - MEA	NA	$4,015	NA	$4,015
EM&V	NA	$24,757	$4,716	$29,473
Total PG&E	**$6,528**	**$645,964**	**$122,244**	**$768,208**
Southern California Edison				
Program Funds – Utility*	$23,492	$610,843	NA	$610,843
Program Funds–SoCalREN	NA	$35,578	NA	$35,578
EM&V	NA	$25,452	NA	$25,452
Total SCE	**$23,492**	**$671,873**	**NA**	**$671,873**
San Diego Gas & Electric				
Program Funds – Utility**	$9,888	$157,996	$17,555	$175,551
EM&V	NA	$6,583	$731	$7,315
Total SDG&E	**$9,888**	**$164,579**	**$18,287**	**$182,866**
Southern California Gas				
Program Funds – Utility**	NA	NA	$133,073	$133,073
Program Funds- SoCalREN	NA	NA	$9,022	$9,022
EM&V	NA	NA	$5,545	$5,545
Total SoCalGas	**NA**	**NA**	**$147,640**	**$147,640**
Total – All Utilities				
Program Funds	$39,908	$1,424,543	$277,005	$1,701,548
EM&V	NA	$56,792	$10,992	$67,784
Total All Utilities	**$39,908**	**$1,481,335**	**$287,997**	**$1,769,332**

Notes:
*Utility program funds do not include funding for statewide marketing, education, and outreach being requested in A.12-08-007 et al.
**For SDG&E and SoCalGas, the totals also do not include funding for revolving loan funds for financing programs.

In their compliance filings, we will give the utilities the opportunity to allocate the non-incentive cost reductions to their various programs as they see fit, and re-file their cost-effectiveness calculators to comply with our directive herein to achieve a 1.25 TRC ratio, recognizing that this may require the utilities to reduce those costs by a minimum of 30%. The resulting approved portfolio budgets are approximately 85% of the level originally requested by the utilities.

The resulting approved budgets in each of the program categories (fund-shifting categories) are given in the table below.

Table 12. Total Approved Utility Energy Efficiency Budgets for 2013 and 2014 By Program Area ($000).

Program Area	PG&E	SCE	SDG&E	SoCalGas	Total Energy Efficiency Funds
Statewide					
Residential	$102,279,495	$86,174,382	$23,380,847	$30,503,057	$242,337,781
Commercial	$97,874,792	$141,590,651	$44,319,247	$14,067,291	$297,851,981
Agricultural	$32,197,390	$10,813,923	$2,134,325	$3,920,892	$49,066,530
Industrial	$38,712,576	$29,549,075	$4,842,205	$25,321,579	$98,425,435
Lighting	$34,931,424	$36,232,464	$9,363,465	$ -	$80,527,353
Codes and Standards	$12,762,470	$11,761,477	$2,098,460	$1,674,228	$28,296,635
Emerging Technologies	$12,312,940	$21,185,431	$2,700,079	$2,516,727	$38,715,176
Workforce, Education, and Training	$18,087,589	$14,200,431	$7,196,632	$4,000,460	$43,485,112
ME&O*	$ -	$ -	$ -	$ -	$ -
IDSM	$1,060,085	$1,611,385	$3,168,755	$422,500	$6,262,724
Financing**	$74,750,000	$81,225,000	$13,949,980	$10,701,750	$180,626,730
Subtotal Statewide	**$424,968,761**	**$434,344,220**	**$113,153,993**	**$93,128,484**	$1,065,595,457

Programs					
Other					
Third Party Programs (competitively bid)	$141,467,198	$125,064,859	$43,120,123	$29,445,671	$339,097,850
Local Government Partnerships	$140,910,725	$51,434,000	$17,577,479	$9,525,433	$219,447,637
Other	$ -	$ -	$1,699,795	$973,577	$2,673,373
Subtotal Other Programs	**$282,377,923**	**$176,498,859**	**$62,397,398**	**$39,944,681**	**$561,218,860**
TOTAL ALL PROGRAMS	**$707,346,684**	**$610,843,078**	**$175,551,391**	**$133,073,165**	**$1,626,814,317**
Evaluation, Measurement, and Verification	$29,472,778	$25,451,795	$7,314,641	$5,544,715	$67,783,930
Total All Utilities	**$736,819,462**	**$636,294,873**	**$182,866,032**	**$138,617,880**	**$1,694,598,247**

Notes:
*Approved utility program funds do not include funding for statewide marketing, education, and outreach being requested in A.12-08-007 et al.
**For SDG&E and SoCalGas, the totals also do not include funding for revolving loan funds for financing programs.

6.3. SCE Treatment of Administrative Costs

There is one remaining issue that has budget implications not for this portfolio cycle but for consistency in our treatment of administrative costs for utility personnel overall. With the exception of SCE, all other utilities cover the full costs of their personnel who oversee and deliver energy efficiency programs out of their energy efficiency program budgets. SCE, instead, collects some overhead costs, including for personnel benefits, out of its general rate case revenues and does not attribute them to energy efficiency program costs. This has the misleading effect of making SCE's program delivery costs look more

favorable than their counterparts' and it also increases their cost-effectiveness ratios inaccurately.

Beginning in the next general rate case cycle, SCE shall discontinue this practice, shall reflect all costs associated with the delivery of their energy efficiency programs in their filings in the energy efficiency portfolio applications (as defined on page 49 and ordering paragraph 13 of D.09-09-047), and shall remove those costs from their general rate case filings.

7. Next Steps and Compliance Requirements

This section addresses issues related to finalizing the program portfolios, including: locking down the energy savings estimates for the programs; modifying the program implementation plans and cost-effectiveness calculators in compliance with this decision for the utility, REN, and MEA programs; the timeline for the EM&V plans for 2013-2014 to be finalized; the expected timeline for REN contracts to be finalized; and the process and timeline for finalizing the financing pilot activities.

7.1. *Ex ante* Energy Savings "Lockdown"

As discussed in Section 6 of this decision, all of the utility, REN, and MEA proposals have been reviewed from a budget perspective and a cost-effectiveness perspective based on the benefits and costs filed. However, given the timeframe for rendering this decision, we have been unable to conduct a thorough review of the savings estimates associated with the cost-effectiveness showings. A quick spot-check indicates that there are some problems associated with the filed estimates, for both the utilities and the RENs, as discussed already. Thus, this last step of reviewing the savings estimates is necessary in order for the so-called "*ex ante* lockdown" process to be complete.

Ideally, the review of the savings estimates would be completed and the estimates locked down before the programs are launched. However, due to the fast timeframe for portfolio approvals, this is not possible, though we do note that we are lot closer to accomplishing this than we have been with prior cycles. Still, the review process can be reasonably accomplished and completed before the utilities file their first quarterly progress reports in 2013. Therefore, we will ask our staff and consultants to complete their review of the energy savings estimates and finalize them by no later than March 1, 2013. Since we have not made any changes to the review process in this decision, the current "*ex ante* review" process, including its dispute resolution provisions, is still in place, as articulated in D.10-12-054 as subsequently modified by D.11-07-030 and D.12-05-015.

7.2. Utility, REN, and MEA Compliance Filings

This decision requires a number of modifications to the utilities', RENs', and MEA's programs and budgets. In addition, the utilities, MEA, and the RENs all made some modifications and augmentations of their own, to their PIPs or cost-effectiveness calculators (or both), between their original filings in July 2012 and the responses to the Scoping Memo questions that were submitted September 5, 2012. Some program proponents have also submitted more updated information since then. Some program proposals included placeholders that need to be filled out.

To ensure that our materials are completely updated and accurate, we will require that all program proponents submit updated and finalized PIPs, placemats, and cost-effectiveness calculators in a compliance filing to be submitted by advice letter due no later than 60 days after the date of this decision. The compliance filings should also break down budgets into annual

budgets, in addition to the two-year budgets approved herein. In the compliance filing, all of the utilities, RENs, and MEA should include a matrix that cites each requirement in this decision and lists the associated place in their compliance filings where the requirement is addressed. Both clean and redlined versions of the PIPs should be provided to Commission staff, as well as any other changes to proposals that were contained in the body of each program proponent's application or motion.

In addition, Commission staff is developing a template for a short, 2-3 page, program overview for each program that will enable at-a-glance understanding of individual program efforts, as well as statewide summary sheets that provide an understanding of the utilities' collected program efforts in the various program categories. The goal is that these products be able to be uploaded to a database to create a user-friendly overview of all of the programmatic efforts in various areas. Commission staff will engage in an informal effort to design this template for the use of all parties and will endeavor to complete the design of this template in the first quarter of 2013. All program implementers should be on notice that they will be required to provide this overview information in the format requested by Commission staff initially by first quarter of 2013 and then annually thereafter. The overview information should be housed on the Energy Efficiency Groupware Application website, along with other reporting information.

7.3. Finalizing EM&V Plans

This decision, once adopted, identifies all of the energy efficiency programs that will be funded in 2013 and 2014. That should enable the evaluation staff and consultants for both the utilities and the Commission to finalize plans for EM&V for this program cycle.

As discussed above, this EM&V plan should be finalized and filed as a report in this proceeding no later than 60 days after the issuance of this decision. We delegate to the Assigned Commissioner and/or ALJ to resolve any issues that may arise related to this EM&V plan.

7.4. Finalizing REN Contracts

Finally, we set the same deadline for the utilities to finalize and sign contracts with the RENs to govern the fiscal management of the REN programs that we assign to the utilities as a result of this decision. PG&E, SCE, and SoCalGas shall finalize their negotiations and have final signed contracts no later than 60 days after the issuance of this decision.

7.5. Finalizing New Pilot Financing Activities

As discussed throughout this decision, we are delegating to the assigned Commissioner to finalize the design and launch of the new pilot programs associated with the energy efficiency financing programs, as recommended by the statewide financing consultant. A report, taking into consideration recent workshop discussion, is due to be submitted to the Commission by October 19, 2012. A ruling will be issued shortly thereafter asking for formal comments on the record of this proceeding from parties. We expect that once comments are received and analyzed, an Assigned Commissioner's ruling will be issued detailing how pilot activities should proceed and on what timeframe. We expect that the pilots will be able to be launched in the first quarter of 2013.

8. Other Issues

In light of the ongoing outage of units at the San Onofre Generating Station, the Southern Orange County region is experiencing supply shortages which demand-side resources can help to mitigate. The Commission has already taken action to increase demand response programs in the region. We expect

SCE and SDG&E to focus energy efficiency program deployment in these constrained areas, as appropriate, through targeted outreach, fund-shifting, or other approaches within their existing authority.

In the course of this proceeding, motions for party status were filed by the National Asian American Coalition, Black Economic Council and Latino Business Chamber of Greater Los Angeles (jointly), the Switch Lighting Company, CILMCT, and Five Star Bank. We affirm the ALJ informal rulings to grant party status for each of these parties.

PG&E, SCE, SDG&E, and SoCalGas jointly filed a motion on October 4, 2012 to move written testimony and supporting exhibits into evidence in this proceeding. These are all materials that were available to all parties electronically beginning July 2, 2012, and revised throughout the course of the proceeding. As such, we have relied on these materials in the preparation of this decision and therefore grant this motion.

Finally, the program filings of the utilities, RENs, and MEA in this proceeding are voluminous. Not every aspect of every filing or program proposal has been discussed in this proceeding. Therefore, any aspects of the applications of the utilities or the motions of the RENs or MEA in this proceeding that are not discussed, deferred, or rejected in this decision are deemed approved.

9. Comments on Proposed Decision

The proposed decision of ALJ Fitch in this matter was mailed to the parties in accordance with Section 311 of the Public Utilities Code and comments were allowed under Rule 14.3 of the Commission's Rules of Practice and Procedure. Comments were filed on _____ by _____. Reply comments were filed on _____ by _____.

10. Assignment of Proceeding

Mark J. Ferron is the assigned Commissioner and Julie A. Fitch is the assigned ALJ in this proceeding.

Findings of Fact

1. In D.12-05-015, the Commission invited proposals from RENs independently from utility portfolio filings.

2. REN proponents developed additional experience implementing energy efficiency programs because of federal stimulus funding that was available to them over the past several years.

3. To be successful, REN programs will need to be carefully coordinated with utility programs.

4. The Commission has an established Energy Efficiency Policy Manual which includes rules about how the Commission oversees energy efficiency programs.

5. Neither the Energy Upgrade California Flex Path nor the Basic Path fully meets the Commission's objectives for the residential whole house program. The Advanced Path is also not accessible to or practical for all customers.

6. Past evaluation results have shown that offering free audits to customers does not necessarily result in the installation of additional energy efficiency measures. Free audits also encourage contractors to structure their businesses around offering audits rather than retrofit projects.

7. Similar programs to SoCalREN's Energy Champions program have not shown a high conversion rate from leads to projects in the past.

8. SoCalREN's contractor outreach and training budget proposal for scholarships for contractor certifications has limited scalability potential due to the high per-participant cost.

9. The Commission required a consultant study in D.12-08-044 to address the best approaches to targeting low-income multi-family buildings.

10. Multiple implementers will be running multi-family pilot programs in 2013 and 2014.

11. It is not clear that public buildings are in need of additional sources of financing from ratepayer funds.

12. Local governments are responsible for building code compliance in California and have a unique ability to influence this activity as distinct from utilities.

13. MEA has applied to administer energy efficiency programs in its geographic area under Section 381.1(a).

14. The MEA small commercial program does not duplicate the Marin Energy Watch Smart Lights program.

15. The MEA single family utility demand reduction program is not duplicative of the PG&E Energy Advisor program since it is specifically targeted at high users and does not offer incentives.

16. MEA has a unique ability to test on-bill repayment options because of its ability to have line item billing placed on utility bills. This will require cooperation and possibly cost contributions by PG&E.

17. Commission policy for approval of utility energy efficiency program portfolios is that each portfolio must pass both the total resource cost and the program administrator cost test on a prospective basis with a benefit-cost ratio greater than 1.0.

18. The Commission should consider the REN and MEA proposals in concert with the utility portfolios to approve an overall cost-effective portfolio in each utility service territory on behalf of its ratepayers.

19. Spillover effects and free ridership are real effects of energy efficiency programs that can be estimated on a program-specific basis.

20. The spillover estimates submitted by the utilities utilize an appropriate methodology but rely on study data that is dated, lacks appropriate sample size, and is mostly from other jurisdictions beyond California with different program designs. We lack recent program-specific data and analysis on spillover within California.

21. Commission staff issued a 2011 Potential Study Addendum on September 5, 2012 that updated the expected new construction rates in accordance with the downturn in the economy. This is consistent with the approach taken by the California Energy Commission in their Title 24 code update. This results in a downward adjustment to the energy savings goals for each utility related to codes and standards advocacy.

22. There was not sufficient time during the preparation of this decision to conduct a thorough evaluation of the utilities' alternative proposals for the *ex ante* and custom project review process.

23. Nothing about the *ex ante* or custom project review process should affect customers' ability to proceed with project completion.

24. Recent changes were made to the *ex ante* and custom project review process in July 2011 in D.11-07-030.

25. SCE's on-bill financing budget utilized for customer projects in 2012 was approximately $25 million. SCE was directed to propose a similar annual OBF budget for 2013 and 2014, which they did only in their alternate proposal.

26. A number of pilot energy efficiency financing programs were delivered utilizing ARRA funding over the past several years, including by REN proponents.

27. We lack consistent data on energy efficiency financing projects in California.

28. D.12-05-015 required SDG&E and SoCalGas to hire a statewide consultant on financing to design new pilot initiatives to be tested in 2013 and deployed more widely in 2014. A workshop was held October 2, 2012 and a report is due October 19, 2012 to propose these new statewide pilot programs.

29. The Commission chose Energy Upgrade California as the statewide brand partly because of the brand equity already built by the program of the same name.

30. The utilities proposed to remove the labor costs from the Energy Upgrade California cost-effectiveness tests as a pilot approach to revisions for the tests. Revisions to our cost-effectiveness methodologies are being discussed in R.09 11-014.

31. 800,000 residential HVAC units are replaced in California every year but residential HVAC savings as a portion of the utilities' energy savings in their portfolios remain small, representing an untapped potential for savings.

32. Weather is an important consideration in deciding whether to direct program funding, along with other considerations such as energy use, age of buildings, etc.

33. The Middle Income Direct Install program targets an underserved residential market where there is a large amount of energy savings potential.

34. The definition of behavioral programs in D.10-04-029 should be maintained, along with the 5% target set in D.12-05-015.

35. SCE, in its program filings and cost-effectiveness calculators, removed lighting measures from the programs in which the measures will be delivered, making it difficult to compare costs and benefits across different programs.

36. The purpose of the statewide lighting program creation, as required in D.12-05-015, was not to remove lighting measures from other programs, but instead to encourage a strategic market transformation approach to lighting program design and delivery.

37. The CEC is in the process of developing and adopting a quality standard for LED bulbs to be sold in California.

38. The proposal for rolling third-party solicitations by the utilities is supported by a wide variety of parties in this proceeding.

39. All of the utilities have proposed to expand local government partnership budgets modestly in 2013 and 2014. In D.12-05-015 the Commission linked LGP continuation and expansion to the ability to deliver deep energy savings.

40. D.12-04-054 required all of the utilities to propose funding from their demand response budgets in this proceeding for integrated DSM efforts. All utilities took a different approach to these proposals.

41. Our energy efficiency program portfolios and budgets have a large impact on workforce development issues.

42. Significant unspent funding is being held in utility balancing accounts from program years prior to 2010. Unspent funding is also projected from program cycle 2010-2012 at the end of 2012.

43. The TRC benefit-cost ratios of all of the utility portfolios, as filed, are very close to 1.0 before accounting for codes and standards advocacy and spillover effects.

44. There is a risk that the energy savings estimates associated with the utility, REN, and MEA proposals are overestimated.

45. All of the utility, MEA, and REN cost-effectiveness calculations are on a forecast basis, not based on actual programs delivered. Therefore there is a risk that the portfolios may not deliver the savings anticipated.

46. Non-incentive costs associated with the utility program budgets have risen in the 2013-2014 proposals compared with previous portfolio cycles. The Commission does not have good definition of the types of costs included in the non-incentive category.

47. Annual spending amounts by utilities on energy efficiency programs over the past three years have averaged approximately $750 million.

48. The Commission's *ex ante* savings process is governed by D.10-12-054, as subsequently modified by D.11-07-030 and D.12-05-015.

49. SCE does not reflect the fully loaded costs of its energy efficiency personnel in its energy efficiency budgets and portfolio filings. This has the effect of inaccurately reducing their program delivery costs.

Conclusions of Law

1. The Commission should consider and select REN program proposals independently from utility program portfolios.

2. Utilities and RENs should carefully coordinate their programs to ensure that marketing and outreach messages are coordinated and customers cannot receive two sets of incentive payments for the same energy efficiency actions.

3. Commission staff should not serve as joint contract managers for REN programs.

4. The utilities should serve as the fiscal agents for contracts with RENs and MEA.

5. The utilities should not have control over the design of or modifications to REN or MEA programs or delivery models.

6. The RENs and MEA should be independently responsible to the Commission for delivering the results of their programs.

7. A REN proposal from a utility where the utility controls the program design should be considered a regional version of a local government partnership.

8. A REN should be composed of multiple local governments or associations of governments covering a large geographic area of the state with similar demographic and/or geographic characteristics, such as the Bay Area, the Sierras, the Central Valley, etc.

9. The RENs and MEA should be subject to the applicable requirements of the Energy Efficiency Policy Manual including cost-effectiveness, reporting requirements, fund shifting, and other policy guidance.

10. The Energy Efficiency Policy Manual, current version 4.0, should be updated by Commission staff as soon as possible to incorporate the existence of the RENs and MEA, as well as to account for all Commission decisions that have been adopted since this version was published.

11. REN program proposals should be approved if they meet one of the following three criteria: activities that utilities cannot or do not intend to undertake; pilot activities where there is no current utility program offering, and where there is potential for scalability to a broader geographic reach, if successful; and pilot activities in hard to reach markets, whether or not there is a current utility program that may overlap.

12. There should not be a minimum cost-effectiveness threshold for approval of REN or MEA proposals. However, the RENs and MEA should strive to deliver the most cost-effective programs possible.

13. The Commission should consider the REN and MEA proposals in concert with the utility portfolios to approve an overall cost-effective portfolio in each utility service territory on behalf of its ratepayers.

14. Energy efficiency programs implemented by the RENs and MEA should be evaluated by the Commission in a similar manner as for utility programs.

15. Both the Flex Path and the Basic Path program design for Energy Upgrade California should be improved to include at least three measures and a tiered or scaled incentive structure.

16. While the EUC Flex Path and Basic Path options are improved, SoCalREN should only be allowed to offer the Flex Path in the geographic areas where the ARRA-funded Flex Path was previously offered, and not expand the program into other geographic areas. This condition should also be applied to the SoCalREN financing programs.

17. The utilities should be authorized to hire a consultant to advise on the long-term market transformation aspects of the program.

18. One of the utilities, with the assistance of the market transformation consultant, should co-chair a working group of EUC implementers and the working group should choose a co-chair that is a non-utility representative. This group should cooperatively re-design the EUC Basic Path and/or Flex Path approaches in consultation with Commission staff and CEC staff. A new PIP should be produced no later than April 1, 2013 and filed in an advice letter with the Commission. The program designs to be implemented by RENs and utilities need not be identical but should be similar, and should be capable of being marketed jointly. The PIP should also detail where the program will be implemented by RENs or utilities. This same geographic agreement should apply to the financing programs implemented by the RENs.

19. Since SoCalREN will implement the Flex Path of EUC only in areas previously served under ARRA funding, at least through early-mid-2013, their budget allocation should be one half of their proposal.

20. Since BayREN will implement the Flex Path of EUC only after the re-design of the offering is completed, their budget allocation should be one half of their proposal.

21. Incentives for audits should only be available to residential customers who proceed to invest in an energy efficiency project involving at least three measures.

22. SoCalREN's proposed $200 homeowner coupons should be approved.

23. SoCalREN's Energy Champions proposal should be funded at $300,000 and not $920,000 as proposed.

24. SoCalREN's budget for contractor outreach and training should be limited to approximately $1 million.

25. SoCalREN's proposal for green building labeling should be approved under the condition that funds are not used to pay for ratings at a level higher than their actual costs.

26. It is premature to fund REN proposals for addressing low-income multi-family buildings in light of the study ordered in D.12-08-044. Therefore SoCalREN's multi-family portion of their low-income retrofit program should not be funded.

27. SoCalREN's Smart Tech path household energy management pilot should not be funded because it is not scalable at its proposed level of incentives and because it has the potential for high free-ridership.

28. The utilities should organize and convene a workshop on lessons learned and best practices in multi-family pilot programs in late 2013 or early 2014 and

notice the workshop to the service list for this proceeding. MEA, SoCalREN, and BayREN should participate in this workshop as implementers of pilot programs.

29. The SoCalREN proposal for a public building loan loss reserve and public agency revolving loan fund should be denied.

30. The SoCalREN and BayREN budget proposals for single-family and multi-family loan loss reserves should be reserved for funding pending the outcome of the direction of the pilot financing approaches that will be considered subsequent to this decision.

31. Funding for SoCalREN's PACE program should be limited to the marketing and administrative costs, but not the debt service reserve itself.

32. The BayREN PACE program proposal should not be funded, but instead should utilize the CaliforniaFIRST model.

33. The BayREN Pay As You Save water efficiency program should be funded as a continuation of a successful pilot program previously funded under ARRA.

34. The SoCalREN proposal for a virtual regional energy center should be approved, but with reduced funding from SoCalGas to $1.5 million as requested by SoCalGas. SoCalGas should not run a virtual center independent from the SoCalREC but instead should contribute its funding to SoCalREN's approach. SoCalGas, SCE, and SoCalREN should cooperate to ensure no duplication of effort or expenditures on this program.

35. The BayREN proposal for a home upgrade advisor service should be approved.

36. The BayREN codes and standards program should be approved and coordinated with training available from PG&E.

37. The MEA multifamily energy efficiency program should be funded because it targets hard to reach residential customers.

38. The MEA small commercial program should be funded because it targets hard to reach small commercial customers.

39. The MEA single family utility demand reduction program should be funded as a pilot because it offers a unique program design.

40. The MEA financing on-bill repayment pilot program should be piloted because it provides a unique ability to test this mechanism and its acceptance by customers.

41. Incentives for distributed generation, including solar photovoltaic and solar thermal (water heating), projects should not be directly funded out of energy efficiency budgets. Separate incentives are available for those technologies. However, joint marketing and program coordination is an appropriate use of energy efficiency funding.

42. MEA and the RENs should coordinate with the utilities in their areas to ensure that customers do not receive duplicate incentive payments for the same energy efficiency measure or project.

43. REN and MEA programs should be independently evaluated by the Commission consistent with our approach on evaluating the utilities' programs.

44. To avoid false precision on a program-specific basis, we should adopt a portfolio-wide market effects adjustment of 5% to account for program spillover. Commission staff should commit evaluation funding in 2013 and 2014 to study these market effects further.

45. The energy savings goals associated with codes and standards advocacy by the utilities should be adjusted downward as reflected in the 2011 Potential Study Addendum published on September 6, 2011.

46. The Commission should remain open to possible improvements to the *ex ante* and custom project review process but the process articulated most

recently in D.11-07-030 should be followed until further refinements by the Commission.

47. The existing fund shifting rules should be applied to the following categories of utility programs:

a. statewide residential;
b. statewide commercial;
c. statewide agricultural;
d. statewide industrial;
e. statewide lighting;
f. statewide codes and standards;
g. statewide emerging technologies;
h. statewide workforce, education, and training;
i. statewide marketing, education, and outreach;
j. statewide integrated demand-side management;
k. statewide financing;
l. third party programs (competitively bid);
m. local government partnerships;
n. other.

48. The utilities' on-bill financing programs should be approved as proposed with the budgets authorized herein.

49. Pilot financing programs originally funded under ARRA have shown promise and should be allowed to continue with energy efficiency program funding for two years.

50. The statewide energy efficiency financing pilot activities should be carefully coordinated with the REN and MEA financing activities.

51. Funding should be reserved for the REN and utility financing pilot programs until further action by the Commission. Programmatic

decision-making on the financing pilot activities should be delegated to the Assigned Commissioner.

52. Any entity administering or implementing a financing program in 2013 and 2014 should contribute project data to a database effort to better inform financing program offerings going forward.

53. Utilities should not be prohibited from offering both incentives and financing options for the same measure in 2013, but should pilot the appropriate balance of both while balancing cost-effectiveness considerations so that we may learn more about customer acceptance of the products.

54. The name of the Energy Upgrade California residential whole house/building program should not be changed, even in regulatory filings.

55. It would be incorrect to change the cost-effectiveness methodology for the EUC program to eliminate labor costs. Incremental labor costs may make sense to eliminate, but this proposal should be evaluated in R.09-11-014.

56. It is logical to require the IOUs to devote a greater percentage of their marketing and outreach efforts in the residential program area toward hotter areas of the state, including climate zones 9-16, as proposed by TURN.

57. The other utilities should be required to update their PIPs for the EUC multi-family whole building pilot program consistent with PG&E's approach in their September 5, 2012 filing. All utilities should be required to specify unit treatment targets and budgets, utilizing both 2012 funding and 2013-2014 funding.

58. Additional utility resources should be devoted to the Middle Income Direct Install program.

59. The utilities should improve their MFEER program design and implementation plans to go beyond lighting measures, ensure corporate-level

outreach, provide training and certification for contractors, and offer technical assistance for building owners.

60. The incentive levels for the California Advanced Home Program and Energy Star Manufactured Homes Program require updating.

61. The utilities should propose an upstream incentive program for distributors of residential HVAC equipment in an advice letter filing by no later than April 1, 2013.

62. The utilities should propose an incentive program that encourages code-compliant installations of residential heating, ventilation, and air-conditioning equipment in an advice letter filing by no later than June 1, 2013.

63. The utilities should take more of a market transformation approach and improve their quality installation and quality maintenance programs for residential HVAC installations during 2013 and 2014.

64. Utilities should not be prohibited from offering incentives for LED bulbs prior to the adoption of a quality standard for California by the CEC. However, incentives should only be given for the highest quality bulbs. After the adoption of the quality standard by the CEC, incentives should only be offered for LED bulbs that meet the California standard.

65. The utility proposal for a rolling third-party solicitation process enjoys widespread support should be approved. The utilities should host a workshop or stakeholder forum mid-way through the program cycle to seek feedback on the process. The utilities should hold the first solicitation by January 1, 2012.

66. It is reasonable to expand local government partnership budgets, as long as it is not at the expense of budgets for RENs.

67. The SDG&E San Diego REN proposal should be approved as a local government partnership, but reclassified as a regional partnership, since it will be directed by SDG&E and not selected by the Commission.

68. A consistent statewide IDSM approach for all utilities would better serve our integration objectives.

69. The utilities' workforce, education, and training efforts fall short of our expectations and requirements given the amount of funding being spent on energy efficiency programs and their impact on the workforce in this state. Other agencies with workforce responsibilities have more expertise in this area than the Commission.

70. The utilities should emulate the data collection requirements recently adopted for low-income program workforce impacts in D.12-08-044 for the 2013-2014 energy efficiency programs.

71. Unspent funding in utility energy efficiency balancing accounts should be used to offset new revenue requirements for the approved budgets in this decision.

72. If a Regional Energy Network or Marin Energy Authority possesses unspent funding authorized in this decision after July 1, 2015, those funds should be returned to ratepayers.

73. To cover uncertainty risks associated with the prospective approval of the utility 2013-2014 portfolios, we should require the utility portfolios to achieve a TRC benefit-cost ratio of at least 1.25, before accounting for the costs and benefits of the MEA and REN programs, spillover effects, and codes and standards advocacy costs and benefits.

74. Utilities' portfolios should achieve a 1.25 TRC benefit-cost ratio in order to be approved.

75. Achieving a 1.25 TRC ratio for the utility portfolios requires a reduction in the non-incentive costs of the utility portfolios by approximately 30%.

76. The approved budget levels we approve in this decision represent a modest increase over the annual spending amounts achieved by the utilities over the past several years, will not result in a reduction in energy savings achieved, and represent an appropriate funding authorization for budgets that can be effectively and efficiently utilized.

77. The utilities should not be authorized to collect more energy efficiency funds than they can effectively utilize to support programs in the 2013-2014 time period because they could become unspent balancing account balances only serving to offset future collections and not needed now.

78. The current processes in D.10-12-054, as updated by D.11-07-030 and D.12-05-015, are in place for the freezing of *ex ante* values for the 2013-2014 portfolios. Commission staff should finalize and lock the values by no later than March 1, 2013 prior to the utility submission of their first quarterly progress reports.

79. SCE should include all personnel costs associated with the delivery of energy efficiency programs in its energy efficiency program budgets and applications, and should discontinue recovering labor-related costs in its general rate case beginning with its next general rate case cycle.

80. All program implementers including the utilities, RENs, and MEA, should be required to make compliance advice filings in accordance with the directives in this decision.

81. All of the provisions of D.12-05-015 should continue to apply unless specifically superseded by a directive in this decision.

82. The motions for party status of the National Asian American Coalition, Black Economic Council, and the Latino Business Chamber of Greater Los

Angeles, Switch Lighting Company, California Construction Industry Labor Management and Cooperation Trust, and Five Star Bank should be granted.

83. The October 4, 2012 joint motion of PG&E, SCE, SDG&E, and SoCalGas to move their testimony and exhibits into the record of this proceeding should be granted.

O R D E R

IT IS ORDERED that:

1. The San Francisco Bay Area Regional Energy Network, the Southern California Regional Energy Network, and the Marin Energy Authority shall be individually responsible to the Commission for delivering the results of the programs approved in this decision. They shall also be subject to the Energy Efficiency Policy Manual requirements for cost-effectiveness showings, program implementation plans, reporting requirements, fund shifting, and any other applicable policy guidance.

2. Southern California Edison Company, Southern California Gas Company, and Pacific Gas and Electric Company shall serve as the fiscal agents for their contracts with Regional Energy Networks without exercising control over program design or program changes.

3. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall mutually agree and select one utility to hire a market transformation consultant to assist with the design and implementation of the Energy Upgrade California (EUC) program. The chosen utility shall also co-chair an informal working group of EUC program implementers. The working group shall choose one non-utility co-chair.

4. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, Southern California Edison Company, the San Francisco Bay Area Regional Energy Network, and the Southern California Regional Energy Network shall submit a revised program implementation plan for the Energy Upgrade California (EUC) program to the Commission in an advice letter by no later than April 1, 2013. The advice letter shall propose the geographic areas to be covered by the utilities and the regional energy networks, both for the EUC program and associated financing programs. The re-designed Basic Path alternative must include a requirement for at least three energy efficiency measures and for a tiered incentive structure.

5. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall propose an upstream incentive program for distributors of residential heating, ventilation, and air-conditioning equipment in an advice letter by no later than April 1, 2013.

6. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall propose an incentive program that encourages code-compliant installations of residential heating, ventilation, and air-conditioning equipment in an advice letter by no later than June 1, 2013.

7. Pacific Gas and Electric Company shall enter into a contract, no later than 60 days after the issuance of this decision, with the Association of Bay Area Governments on behalf of the San Francisco Bay Area Regional Energy Network for a maximum of $26,117,750 to fund the following programs to be available in 2013 and 2014:

a. Energy Upgrade California Single Family

b. Energy Upgrade California Multi-Family
c. Single-Family Loan Loss Reserve (funding reserved pending further decisions on the program design)
d. Multi-Family Loan Loss Reserve (funding reserved pending further decisions on the program design)
e. Pay As You Save Water Efficiency Pilot
f. Codes and Standards

8. Southern California Edison Company shall enter into a contract, no later than 60 days after the issuance of this decision, with the County of Los Angeles on behalf of the Southern California Regional Energy Network for a maximum of $35,578,167 to fund the following programs to be available in 2013 and 2014:

a. Energy Upgrade California Flex Path Incentives
b. Local Marketing and Outreach
c. Contractor Training and Outreach
d. Green Building Labeling
e. Low-Income Single-Family
f. Single Family Loan Loss Reserve (funding reserved pending further decisions on the program design)
g. Multi-Family Loan Loss Reserve (funding reserved pending further decisions on the program design)
h. Non-Residential PACE
i. Public Agency Revolving Loan
j. Southern California Regional Energy Center

9. Southern California Gas Company shall enter into a contract, no later than 60 days after the issuance of this decision, with the County of Los Angeles on behalf of the Southern California Regional Energy Network for a maximum of $9,022,161 to fund the following programs to be available in 2013 and 2014:

a. Energy Upgrade California Flex Path Incentives
b. Local Marketing and Outreach

c. Contractor Training and Outreach
d. Green Building Labeling
e. Low-Income Single-Family
f. Single Family Loan Loss Reserve (funding reserved pending further decisions on the program design)
g. Multi-Family Loan Loss Reserve (funding reserved pending further decisions on the program design)
h. Non-Residential PACE
i. Public Agency Revolving Loan
j. Southern California Regional Energy Center

10. Pacific Gas and Electric Company shall transfer $4,015,205, divided into 8 quarterly payments beginning January 1, 2012, to Marin Energy Authority to fund its energy efficiency programs approved in this decision, as follows:

a. Multi-family Pilot
b. Single Family Utility Demand Reduction
c. Small Commercial
d. Financing

11. If the County of Los Angeles on behalf of the Southern California Regional Energy Network, the Association of Bay Area Governments on behalf of the San Francisco Bay Area Regional Energy Network, or Marin Energy Authority possess unspent funding authorized in this decision after July 1, 2015, those funds shall be returned to ratepayers.

12. Any energy efficiency program implementer whose program is approved in this decision may not offer free audits unless the audit is followed by a project that installs at least three energy efficiency measures.

13. Incentives for solar photovoltaic and solar thermal (hot water) projects shall not be funded out of energy efficiency budgets, though joint marketing and coordination expenses may be.

14. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall organize and convene a workshop on lessons learned and best practices in multi-family pilot programs in late 2013 or early 2014 and notice the workshop to the service list for this proceeding. The San Francisco Bay Area Regional Energy Network, Marin Energy Authority, and the Southern California Regional Energy Network shall participate in this workshop.

15. The energy savings goals for Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall be adjusted to reflect the new figures in Table 5 in this decision.

16. Commission action on alternative proposals for the *ex ante* and custom project review processes is deferred. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall not allow or cause these processes to interfere with customer project completion.

17. The 2013 and 2014 Joint Evaluation Plan shall be finalized no later than 60 days after the issuance of this decision and filed as a report in this proceeding.

18. The existing fund shifting rules shall be applied to the following categories of programs for Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company:

a. statewide residential
b. statewide commercial
c. statewide agricultural
d. statewide industrial

e. statewide lighting
f. statewide codes and standards
g. statewide emerging technologies
h. statewide workforce, education, and training
i. statewide marketing, education, and outreach
j. statewide integrated demand-side management
k. statewide financing
l. third party programs (competitively bid)
m. local government partnerships
n. other

19. Pacific Gas and Electric Company, San Diego Gas & Electric Company (SDG&E), Southern California Gas Company (SoCalGas), and Southern California Edison Company shall fund energy efficiency financing programs at the budget levels shown in Table 7 in this decision. Revolving loan funds for SDG&E and SoCalGas shall not be funded out of energy efficiency program funds. These budgets do not include funding for the statewide marketing, education, and outreach program, which is being evaluated in Application 12-08-007 et al.

20. Approval to proceed with activities related to the statewide energy efficiency financing pilot programs required by Decision 12-05-015 is delegated to the Assigned Commissioner in this proceeding, who shall issue any rulings necessary to approve the final program designs.

21. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall discontinue use of the Whole House Upgrade Program or its acronym WHUP. This program name must be returned to Energy Upgrade California.

22. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall not remove labor costs from the cost-effectiveness calculations for the Energy Upgrade California program.

23. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall direct at least 25% more of their marketing and outreach budgets for the Energy Upgrade California program to Climate Zones 9-16 in 2013 and 2014.

24. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall double their target number of participants and the budget for their Middle Income Direct Install programs.

25. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall update their program implementation plans for the multi-family energy efficiency rebate program to go beyond lighting measures, address corporate-level outreach, ensure appropriate training and certification for contractors, and offer technical assistance to building owners.

26. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall update their incentive levels, after conferring with Commission staff by December 1, 2012, for the California Advanced Home Program and Energy Star Manufactured Homes Program.

27. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall, in their compliance filings, include lighting measures two different ways in

their cost-effectiveness calculators to allow for comparison, both in the statewide lighting program and in the program where the lighting measure is being delivered.

28. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall only offer incentives for light-emitting diode (LED) bulbs to products that are in the top half of quality on the market prior to the adoption of a California quality standard for LEDs by the California Energy Commission (CEC). Once the CEC quality standard is adopted, the utilities shall only offer incentives to LED bulbs that meet the California standard.

29. By January 1, 2013, Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall hold rolling third-party solicitations throughout 2013 and 2014 and shall include special provisions for the municipal, university, schools and hospital market. The utilities shall host a workshop or stakeholder forum mid-way through the program cycle to seek feedback on the process.

30. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall submit, as part of its compliance filing, a comprehensive and consistent integrated demand-side management program implementation plan (PIP) that reinstates deleted portions of its previous PIP and details the budgets to be devoted to each activity under the program.

31. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall choose one utility to hire a consultant, with a budget of at least $500,000, in

consultation with one of the California state government workforce agencies, to develop a comprehensive approach to workforce, education, and training for the energy efficiency programs.

32. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall track data pertinent to workforce, education, and training initiatives funded as part of their energy efficiency programs utilizing the data collection protocols as outlined in Decision 12-08-044.

33. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall update their program implementation plans for workforce, education, and training in their compliance filings to specify the funding for energy center classes, sector strategy efforts, training partnerships with community colleges and adult education, training partnerships with trade organizations, and training partnerships with community-based organizations or other government agencies.

34. A default market effects adjustment of five percent shall be applied to the total portfolio cost-effectiveness of Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company to account for program spillover. Program-specific estimates will be developed by evaluation studies in 2013 and 2014.

35. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall use unspent energy efficiency balancing account funding, including interest, from years prior to 2010 to offset the 2013 revenue requirements

approved in this decision. Actual unspent funds from 2010-2012, plus interest, shall be used to offset the 2014 revenue requirements approved in this decision.

36. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company shall reduce their non-incentive budgets for their portfolios by at least 30% and resubmit the reduced budgets in their compliance filings. The utilities shall reduce these costs without reducing the total projected energy savings from the portfolio, though individual program targets may be adjusted.

37. Beginning in its next general rate case, Southern California Edison shall cease proposing to collect labor-related benefits associated with the delivery of its energy efficiency programs and shall instead file the complete budget requests associated with all aspects of its administrative labor costs, as defined in on page 49 of Decision 09-09-047, in its energy efficiency portfolio filings.

38. Pacific Gas and Electric Company is authorized a revenue requirement of $768,208,000 for 2013 and 2014, including funding for the San Francisco Bay Area Regional Energy Network and the Marin Energy Authority, offset by unspent funding as detailed in Ordering Paragraph 35.

39. Southern California Edison Company is authorized a revenue requirement of $671,873,000 for 2013 and 2014, including funding for the Southern California Regional Energy Network, offset by unspent funding as detailed in Ordering Paragraph 35.

40. San Diego Gas & Electric Company is authorized a revenue requirement of $182,866,000 for 2013 and 2014, offset by unspent funding as detailed in Ordering Paragraph 35.

41. Southern California Gas Company is authorized a revenue requirement of $147,640,000 for 2013 and 2014, including funding for the Southern California

Regional Energy Network, offset by unspent funding as detailed in Ordering Paragraph 35.

42. Commission staff will finalize and lock down the savings estimates associated with the energy efficiency program portfolios approved in this decision by no later than March 1, 2013, according to the procedures in Decision (D.) 10-12-054, as modified by D.11-07-030 and D.12-05-015.

43. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company, the San Francisco Bay Area Regional Energy Network, the Southern California Regional Energy Network, and the Marin Energy Authority shall file advice letters in compliance with the directives in this decision no later than 30 days after this decision is issued, unless another date is specified herein for a specific program, in the format provided by Commission staff.

44. Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company are authorized to proceed with implementing the programs and activities approved in this decision and utilizing their approved funding while their compliance advice filings are pending with the Commission.

45. Any aspects of the applications of Pacific Gas and Electric Company, San Diego Gas & Electric Company, Southern California Gas Company, and Southern California Edison Company in this proceeding that are not discussed, deferred, or rejected in this decision are deemed approved.

46. The motions for party status of the National Asian American Coalition, Black Economic Council, and the Latino Business Chamber of Greater Los Angeles, Switch Lighting Company, California Construction Industry Labor Management and Cooperation Trust, and Five Star Bank are granted.

47. The October 4, 2012 joint motion of Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company to move written testimony and exhibits into evidence in this proceeding is granted.

48. This proceeding remains open.

This order is effective today.

Dated _____, at San Francisco, California.