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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company for Approval of 2023-2026 Clean Energy Optimization Pilot. U 39 E	Application No. 22-03-____

APPLICATION OF PACIFIC GAS AND ELECTRIC COMPANY (U 39 E) FOR APPROVAL OF 2023-2026 CLEAN ENERGY OPTIMIZATION PILOT

CLIFF GLEICHER
JENNIFER C. REYES LAGUNERO
ERIC SEZGEN

Pacific Gas and Electric Company
77 Beale Street, Mail Code B30A
San Francisco, CA 94105
Telephone: (415) 973-2361
Facsimile: (415) 973-5220
E-Mail: Jennifer.ReyesLagunero@pge.com

Attorneys for
PACIFIC GAS AND ELECTRIC COMPANY

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I. INTRODUCTION

Pacific Gas and Electric Company (PG&E) respectfully submits this Application for the California Public Utilities Commission (CPUC or Commission) to approve PG&E's request to administer a Clean Energy Optimization Pilot (CEOP) for 2023-2026.[1/] Premised on a similar pilot program by Southern California Edison Company (SCE)[2/] and approved by the CPUC on April 25, 2019,[3/] PG&E's CEOP would be offered to California State University (CSU) and the Regents of the University of California (UC) and would incentivize greenhouse gas (GHG) reductions.

II. BACKGROUND

On April 25, 2019, the CPUC approved SCE's Pilot to "develop a streamlined, technology-neutral method to calculate…GHG reductions from energy efficiency (EE) and clean energy measures using a pay for performance framework."[4/] As mentioned above, SCE's Pilot

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1/ PG&E serves this Application and accompanying Opening Testimony and workpapers via email on all parties of record in Rulemaking (R.) 13-11-005, Application (A.) 22-02-005, R.19-01-011, and R.14-10-003.

2/ A. 18-05-015, *Application of SCE (U 338-E) for Approval of its Clean Energy Optimization Pilot* (May 15, 2018) (SCE Application).

3/ Decision (D.) 19-04-010.

4/ D.19-04-010, p. 2.

participants are the CSUs and UCs. PG&E now submits this Application, setting forth similar elements from SCE's Pilot and incorporating further requirements from D.19-04-010.[5/]

III. SUMMARY OF THE APPLICATION

PG&E requests authority to proceed with its proposed CEOP that is designed to evaluate the effectiveness of a program designed to incent Pilot Participants, who are PG&E customers, to reduce greenhouse gas emissions through on-site measures. Like SCE's approved Pilot, PG&E's CEOP uses "unique project features to begin the development and implementation of the 'flexible tools' needed to reduce GHG pollutants."[6/]

PG&E's guiding principles include focusing on the people we serve, the planet we inhabit, and California's prosperity. With these guiding principles in mind, PG&E identifies three key objectives for the CEOP as originally stated by SCE:

> (1) align customer-facing programs with State energy and environmental policy goals to accelerate the reduction of GHG emissions through on-site measures; (2) improve Pilot Participant experience with utility programs by providing a new, and simplified performance-based incentive framework that will use carbon currency as an incentive; and (3) create a framework that will inform and improve future programs aimed to align with the State clean energy and environmental goals.[7/]

PG&E's Opening Testimony consists of the following eight sections:

a) Introduction

b) Policy Overview

c) Pilot Description

d) Payment Structure and Process

e) Budget and Cost Recovery

5/ On February 15, 2022, PG&E also filed its 2024-2031 Energy Efficiency Business Plan and 2024-2027 Portfolio Plan application, A.22-02-005. This CEOP will operate separately from PG&E's EE portfolio.

6/ SCE Application, p. 4.

7/ *Ibid.*

f) Evaluation and Reporting

g) Compliance with Prior Commission Decisions

h) Conclusion (not summarized below).

PG&E summarizes seven of these sections below. Please see PG&E's Opening Testimony for more detail.

A. Opening Testimony, Section A: Introduction.

Section A outlines the overarching goals of PG&E's CEOP. Like SCE's Pilot, PG&E proposes to (1) calculate GHG reductions based on meter data, (2) distribute performance payments earned by CEOP Participants on a pay-for-performance basis, and (3) include a requirement for sustained and continued reduction in GHG emissions, over the span of the CEOP, as a precondition to earning performance payments. The proposed CEOP also includes an extensive reporting and stakeholder engagement plan to share information about its impacts and use a "lessons-learned" approach to enhance future GHG reduction programs.

B. Opening Testimony, Section B: Policy Overview.

Section B discusses PG&E's policy overview for its CEOP, which includes more flexible demand side strategies, risk mitigation, a separate policy track, and proposed proceeding schedule. This also includes seeking to consolidate demand-side offerings such as energy efficiency, demand response, self-generation, and electric vehicle programs into a single program that could serve all a participant's distributed energy resource (DER) needs.

In addition to creating additional local benefits to participants, Section B also discusses how PG&E's CEOP structure mitigates risk and helps to ensure that program funds are provided for effective technologies and measures. For example, pay-for-performance, established by SCE's program and continued in PG&E's CEOP, will likely mitigate risk to non-participants. Technologies or measures are not pre-approved and would not be funded without establishing additional value through GHG reductions. GHG values are vetted through the Avoided Cost Calculator (ACC), which was developed in the Integrated Distributed Energy Resources (IDER) proceeding (R.14-10-003) and deployed in SCE's pilot.

C. Opening Testimony, Section C: Pilot Description.

Section C describes how PG&E seeks to extend and expand upon the goals of SCE's Application focusing on PG&E's eligibility requirements for its CEOP. PG&E structures eligibility requirements to further the stated goals of the CEOP. The initial eligible participants are the same as SCE's program, which are the CSU and UC systems. Other customers that are similarly situated may be added to the program but have not yet been identified at this time. PG&E's CEOP is flexible for eligible participants and would create an iterative process of improvement through collaboration with PG&E to create additional benefits, such as more targeted electrification and providing more economic benefits to disadvantaged communities, and further maximize GHG reductions.

Section C also describes how PG&E's CEOP contains controls to prevent participants from receiving funding from multiple DER programs for the same measures. Further, PG&E's CEOP will not incentivize the installation of new, long-lived gas equipment. While CEOP seeks to be a comprehensive program for GHG reductions, programmatic measures will reduce gas use only through behavioral and operational changes to existing gas equipment.

D. Opening Testimony, Section D: Payment Structure and Process.

Section D outlines the payment structure and process for PG&E's CEOP. PG&E will build upon and update SCE's Performance Payment Tool (PPT), approved in D.19-04-010. PG&E's CEOP program proposes nine core updates to SCE's program:

(1) the PPT will include Monthly and Time-of-Use (TOU) level energy consumption tracking;

(2) annual GHG emissions values will align program incentives with the total GHG price put forth in the 2021 ACC;

(3) weather adjustment factors will use seasonal and TOU periods which will adjust for each of six different periods rather than once annually;

(4) align gas leakage rates with the 2021 ACC gas model;

(5) update inputs for previously planned and incentivized energy efficiency projects;

(6) update the asset life assumption from eight to seven years;

(7) update electric vehicle charging from one category to two different categories for Fleet Electric Vehicle Charging and Public Electric Vehicle Charging;

(8) update baselines from best performing year to best performing month; and

(9) minor modeling feature updates such as flexible mid-year starts and monthly progress tabs.

E. Opening Testimony, Section E: Budget and Cost Recovery.

Section E describes PG&E's proposed budget and cost recovery for its CEOP. PG&E forecasts similar proportions of costs as SCE's pilot that were authorized in D.19-04-010.[8/] The costs of PG&E's CEOP will scale with the budget categories. For the incentive budget, PG&E forecasts approximately $44.4 million in performance payments. For non-incentive budget, PG&E forecasts approximately $5.6 million that includes non-incentive and implementation costs. More specifically, these include the following estimated costs: $3 million for evaluation; $500,000 for technical support; $300,000 for verification of GHG reductions; and $1.8 million for incremental labor expense.

PG&E proposes to fund its CEOP using GHG auction proceeds, to the extent they are available. Should the GHG auction proceeds be insufficient, PG&E proposes using Public Purpose Programs (PPP) funding as a backstop to account for any funding necessary not covered by the GHG auction proceeds. To facilitate this joint GHG auction proceeds and PPP funding mechanism, PG&E proposes establishing a new one-way CEOP subaccount, with a soft cap in the Public Policy Charge Balancing Account (PPCBA). The purpose of the PPCBA is to track revenues and actual costs incurred to implement adopted programs funded through public policy funds, including GHG auction proceeds.

8/ D.19-04-010, p. 31.

F. Opening Testimony, Section F: Evaluation and Reporting.

Section F describes PG&E's plan for CEOP evaluation and reporting. PG&E plans to expand on SCE's evaluation methodology, approved in D.19-04-010. SCE's evaluation plan consists of two major components: (1) an impact assessment analyzing actual GHG emissions reduction, and (2) a process evaluation that sought to understand the customer experience, solicit opportunities to improve that experience, and make recommendations to inform future program design. In addition to these two components, PG&E proposes evaluating the program on a total system benefit (TSB) metric.

G. Opening Testimony, Section G: Compliance with Prior Commission Decisions.

Section G describes PG&E's compliance with prior Commission decisions regarding the use of GHG auction revenues. PG&E will follow the requirements of the Commission and the Public Utilities Code (PUC) in its use of the cap-and-trade allowance revenues. As discussed in Opening Testimony, CEOP is eligible for funding under PUC Section 748.5(c) and D.14-10-033. Section 748.5(c) provides the Commission to authorize funding for Clean Energy and Energy Efficiency (CEEE) programs administer by electric and gas distribution utilities.[9/] D.14-10-033 implements the directive set forth in Section 748.5 and created a framework for funding programs with GHG allowance revenues.[10/] These requirements include forecasting clean energy amounts and justification of why the project qualifies and why the project is best funded using GHG allowance revenues rather than through ordinary recovery through rates. PG&E's CEOP satisfies the CEEE requirement because it directly incentivizes GHG emissions reductions. Further, use of the GHG allowance funds is more suitable because CEOP is a distinct and more comprehensive program than current piecemeal DER programs, encompassing many different DERs with the direct purpose of reducing GHG emissions using GHG reduction metrics.

9/ PUC 748.5(c).

10/ D.14-10-033, p. 2, and pp. 50-51, OP 8.

IV. STATEMENT OF RELIEF AND AUTHORITY

PG&E requests that the Commission authorize the use of $50 million over four years from electric cap and trade allowance revenues to fund CEOP as a CEEE[11/] Program pursuant to PUC Section 748.5(c) and D.14-10-033. Like SCE's program implemented by D.19-04-010, and further discussed in PG&E's Opening Testimony, PG&E's CEOP meets the requirements set forth by both Section 748.5(c) and D.14-10-033. PG&E proposes tracking the CEOP costs in a balancing account, which it is requesting to set up as part of this Application and will return any unspent funds to the GHG Revenue Balancing Account.

V. TESTIMONY, WORKPAPERS, AND SCHEDULE

The exhibit supporting this Application consist of testimony and workpapers of witnesses knowledgeable about the subject matter contained therein. The showing in the testimony is based on the information available as the witnesses were developing the proposals. Because of the foundational work SCE's pilot has done, PG&E suggests approval of this Application by the close of 2022 can be appropriate, so that implementation can begin in 2023. PG&E does not believe that hearings will be required in this proceeding. Section VI.E below sets forth PG&E's proposed schedule.

VI. COMPLIANCE WITH THE COMMISSION'S RULES OF PRACTICE AND PROCEDURE

A. Statutory Authority (Rule 2.1).

PG&E files this Application pursuant to Public Utilities Code Sections 451, 454, 728, 729, 740.4, and 795, the Commission's Rules of Practice and Procedure (Rules), prior decisions, orders, and resolutions of the Commission.

B. Legal Name of Applicant and Related Information (Rule 2.1(a)).

The legal name of the Applicant is Pacific Gas and Electric Company and has been since October 10, 1905. It is organized under the laws of the state of California, and its principal place

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11/ 15 percent of the revenues for GHG allowance revenues are used for CEEE (PUC § 748.5(c)).

of business is San Francisco, California. Its post office address is Post Office Box 7442, San Francisco, California 94120.

C. Correspondence and Communications (Rule 2.1(b)).

All correspondence and communications regarding this Application should be sent electronically to Jennifer C. Reyes Lagunero and Ana Gonzalez at their e-mails below. Hard copy mail can be sent to the address listed below, but due to COVID-19 as well as PG&E's move to its new headquarters, responses to hard copies sent to the PO Box may be delayed.

Jennifer C. Reyes Lagunero
Pacific Gas and Electric Company Law Department
Post Office Box 7442 (B30A)
San Francisco, CA 94120
Telephone: (415) 973-2361
Facsimile: (415) 973-5520
E-mail: Jennifer.ReyesLagunero@pge.com

Ana Gonzalez
Pacific Gas and Electric Company Regulatory Affairs
Post Office Box 7442 (B23A)
San Francisco, CA 94177
Telephone: (415) 973-5538
Facsimile: (415) 973-5520
E-mail: Ana.Gonzalez@pge.com

D. Categorization - Rule 2.1(c).

PG&E proposes this Application be categorized as a "quasi-legislative" proceeding within the meaning of Rule 1.3(f) of the Commission's Rules of Practice and Procedure. PG&E's Application is not seeking authority to increase rates, or to implement changes that would result in increased rates, or to seek to pass through to PG&E's customers any costs in connection with PG&E's CEOP, and therefore, Rule 3.2 and its attendant requirements are not applicable.

E. Need for Hearing and Proposed Schedule- Rule 2.1(c).

PG&E believes that hearings may not be required on the issues presented. PG&E's CEOP is based on SCE's Pilot and D.19-04-010. In addition, PG&E has held initial conversations about this Application with intervenors in SCE's Pilot proceeding. As stated in SCE's Pilot Application, "the Commission has previously authorized the establishment of balancing and memorandum accounts without conducting any evidentiary hearings, particularly in the context of an application which does not seek cost recovery."[12/] This is similarly true for PG&E's CEOP. Like SCE's program, the proposed Pilot is structured to require transparency in the deployment of technology and measures, iteration, and consistent stakeholder engagement for the term of the Pilot. In addition, the Pilot is slated to last four years, does not involve any additional customer charges, and is subject to Energy Division oversight of compliance and accuracy through the duration of the Pilot.

PG&E is aware that there are other significant energy proceedings competing for Commission and intervenor resources. Based on the above, SCE's proposed schedule,[13/] and the actual proceeding schedule for A.18-05-015, PG&E proposes the following shortened schedule:

Date	**Activity**
March 4, 2022[(a)]	Application filed
April 6, 2022	Protests to Application
April 18, 2022[(b)]	Replies to Protests
May 2022 [TBD]	Begin settlement discussions
September 2022	Joint Party Status Report Filed to Commission
October 2022	Proposed Decision on Application
November 2022	Final Decision
(a) Assuming the notice of the filing of the application first appears on the Daily Calendar is March 7, 2022. (b) Ten days from April 6, 2022 falls on April 16, 2022 which is a Saturday. The next business day is Monday, April 18, 2022.	

F. Issues to be Considered - Rule 2.1(c).

The principal issues to be considered are whether:

1. PG&E's CEOP is just and reasonable and should be authorized.

12/ SCE Application, p. 13.

13/ SCE Application, p. 14.

2. PG&E can establish and implement the budget and cost recovery for its CEOP as described in testimony.

G. Relevant Safety Considerations – Rule 2.1 (c).

Rule 2.1(c) requires utilities to clearly state the relevant safety considerations in their applications. Nothing is more important to PG&E than the safety of our customers, employees, contractors, and the communities we serve. It is our top priority. Thus, PG&E supports and shares the Commission's discussion of safety considerations in D.19-04-010, which provides in part:

> The health and safety impacts of GHGs are among the reasons that the Legislature enacted AB 32. Specifically, the Legislature found and declared that global warming caused by GHGs "poses a serious threat to the economic well-being, public health, natural resources, and the environment of California." Potential adverse impacts include "the exacerbation of air quality problems, a reduction in the quality and supply of water to the state from the Sierra snowpack, a rise in sea levels resulting in the displacement of thousands of coastal businesses and residences, damage to marine ecosystems and the natural environment, and an increase in the incidences of infectious disease, asthma, and other human health-related problems." [Quoting California Assembly Bill 32 Section 38501(a)]
>
> This decision approves a pilot aimed at accelerating the reduction of GHG emissions through behind-the-meter performance incentives, which may be more widely adopted if successful. Reducing GHG for customers in SCE's service area through clean energy and energy efficiency programs is a key aspect of the GHG reduction program envisioned by AB 32 and Pub. Util. Code § 748.5(c) and, as a result, will improve the health and safety of California residents.[14/]

14/ D.19-04-010, p. 21.

As discussed above and through PG&E's testimony, PG&E's CEOP aims to reduce GHG emissions. In addition, PG&E expects that CEOP participants will follow all federal, state, and local safety rules and regulations when participating in PG&E's CEOP.

H. Articles of Incorporation (Rule 2.2).

PG&E is, and since October 10, 1905, has been, an operating public utility corporation organized under California law. It is engaged principally in the business of furnishing electric and gas services in California. A certified copy of PG&E's Amended and Restated Articles of Incorporation, effective June 22, 2020, was filed with the Commission on July 1, 2020, with PG&E's Application 20-07-002. These articles are incorporated herein by reference.

VII. CONCLUSION AND REQUEST FOR COMMISSION ORDERS

PG&E requests that the Commission issue appropriate findings of fact, conclusions of law, and orders regarding the proposals contained in the testimony, attachments, appendices, and workpapers of PG&E's CEOP Application and granting such additional relief as the Commission may deem just and proper.

Respectfully Submitted,

By: *___/s/ Jennifer C. Reyes Lagunero___*
JENNIFER C. REYES LAGUNERO

Pacific Gas and Electric Company
77 Beale Street, Mail Code B30A
San Francisco, CA 94105
Telephone: (415) 973-2361
Facsimile: (415) 973-5220
E-Mail: Jennifer.ReyesLagunero@pge.com

Attorney for
PACIFIC GAS AND ELECTRIC COMPANY

Dated: March 4, 2022

VERIFICATION

I, the undersigned, state:

I am an officer of PACIFIC GAS AND ELECTRIC COMPANY, a California corporation, and am authorized to make this verification for and on behalf of said corporation, and I make this verification for that reason. I have read the foregoing pleading and I am informed and believe the matters therein are true and on that ground I allege that the matters stated therein are true.

I declare under penalty of perjury under the laws of the state of California that the foregoing is true and correct.

Executed at San Francisco, California this 2nd day of March 2022.

/s/ Aaron August

Aaron August
PACIFIC GAS AND ELECTRIC COMPANY