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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

I.D. #8002

ENERGY DIVISION **RESOLUTION G-3421**
November 6, 2008

R E S O L U T I O N

Resolution G-3421. Pacific Gas and Electric Company (PG&E) requests authorization to shift up to $63.2 million in unspent, uncommitted electric and gas Energy Efficiency (EE) program funds from prior years to augment the program funding for the 2006-2008 EE program cycle. PG&E's request of $46.3 million is approved.

By Advice Letter 2938-G/3298-E filed on July 16, 2008 and by Supplemental Advice Letter 2938-G-A/3298-E-A filed on October 3, 2008.

SUMMARY

This Resolution conditionally approves PG&E's request to spend $46.3 million in unspent/uncommitted energy efficiency program funds from pre-2006 funds to augment program funding for the 2006-2008 cycle. The request to provide access to the $16.9 million remaining pre-2006 unspent/uncommitted funds is denied.

Energy savings accruing from the funding augmentation will count towards the Performance Earnings Basis (PEB) for the 2006-2008 budget cycle, but will not count towards the Minimum Performance Standard (MPS).

PG&E is directed to supplement its 2009-2011 Energy Efficiency Program Portfolio Application (A.08-07-031) for disposition of any funds remaining from its 2006-2008 portfolio budget, from the augmentation adopted here, and from any remaining pre-2006 unspent/uncommitted funds.

BACKGROUND

On July 16, 2008, Pacific Gas and Electric Company (PG&E) filed Advice Letter (AL) 2938-G/3298-E requesting authorization to shift $63.2 million in unspent, uncommitted electric and gas Energy Efficiency (EE) program funds from prior years to augment the program funding for the 2006-2008 EE program cycle to ensure adequate funding for PG&E's mass market, targeted market, third-party and government partnership programs.

On October 3, PG&E filed a supplement to its original AL, revising its forecast of spending through the end of the year and providing greater detail on specific programs and savings, as requested by Energy Division. PG&E now requests authorization to shift $46.3 million in unspent/uncommitted energy efficiency program funds to supplement its Core Mass Market, Core Targeted Markets and Education and Training budgets.

PG&E projects Mass Market Programs are forecast to have a shortfall of $78.8 million. PG&E plans to shift budgeted funds from its Targeted Markets - Residential and Non Residential, to augment these programs with $32.5 million, reducing the projected Mass Market shortfall but still needing $46.3 million in additional funds. Within this amount, PG&E proposes to use $7 million funds for Third Party Programs to maintain the required 20% funding required for these programs. In all, PG&E requests the transfer of $46.3 million of its pre-2006 unspent/uncommitted funds to avoid curtailing program and energy savings momentum at the end of the 2006-2008 budget cycle.

In its supplemental filing PG&E also requests to be allowed to have access to the remainder of the total $63.2 million in unspent/uncommitted pre-2006 funds ($16.9 million) on an as-needed basis to keep currently authorized programs fully functioning until the start of 2009. PG&E proposes to develop a process with Energy Division to monitor and oversee this spending should the need arise. At the end of 2008, PG&E proposes that any unspent/uncommitted funds be carried forward into the 2009-2011 program cycle and that disposition of these funds be addressed in the final decision authorizing the 2009-2011 program cycle.

PG&E explains that the change from a two-year budget cycle to a three-year budget cycle, coupled with fund shifting flexibility, has allowed PG&E to effectively manage the portfolio to maximize energy savings. PG&E states that the three-year market push has resulted in "sustained, historically high monthly and annual energy savings and accelerated market penetration of key measures." Additionally, PG&E states that the 2006-2008 projected 1.61 TRC portfolio cost benefit ratio has increased to a 2.24 TRC as of the first quarterly report filed in March 2008 with the Commission.

PG&E states that these accomplishments represent unprecedented customer participation leading to higher than expected expenditure rates in resource programs. In its supplemental advice letter, PG&E outlines the steps it has taken to reduce spending or close other portfolio programs through the end of the year and states that is has begun to notify upstream suppliers of contract terminations.

NOTICE

Notice of AL 2938-G/3298-E was made by publication in the Commission's Daily Calendar on July 21, 2008. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section III-G of General Order 96-A.

On July 9, 2008 in compliance with D.06-12-013, PG&E sought input from its Program Advisory Group (PAG) and its Peer Review Group (PRG) prior to submitting the AL. Positive support was received from Natural Resources Defense Council and three PAG member responses – National Association of Energy Services Company, Resource Solutions Group, and The Alliance to Save Energy.

On October 3, 2008 PG&E supplemented AL 2938-G/3298-E and sent electronic and U.S. Mail copies to the service list in R.06-04-010 and to an additional list of parties attached to the supplemental filing.

PROTESTS

Advice Letter 2938-G/3298-E was protested by the Division of Ratepayer Advocates (DRA) on August 5, 2008. PG&E responded to the protest on August 12, 2008.

DRA is concerned that PG&E's advice letter request provides no details of actual need or accountability for the funds in terms of energy savings. DRA questions PG&E's need for funds when PG&E's May 2008 Energy Efficiency Groupware Application (EEGA) website monthly report outlines its portfolio budget of

$1,114 million having an unspent balance of $334 million. DRA recommends Energy Division consider this report, request PG&E to explain how the balance would be spent through the end of 2008, and demonstrate the shortfall need the $63.2 million would fill.
DRA also proposes that:

1. *PG&E should provide a detailed account for how the additional funds will be spent, including the expected savings.*

2. *PG&E should explain why the ability to borrow-ahead 15% of its budget from the 2009-2011 portfolios will not meet its need for continuity of continuing programs.*

3. *Additional funds should be authorized for current EE programs only if they are consistent with the Commission's current vision of energy efficiency as expressed through Staff's long-term Strategic Plan.*

4. *Should PG&E fail to demonstrate actual need for the $63.2 million, those funds should be used to offset approved funding for 2009-2011 rather than increase rates.*

PG&E's reply contained a demonstration of how the $63.2 million will avert a shortfall before the end of the 2006-2008 budget cycle, and a response to each of the other issues listed above. In the supplemental filing, PG&E revised its forecast and identified specific sub-programs for funding augmentation and energy savings (largely under its Mass Market program), which were projected to run short of funding through the end of 2008.

DISCUSSION

In its reply to DRA, PG&E states that it has a review process in place to monitor its actual and forecasted expenditures to determine the amount of funding needed to ensure that the budget and savings momentum for the remainder of the 2006-2008 budget cycle is maintained, as provided in Table 1 below.

Table 1
2008 Year End Budget Estimates ($ 000's)
(As of 8/12/08 and Preliminary and Subject to Change)

	Q1+Q2 Actuals	Q3 Forecast	Q4 Forecast	Actual + Forecast	Available Funding in 2008**	Potential Deficit***
Mass Markets	$80,067	$41,415	$46,500	$167,982	$97,179	-$70,803
Targeted Markets	$31,901	$16,966	$37,910	$86,777	$67,434	-$19,343
Partnerships	$20,620	$15,326	$22,918	$58,864	$80,779	$21,915
3rd Parties	$34,118	$32,475	$52,736	$119,329	$144,330	$25,001
Portfolio Total	**$166,706**	**$106,182**	**$160,064**	**$432,952**	**$389,722**	**-$43,230**

* July actuals; August and September forecast.
** Difference between total authorized funding and 2006 and 2007 expenditures
*** Difference between Available Funding in 2008 and Actual+Forecast

PG&E explained its expected shortfall under a review of its major program delivery channels – Mass Markets, Targeted Markets, government partnerships and third parties – by comparing actual and forecasted budgets and expenditures. Using both a third and a fourth quarter forecast, PG&E demonstrated that it will have a potential shortfall of $43.2 million by the end of the year.

In response to DRA, Energy Division requested additional projected program funding and savings information, and PG&E supplemented the advice letter with a revised forecast. The October 3rd supplemental filing forecast reflects changes from mid-August. PG&E explains that even with use of allowable fund shifting tools - ramping down some programs, closing other programs, retiming or postponing commitments and delivering contract termination notices to upstream vendors – the forecast of program activity indicates authorized 2006-2008 funds are still insufficient to sustain current program delivery rates in PG&E's core markets. Without access to the additional funds, PG&E will be required to curtail program activity in November and December to avoid the expenditure of unauthorized funds at year end, and is beginning to ramp-down programs now. PG&E states that closed or reduced programs will be difficult to restart during the rest of the year or perhaps into the bridge funding period of next year. For these reasons, PG&E requests the additional funding to reduce the funding gap between now and the end of the current budget cycle.

Specific Funding Proposal

PG&E provides an updated and more specific analysis of the funding shortfalls forecast in its core programs and shows where fund shifting from Targeted Market programs can reduce the shortfall amount. PG&E then identifies which sub-programs under its core Mass Market program would benefit from the bulk of the additional funds along with the projected savings associated with each subprogram, and identifies two other categories for funding – its core Target Market Programs (e.g. High Tech, Schools, Fabrication and Industry) and Education and Training to complete the full request. This analysis is provided in full as an attachment to this resolution. In Table 2, we summarize the projected funding enhancement with associated savings.

Table 2
Funding Proposal
Subset of Core Mass Market, Core Target Market,
& Education and Training

PG&E Core Program	Additional Funds	MW (Net)	GWH (Net)	MM Therms (Net)
Mass Market Subset				
Upstream Lighting	$6,000,000	22.72	178.55	
HVAC – Referig. Charge, Air	3,100,000	7.34	5.13	
HVAC – Ducts, Test & Seal	8,000,000	3.61	2.39	0.15
HVAC – Motors	2,000,000	4.45	9.77	
Appliance Recycling	1,600,000	1.48	8.92	
Small Business Rebates	6,985,000	15.44	70.69	1.48
Cool Roof Insulation	7,820,000	8.61	13.34	0.99
Multi-Family Rebates	1,293,000	0.75	4.5	0.03
Direct Install – Sm.Business	2,000,000	1.93	10.65	
Direct Install – Residential.	400,000	.16	1.29	
Subtotal Mass Market	**$39,178,000**	**66.47**	**305.25**	**2.65**
Core Target Market *	$7,012,000	6.31	42.07	1.40
Education andTraining	110,000	0	0	0
Total	**$46,300,000**	**72.78**	**347.32**	**4.06**

* Core Target Market programs include Fabrication & Industry, High Tech, Large Commercial, Medical and Schools.

In its supplemental response, PG&E provides additional details in the tables associated with each of these programs by describing the impact of closing them now. For instance, the Upstream Lighting program provides incentives to manufacturers to sell their products to retailers, who provide the products to customers at a reduced cost. Since PG&E has or is in the process of notifying the manufacturers with letters of contract termination, a suspension of this program component could mean disruption of their businesses and cause redirection of the product now committed elsewhere. Two of the Heating, Ventilation and Air Conditioning (HVAC) sub-programs provide rebates to contractors who will have to redirect their activities elsewhere or cease to provide these infrastructure services. The HVAC motors program will leave distributors with unsold stock that will have to be returned to manufacturers. Direct Install programs provided by third parties deliver installation of measures at no cost or low cost to small businesses and residential customers. Continuation of these programs will allow the trained staff to be retained.

In the Core Target Market area, additional funding will ensure that PG&E will be able to accept the business applications submitted at the end of the year and pay for the committed projects currently in progress. The additional funding for Education and Training will provide contractors, designers, and architects continued access to classes presented at sites away from the energy centers.

We believe that it is appropriate to budget the requested monies to particular market delivery channels or measures where additional savings can be achieved and at the same time, provide fund shifting to balance the various swings in program resource demands. In this case, PG&E has provided the Commission advance notice that some of its core mass market programs were over spending/over achieving in July. It is now October, and while the requested amount has been reduced, the need for additional funds remains through the end of the year. Energy Division recommends that the Commission approve PG&E's request to transfer its identified $46.3 million in unspent/uncommitted funds for its identified Mass Market sub-programs and core Target market programs. This recommendation will ensure that there is sufficient funding for these programs through the end of the year and will avoid shifting funds from other third party and government partnership programs in the process, where some unspent funds may remain at the end of the end of the year.

Other DRA Issues

DRA raises three other issues under its protest to PG&E's AL 2938-G/3298-E. DRA proposes:

> 2. *Additional funds should be authorized for current EE programs only if they are consistent with the Commission's current vision of energy efficiency as expressed through Staff's long-term Strategic Plan.*

PG&E responds that the current EE programs were proposed and approved under D.05-09-043. Although DRA's proposal is thoughtful, it is premature to subject the scope of current program spending to incorporate proposals and decisions made subsequent to a decision authorizing the 2006-2008 programs. The Commission is addressing continuing programs from the 2006-2008 program cycle and new programs for the 2009-2011 budget cycle under A.08-07-031, et al in conjunction with the strategic plans under R.08-07-011, as well as in a bridge funding interim decision. This resolution addresses elements applicable only to the end of the program cycle for 2006-2008 apart from those specific, future considerations.

> 3. *PG&E should explain why the ability to borrow-ahead 15% of its budget from the 2009-2011 portfolios will not meet its need for continuity of continuing programs.*

PG&E responds that its request pertains to the immediate, current programs and spending. The adopted policy rule for carry-back/carry-forward funding of up to 15% relies on an approved 2009-2011 budget, which does not exist yet, and therefore cannot be implemented.

> 4. *Should PG&E fail to demonstrate actual need for the $63.2 million, those funds should be used to offset approved funding for 2009-2011 rather than increase rates.*

We direct PG&E to supplement its 2009-2011 application (A.08-07-031) with any funds remaining at the end of the year from its 2006-2008 portfolio budget and, separately, from the pre-2006 funds we approve today to augment the budgets of core PG&E programs identified above. Disposition of these funds will be addressed under the 2009-2011 Portfolio application proceeding.

Remaining Pre-2006 Unspent/Uncommitted Funds

In its supplemental filing PG&E also requests to be allowed to have access to the remainder of the total $63.2 million in unspent/uncommitted pre-2006 funds ($16.9 million) on an as-needed basis to keep currently authorized programs fully functioning until the start of 2009. PG&E proposes to develop a process with Energy Division to monitor and oversee this spending should the need arise. At the end of 2008, PG&E proposes that any unspent/uncommitted funds be carried forward into the 2009-2011 program cycle and that disposition of these funds be addressed in the final decision authorizing the 2009-2011 program cycle.

We approve the use of $46.3 million to augment PG&E's budgets for the specific programs proposed under its Mass Market and Target Market programs based on its submitted forecast. But, we will not approve unspecified use of the remaining pre-2006 unspent/uncommitted funds as a cushion for forecasting error. We deny this request.

Counting Energy Savings for the Augmented Programs

Energy savings are counted towards the savings goals when the measures are installed. With fund shifting enhancing an adopted budget, savings should be counted towards the Performance Earnings Basis (PEB), but should not be included in achieving the Minimum Performance Standard (MPS). The MPS for 2006-2008 is based on the savings goals adopted by D.04-09-060. (See also D.07-09-043 and the policy rules addressing the Shareholder Earnings Mechanism, Rules VIII. 1-3).

PG&E needs to track the savings associated with the enhancement to its 2006-2008 portfolio budget so that the savings are not added to the MPS. Rather than creating a system to do this that would only be used for two months, Energy Division proposes a ratio approach to distinguish between savings to be counted towards the PEB only, versus savings appropriately associated with the original budget and both the PEB and the MPS.

The proposal is to exclude a portion of the total 2008 kW, kWh, and therms achieved from the totals used to calculate the MPS and the determination of the shareholder band. This exclusion would be the percentage of the above unspent/uncommitted funds to the total portfolio funds plus the unspent/uncommitted funds. The percentage would be applied to the total 2008 savings for kW, kWh and therms each, and the result would be deducted from savings in each respective category for 2008. The benefit of this approach is to account for all savings and transactions through the end of the year simply. The disadvantage of this approach to PG&E is that it must guard against losses to its MPS when using the monies approved here for the remainder of the year.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

"The 30-day comment period for the draft of this resolution was neither waived nor reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from today."

FINDINGS

1. Pacific Gas and Electric Company (PG&E) filed Advice Letter 2938-G/3298-E requesting authorization to shift $63.2 million in unspent, uncommitted electric and gas Energy Efficiency (EE) program funds from prior years to augment the program funding for the 2006-2008 EE program cycle.
2. PG&E filed Supplemental Advice Letter 2938-G-A/3298-E-A to provide greater detail about the programs and savings that would benefit from an augmentation of funds and due to a more recent forecast, revised its initial funding request to $46.3 million.

3. The additional funding would ensure adequate funding for PG&E's 2006-2008 resource programs - mass market, targeted market, third-party and government partnership programs - to avoid exhausting currently authorized funds before the end of the budget cycle and interrupting the current savings momentum.
4. In July 2008, PG&E provided a budget table of its resource programs showing 2008 actual and forecast expenditures netted against available funding through the end of the year.
5. PG&E originally estimated a potential net shortfall of $63.2 million by the end of 2008.
6. The revised estimate under the supplemental filing incorporates more recent information and now projects the shortfall to be $46.3 million.
7. PG&E is ramping-down some programs, closing others, negotiating commitments and has begun delivering contract termination notices to upstream vendors.
8. PG&E predicts program activity will be curtailed or closed in November and December to avoid the expenditure of unauthorized funds at the end of 2008.
9. The $46.3 million request is slated to reduce the forecast funding gap between now and the end of 2008.
10. The 2006-2008 energy efficiency programs and budget were approved under D.05-09-043.
11. The funding request applies to 2006-2008 energy efficiency programs, which will continue under the proposed Bridge Funding decision and may continue under the 2009-2011 cycle.
12. The carry-back/carry-forward funding of up to 15% adopted under D.07-10-032 relies on an approved 2009-2011 portfolio budget. A decision regarding the 2009-2011 portfolio budget is not expected until next year.
13. Disposition of any funds remaining from the 2006-2008 portfolio budget and/or from the enhancement of specific programs identified under this proposal will be addressed under the 2009-2011 Portfolio application proceeding.
14. The remaining $16.9 million of pre-2006 unspent/uncommitted funds may not be used as a cushion for forecasting error.
15. Energy savings are counted towards the savings goals when the measures are installed.
16. With fund shifting enhancing an adopted portfolio budget, savings should be counted towards the Performance Earnings Basis (PEB), but should not be included in achieving the Minimum Performance Standard (MPS).

17. PG&E should track the savings associated with an enhancement to its 2006-2008 portfolio budget for counting towards the PEB.
18. To calculate the energy savings associated with enhancing the 2006-2008 budget, PG&E should develop a ratio of the spent, additional funds divided by the total 2006-2008 portfolio budget plus the $46.3 million approved here.
19. The ratio would be applied to all 2008 kW, kWh, and therms, and the MPS savings for each energy value would be reduced by an equal amount.

THEREFORE IT IS ORDERED THAT:

1. The request of Pacific Gas and Electric Company made in Advice Letter AL 2938-G/3298-E and as revised by Supplemental Advice Letter AL 2938-G-A/3298-E-A is approved, as conditioned by this Resolution.

2. PG&E shall transfer $46.3 million of its pre-2006 unspent/uncommitted funds to the particular core programs identified and in the amounts as proposed under Table 2 of this resolution.

3. PG&E's request to access the remaining $16.9 million in pre-2006 unspent/uncommitted funds is denied.

4. As of December 31, 2008 and the close of all 2008 transactions, the account balance and all other unspent, uncommitted funds from the 2006-2008 budget cycle shall be reported in a supplemental filing to A.08-07-031, et al, for final disposition.

5. PG&E shall track the energy savings associated with 2006-2008 program budget enhancements using a ratio approach to distinguish between savings to be counted under the PEB and savings not to be counted under the MPS, as described herein.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on November 6, 2008; the following Commissioners voting favorably thereon:

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Paul Clanon
Executive Director

ATTACHMENT A

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POTENTIAL ADDITIONAL ACTIVITIES AND SAVINGS

						Additional Core Activities with Additional Funding			
	(1) Authorized 3-year Program Budget Includes All Channels	(2) PG&E Operating Budget Includes All Channels	(3) Program Expenditures (Jan 2006 – Aug 2008) Includes All Channels	(4) Monthly Average Spending Includes All Channels	(5) Forecast Spending Sep-Dec '08 Includes All Channels W/O additional funding	Additional Dollars	(7) MW (Net)	(7) GWh (Net)	(7) Therms (Net)
Mass Market Commercial Non Residential (PGE 2080)	$229,012,461	$229,012,461	$170,662,097	$5,333,191	$36,441,003				
Mass Market Residential (PGE2000)	$176,845,252	$176,845,252	$220,146,001	$6,879,563	$57,411,052				
Mass Market Total (A)	**$405,857,713**	**$405,857,713**	**$390,808,098**	**$12,212,753**	**$93,852,055**				
Prosposed Additional Resources: Core Mass Market									
Upstream Lighting	Commission authorization did not include detail at this level		$102,321,863	$3,197,558	$21,500,000	$6,000,000	22.72	178.55	-
HVAC - Refrigerant Charge and Airflow			$19,378,800	$605,588	$3,600,000	$3,100,000	7.34	5.13	-
HVAC - Duct Test and Seal			$38,037,117	$1,188,660	$9,200,000	$8,000,000	3.61	2.39	0.15
HVAC - Upstream - Motors			$2,589,690	$80,928	$2,500,000	$2,000,000	4.45	9.77	-
Appliance Recycling			$15,759,678	$492,490	$2,000,000	$1,600,000	1.46	8.92	-
Downstream Small Business Rebates			$52,061,674	$1,626,927	$6,995,000	$6,965,000	15.44	70.69	1.48
Downstream Single Family Rebates - Cool Roof/Insulation			$31,244,449	$976,389	$7,930,000	$7,820,000	8.61	13.34	0.99
Multi Family Rebates (including showerheads)			$33,103,473	$1,034,484	$1,645,000	$1,293,000	0.75	4.50	0.03
Direct Install (Small Business)			$33,460,633	$1,045,645	$6,579,411	$2,000,000	1.93	10.65	-
Direct Install (Residential)			$4,135,584	$129,237	$813,187	$400,000	0.16	1.29	-
Mass Market Measures Listed Above (6)			**$332,092,960**	**$10,377,905**	**$62,762,598**	**$39,178,000**	**66.47**	**305.25**	**2.65**
Target Market (B) - Add'l resources for core channels: Fab & Industry (PGE2004), High Tech (PGE2005), Large Commercial (PGE2007), Medica (PGE2006), Schools (PGE2002)	**$377,611,424**	**$377,611,424**	**$235,029,283**	**$7,344,665**	**$102,994,857**	**$7,012,000**	**6.31**	**42.07**	**1.40**
Education and Training (C) Add'l classes at PEC, FSTC and Stockton Classes	**$37,298,652**	**$37,298,652**	**$28,072,533**	**$877,267**	**$2,281,000**	**$110,000**	**0**	**0**	**0.00**
Total (1-5): (A)+(B)+(C)	**$820,767,789**	**$820,767,789**	**$653,909,914**	**$20,434,685**	**$199,127,912**	**$46,300,000**	**72.78**	**347.32**	**4.05**

Notes: (1) In D. 05-09-043, CPUC approved the 3-year budget in PG&E's compliance filing.
(2) The Program Operating Budget equals to the original authorized budget.
(3) Program Expenditures for Mass Market, Target Market, and Education and Training represent their actual expenditures from January 1, 2006 - August 31, 2008. Government Partnerships and Third Parties' expenditures are included in Mass Market and Target Market.
(4) Monthly Average Spending is the average spend over the 32-months of the portfolio.
(5) Forecast Spending is based on the PG&E's best forecast based on the most recent information received, historical trends, and customer's commitments. Includes all channels.
(6) CPUC did not approve these Mass Market Measures at this level of detail. PG&E estimated the amounts shown under (3) for the Mass Market Measures based on 1) historical trends and 2) allocated according to the incentive amounts for each measure. Again, these numbers are reasonable estimates only and should not be used for analysis purposes.
(7) Energy savings is estimated based on dollar projections and forecasts.

ADDITIONAL DETAILS - PROGRAM DESCRIPTIONS

	DESCRIPTIONS	ACTIVITIES WITH ADDITIONAL FUNDS
Mass Market Commercial Non Residential (PGE 2080)		
Mass Market Residential (PGE2000)		
Mass Market Total (A)	The Mass Market program primarily targets residential and small commercial customers who tend to need similar energy efficient measures and use similar vendors, contractors and retailers.	
Upstream Lighting	Provides incentives to manufacturers to sell their products at a reduced price to retailers who then pass along the savings to customers through point of sale discounts. Manufacturers have been sent letters of termination for this program component. Hiatus could mean significant disruption of their businesses including retooling of production lines. Achieving the present level of participation and energy savings will require slow ramp-up.	Additional funding is expected to provide an additional 22.7 MW and 178.5 GWh. It will also maintain the momentum of this program component.
HVAC - Refrigerant Charge and Airflow	Provides rebates to contractors to test and adjust AC/HP refrigerant charge in the residential and commercial markets. If this program component is ramped down or closed, contractors will need to shift their business model rapidly and significantly. Even a short hiatus could cause serious disruptions in their businesses and less willingness to participate in the future.	PG&E expects increased activity over the same period last year and an additional 7.3 MW and 5.1 GWh.
HVAC - Duct Test and Seal	Provides rebates to contractors and customers to test and seal leaking HVAC ducts in the residential and small commercial markets (up to 7 tons). If this program component is ramped down or closed, contractors will need to shift their business model rapidly and significantly. Even a short hiatus could cause serious disruptions in their businesses and less willingness to participate in the future.	Funding for this program component will maintain the channel and provide some additional savings.
HVAC - Upstream - Motors	Provides rebates to distributors to stock energy efficient motors for HVAC equipment. Distributors are not required to pass along savings to customers. Motors have long been a difficult measure to promote. The upstream motors program has finally achieved successes that simple rebates to customers did not. Hiatus will leave distributors with unsold stock which may be returned to manufacturers. Restarting this program component will be slow, may not achieve the present success and will result in sale and installation of long-lived standard motors.	Additional funding will sustain the growing momentum of this measure which is traditionally difficult to implement.
Appliance Recycling	Provides rebates to customers for recycling old refrigerators. This program component requires and extensive infrastructure for marketing, pick-up and recycling of old refrigerators and freezers. Hiatus could require the vendor for this component to reduce the number of trained staff in a number of areas and ask customers to wait for the service thereby also reducing their future participation in programs.	Funds will maintian the necessary infrastructure of this program component and provide additional savings.
Downstream Small Business Rebates	Provides rebates to small business owners for certain energy efficient appliance, HVAC, lighting, boiler and water heater, food service, agriculture, and appliance products. Small businesses have always been a market with multiple barriers. Significant reduction in the number of available measures could dampen existing and future response to this program component.	Momentum and interest has continued to build for this program. PG&E anticipates and added 8.0 MW and 42.5 GWH can be achieved.
Downstream Single Family Rebates - Cool Roof/Insulation Furnaces	Provides rebate on a $/square foot basis to customers for installing cool roof products on their homes. Cool roof products are a promising newer technology with little penetration of the market. Program component hiatus could increase the difficulties of this promising technology.	Added funding would maintain the interest of this new and promising technology.
Multi Family Rebates (including showerheads)	Provides rebates to property owners, managers and tenants of multi-family complexes with 5 or more units for certain energy efficient lighting, HVAC, appliance, boiler and water heater, and pool equipment. Equipment can be installed in existing apartment units as well as the common areas of apartments, condominium complexes and mobile home parks. This program component relies heavily on contractors who would need to reduce their efforts and trained staff during program hiatus.	The added funds will maintain the many contractors currently delivering services and the infrastructures of their companies as well as provide added energy savings.
Direct Install (Small Business)	Provides incentives to third parties who install energy efficient lighting, controls, and HVAC equipment (e.g., duct test and seal) in small businesses. Too often, small businesses will only be introduced to the benefits of energy efficiency if the measures are installed at no cost to them. This component can be the first of future efforts to increase the efficiency of their businesses.	Direct install contractors have extensive investments in trained staff. Added funding will allow them to maintain these staff.
Direct Install (Residential)	Provides incentives to third parties who install energy efficient lighting, controls, and HVAC equipment (e.g., duct test and seal) in residential single family and multi-family homes. This program component serves families who do not have the resources for energy efficient investments, but do not qualify for the low income energy efficiency programs. Hiatus would deprive them of these benefits.	Direct install contractors have extensive investments in trained staff. Added funding will allow them to maintain these staff.
Target Market - Add'l resources for core channels: Fab & Industry(PGE2004), High Tech(PGE2005), Large Commercial(PGE2007), Medical(PGE2006), Schools(PGE2002)	The Target Market programs provide incentives for large or complex energy efficiency projects and other energy services such as demand response and distributed generation. The programs address green field new construction as well as facility expansion or renovation. Representative activities include: Fabrication and Industry is seeing improvements in compressed air and other systems., Retrocommissioning is a focus of the Large Commercial program, High Tech is reaping the benefits of new energy efficiency innovations. Renovation in medical facilities is progressing and Schools are finding the energy efficient improvements provide additional funding for classes.	Added funding will ensure that PGE will be able to accept the applications that are submitted by the end of the year and pay on the committed projects that are already in progress.
Education and Training (C) Add'l classes at PEC, FSTC and Stockton Classes	This program provides training to the wide variety of architects, designers, contractors, and builders who can then implement the information, training and use the tools provided to increase the efficiency of the building they create or retrofit.	Additional funding will allow classes to be presented at sites away from the centers. This will ensure that contractors, designers, and architects will be able to benefit from the classes without having to travel far from their offices.

STATE OF CALIFORNIA ARNOLD SCHWARZENEGGER, *Governor*

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

I.D. #8002
October 7, 2008 RESOLUTION G-3421
Nov. 6 Commission Meeting

TO: PARTIES To R.06-04-010

Enclosed is Draft Resolution Number G-3421 sponsored by the Energy Division. It will be on the agenda at the next Commission meeting, which is held at least 30 days after the date of this letter. The Commission may then vote on this Resolution or it may postpone a vote until later.

When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Parties may submit comments on the draft Resolution.

An original and two copies of the comments, with a certificate of service, should be submitted to:

Honesto Gatchalian
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102

Fax: 415-703-2200

A copy of the comments should be submitted in electronic format to:

Zenaida Tapawan-Conway and Anne Premo
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Email: ztc@cpuc.ca.gov and awp@cpuc.ca.gov

Any comments on the draft Resolution must be received by October 21, 2008. Those submitting comments must serve a copy of their comments on 1) the entire service list attached to the draft Resolution, 2) all Commissioners, and 3) the Directors of the Energy Division and Consumer Protection and Safety Divisions, 4) the Chief Administrative Law Judge, and 5) the General Counsel on the same date.

Comments shall be limited to five pages in length and should list the recommended changes to the draft Resolution.

Comments shall focus on factual, legal or technical errors in the proposed draft Resolution.

Late submitted comments will not be considered.

Natalie F. Walsh, Program Manager
Energy Division

Attachment:
Certificate of Service

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of Draft Resolution G-3421 on all parties in these filings or their attorneys as shown on the attached list.

Dated October 7, 2008 at San Francisco, California.

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Maria Salinas

NOTICE

Parties should notify the Energy Division, Public Utilities Commission, 505 Van Ness Avenue, Room 4002 San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the Resolution number on the service list on which your name appears.