Date of Issuance: December 7, 2015

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION G-3510**
December 3, 2015

R E S O L U T I O N

Resolution G-3510. PG&E, SCE, SoCalGas, and SDG&E addressing approval of Energy Efficiency (EE) Incentive awards for program year (PY) 2013 and 2014.

PROPOSED OUTCOME:

- Approves PG&E, SCE, SoCalGas, and SDG&E's EE Incentive award for PY 2014 and for PY 2013. PY 2014 incentive award should be approved as calculated by Commission staff. PY 2013 incentive award should be approved as calculated in the advice letter filing.
- Addresses the definition of "hard-to-reach" in a subsequent phase of the Energy Efficiency proceeding R.13-11-005.

SAFETY CONSIDERATIONS:

- This Resolution approves incentive awards to PG&E, SCE, SoCalGas, and SDG&E, and thus is not expected to have an impact on public safety.

ESTIMATED COST:

- This Resolution approves Energy Efficiency Incentive awards for the second part of Program Year 2013 in the following amounts:
  - PG&E: $ 14,358,084
  - SCE: $ 10,455,223
  - SoCalGas: $2,141,962
  - SDG&E: $ 2,824,209
- This Resolution approves Energy Efficiency Incentive awards for Program Year 2014 in the following amounts:
  - PG&E: $ 10,342,142
  - SCE: $ 12,090,772

- SoCalGas: $ 2,011,907
- SDG&E: $ 3,724,831

By PG&E Advice Letter 3606-G/4659-E, SCE Advice Letter 3240-E, SoCalGas Advice Letter 4826, and SDG&E Advice Letter 2764-E/2396-G, Filed on June 30, 2015.

By PG&E Advice Letter 3632-G/4705-E, SCE Advice Letter 3271-E, SoCalGas Advice Letter 4859, and SDG&E Advice Letter 2788-E/2417-G, Filed on September 15, 2015.

SUMMARY

This Resolution addresses Pacific Gas and Electric Company (PG&E) Advice Letter 3606-G/4659-E, Southern California Electric Company (SCE) Advice Letter 3240-E, Southern California Gas Company (SoCalGas) Advice Letter 4826, and San Diego Gas & Electric (SDG&E) Advice Letter 2764-E/2396-G seeking approval of Program Year 2014 Energy Efficiency Incentive awards (excluding awards for savings from custom projects and “uncertainty list” measures) in compliance with Ordering Paragraphs (OPs) 3 and 4 of D.13-09-023. This Resolution modifies PG&E, SCE, SoCalGas, and SDG&E Advice Letters and approves the incentive awards, as calculated herein.

In addition, this Resolution addresses PG&E Advice Letter 3632-G/4705-E, SCE Advice Letter 3271-E, SoCalGas Advice Letter 4859, and SDG&E Advice Letter 2788-E/2417-G seeking approval of the second part of Program Year 2013 Energy Efficiency Incentive awards (awards for savings from custom projects and “uncertainty list” measures and 2013 “true up”) in compliance with Ordering Paragraphs (OPs) 3 and 4 of D.13-09-023. This Resolution approves PG&E, SCE, SoCalGas and SDG&E Advice Letters and approves the incentive awards, as modified herein.

BACKGROUND

<u>2013-14 Incentives – ESPI Mechanism</u>

The Efficiency Savings and Performance Incentive (ESPI) mechanism was adopted by the Commission on September 5, 2013, in D.13-09-023. The ESPI mechanism is a multi-component incentive structure intended to motivate Investor-Owned Utilities (IOUs) to invest not only in energy efficiency savings (i.e., resource programs), but also in non-resource programs where energy efficiency is marketed and promoted but energy savings are not quantified at this time (e.g., workforce, education, and training and marketing, education, and outreach). The ESPI's four components are:

1. Component 1: A performance award for energy savings of up to 9% of the resource program[1] budget (excluding codes and standards program budgets),
2. Component 2: A performance award for ex ante review activities of up to 3% of resource program budget (excluding codes and standards program budgets),
3. Component 3: A management fee for codes and standards (C&S) programs of up to 12% of codes and standards program budgets, and
4. Component 4: A management fee for non-resource[2] programs of up to 3% of non-resource program budgets.

Component 1

The energy savings performance award is split between ex ante (i.e., estimated savings pre-implementation) and ex post (i.e., evaluated savings post implementation) savings values. For the 2013-14 cycle, ex post savings values will apply to custom measures and the deemed measures on the "ESPI Uncertain List" proposed in Attachment 3 of D.13-09-023 and finalized by Commission staff. The final 2015 ESPI Uncertain List is posted to the Commission's

[1] A resource program is defined as an energy efficiency program that is intended to achieve and report quantified energy savings.

[2] A non-resource program is defined as an energy efficiency program where energy savings are not directly attributed but the program supports the energy efficiency portfolio through activities such as marketing or improved access to training and education.

Shareholder Incentive Mechanism website.[3] In accordance with D.13-09-023, the IOUs are to file for incentive payments for ex ante savings in the year following the program year (i.e., in 2015 for program year 2014) and for ex post savings two years following the program year (i.e., in 2016 for program year 2014). This is to allow time to complete Evaluation, Measurement, and Verification (EM&V) activities for measures on the ESPI Uncertain List.

For all energy savings, the incentive award is calculated using the statewide earnings rates adopted in D.13-09-023. The use of statewide earnings rates allows each unit of energy saved to earn an incentive award. The adopted statewide earnings rates are:

- Electricity: $ 2,525/GWh
- Peak Demand: $ 6,200/MW-Yr
- Natural Gas: $ 21,331/MMth

<u>Component 2</u>

The ex ante performance award adopted in D.13-09-023, bases the awards to the IOUs on their respective ex ante review activities in accordance with a set of 10 metrics that generally cover four common themes:

1. Timeliness in adopting policies (metrics 1a, 1b, and 2)
2. Quality of submittals (metrics 3, 5, 6a, 6b, and 7)
3. Consideration of existing DEER guidance and previous feedback in the development of workpapers and custom project deliverables (metrics 8, 9, and 10)

[3] Shareholder Incentive Mechanism website available at: http://www.cpuc.ca.gov/PUC/energy/Energy+Efficiency/Shareholder+Incentive+Mechanism.htm

4. Collaboration with Commission staff/Proactiveness (metrics 1a and 4)[4]

For 2014, each IOU was assessed based on the metrics adopted in D.13-09-023. In accordance with the decision, Commission staff first developed a preliminary qualitative assessment to provide the IOUs interim feedback on their respective ex ante activities. The interim feedback was delivered to the IOUs in July 2014. Commission staff then developed final ex ante performance scores for each IOU that were delivered to the IOUs and posted to http://deeresources.com on March 27, 2015.[5] The final scores for each IOU are as follows:

- PG&E: 53/100
- SCE: 58/100
- SoCalGas: 69.5/100
- SDG&E: 68/100

D.13-09-023 prescribes that the IOUs' incentive award for the ex ante review component of the ESPI is the product of the final score and the earnings cap for the component.

Components 3 and 4

The management fees for codes and standards programs and non-resource programs are calculated as a percentage of the IOUs' program expenditures, less administrative expenditures, for each program type.

Incentive Earnings Cap Calculations

The incentive earnings caps across the 2013-14 cycle for each component and each IOU were adopted in D.13-09-023 as follows:

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[4] *ESPI Ex Ante Review Metrics – Overlapping Metric and Actions to Improve Scores*; memo from Katie Wu, Commission staff, to all Investor Owned Utilities, dated February 3, 2014.

[5] ESPI – EAR Performance Scoring website available at: http://deeresources.com/index.php/espi/espi-ear-performance-scoring

Table 1: 2013-14 Total Award Caps by Component and IOU (in millions)

Component	**Cap**	**PG&E**	**SCE**	**SoCalGas**	**SDG&E**
Energy savings performance award	9% of resource program budget (minus C&S)	$ 58.9	$ 40.9	$ 12.5	$ 14.5
Ex ante review performance award	3% of resource program budget (minus C&S)	$ 19.6	$ 13.6	$ 4.2	$ 4.8
Codes & Standards (C&S) program management fee	12% of C&S program budget	$ 1.4	$ 1.16	$ 0.18	$ 0.23
Non-resource program management fee	3% of non-resource program budget	$ 2.8	$ 2.7	$ 0.26	$ 0.47
Total Cap Value	11% of EE portfolio budget	**$ 82.7**	**$ 58.5**	**$ 17.1**	**$ 20.0**

Per D.13-09-023, the IOUs are to rely on public versions of the Commission Utility Audit, Finance and Compliance Branch (UAFCB) reports to determine the actual expenditures to calculate their respective incentive awards. The UAFCB reports for 2013 were not completed at the time of the approval of 2013 awards. The reports have now been completed[6] so commission staff will true up the 2013 awards based on audited expenditures from the reports.

The UAFCB reports for 2014, however, have not been completed. As such, Commission staff directed the IOUs to calculate the 2014 awards using their respective reported data and any differences between reported and verified expenditures will be trued up in the advice letter filing for the second installment

[6] Utility Audit, Finance & Compliance Reports for 2013 Energy Efficiency Programs, http://www.cpuc.ca.gov/PUC/Water/Available+Documents/Downloadable+Reports/Utility_Audit_Finance_and_Compliance_Reports.htm, June 30, 2015

of 2014 payments made in 2016.[7] This second installment is built into the ESPI mechanism to provide sufficient time to obtain EM&V results required to calculate incentive awards for the ex post savings portion of the savings incentive for custom projects and deemed measures on the measure uncertainty list, and to true up any differences in ex ante deemed savings for installed measure "counts" based on EM&V results.

The staff-issued memo describing this process is included in Attachment 1 to Resolution G-3497, Resolution E-4700, and this Resolution. In accordance with D.13-09-023 and the staff-issued memo, PG&E, SCE, SoCalGas, and SDG&E filed their advice letters for 2014 Energy Efficiency Incentive awards for the following:

- Energy savings with ex ante parameter estimates: Equal to the utility's net lifecycle <u>reported savings and installation rates</u> multiplied by the adopted earnings rates coefficients, determined in accordance with Attachment 1 of D.13-09-023. Only savings from deemed measures not included on the ESPI Uncertain List are included in this calculation.
- Ex ante review performance: Equal to 3% of the utility's <u>reported expenditures</u> on resource programs (excluding administrative costs) during the previous program year multiplied by the utility's ex ante review score determined in accordance with Attachment 5 of D.13-09-023.
- Codes and standards advocacy management fee: Equal to 12% of the utility's <u>reported expenditures</u> on codes and standards advocacy during the previous program year.
- Non-resource management fee: Equal to 3% of the utility's <u>reported expenditures</u> on non-resource programs during the previous program year.

[7] *Additional Detail on Implementation of the Efficiency Savings and Performance Incentive (ESPI) Mechanism*; memo from Katie Wu, Commission staff, to all parties in R.13-11-005 and R.12-01-005; sent June 9, 2014.

NOTICE

Notice of PG&E AL 3606-G/4659-E, SCE AL 3240-E, SoCalGas AL 4826, and SDG&E AL 2764-E/2396-G was sent to all parties on GO 96-B and R.12-01-005 service lists.

Notice of PG&E AL 3632-G/4705-E, SCE AL 3271-E, SoCalGas AL 4859, and SDG&E AL 2788-E/2417-G was sent to all parties on GO 96-B and R.12-01-005 service lists.

PROTESTS

Advice Letters PG&E AL 3663-G/4659-E, SCE AL 3240-E, SoCalGas AL 4826, SDG&E AL 2764-E/2396-G were not protested.

PG&E AL 3632-G/4705-E, SCE AL 3271-E, SoCalGas AL 4859, and SDG&E AL 2788-E/2417-G were not protested; however, the Natural Resources Defense Council, on behalf of eleven joint parties, submitted a letter on October 5, 2015 in support of revising the "hard-to-reach" definition as described in PG&E's AL 3632-G/4705-E (p.5).

DISCUSSION

Second Part of 2013 Incentive Awards

In reviewing the second part of the 2013 incentive awards (awards for savings from custom projects and "uncertainty list" measures and 2013 "true up"), Commission staff accepts the amounts in the advice letters:

<u>PG&E Advice Letter 3632-G/4705-E</u>

PG&E requests an incentive award in the amount of $14,358,084. This amount differs from the amounts calculated in the 2013 Ex-Post Efficiency Savings and

Performance Incentive Performance Statement Report[8], dated August 15, 2015. In its advice letter filing, PG&E includes a reduction of $7,523 in response to the Commission Utility, Audit, Finance, and Compliance Branch's (UAFCB) examination of PG&E's 2013 energy efficiency expenditures. The UAFCB report finds "a reduction of $394,913 should be made…before calculating the awards for the 2013 true-up."[9] PG&E correctly applies the 3% management fee and the 2013 ex-ante performance score of 65% to arrive at $7,523. Commission staff agrees with this reduction.

PG&E also includes a reduction in the amount of $367,663 for adjustments made to PG&E's ex-ante database. This adjustment is based on using a more recent dataset than was used for the 2013 Ex-Post Efficiency Savings and Performance Incentive Performance Statement Report and including additional ex-ante corrections. Commission staff accepts this reduction since the use of a more recent dataset represents a more accurate calculation of earnings, but notes that the earnings for the other utilities' awards are not based on this more recent dataset.

<u>SCE Advice Letter 3271-E</u>

SCE requests an incentive award in the amount of $10,455,223. This amount is consistent with the amounts calculated in the 2013 Ex-Post Efficiency Savings and Performance Incentive Performance Statement Report[10], dated

[8] See Table 1 of the 2013 Performance Statement Report, http://www.cpuc.ca.gov/NR/rdonlyres/5730A107-47D8-49E7-8607-38C9585FFF05/0/2013ESPIPerformanceStatementReport_DISTRIBUTE.pdf, August 2015

[9] See page 1 of Financial, Management, and Regulatory Compliance Examination Report on Pacific Gas and Electric Company's (PGE's) Energy Efficiency (EE) Programs for the Period January 1, 2013 through December 31, 2013, http://www.cpuc.ca.gov/NR/rdonlyres/2A3A2C09-96E6-4F12-AA28-1EA1855D0FC7/0/PGEEEProgramExaminationReport2013.pdf, June 2015

[10] See Table 1 of the 2013 Performance Statement Report, http://www.cpuc.ca.gov/NR/rdonlyres/5730A107-47D8-49E7-8607-

Footnote continued on next page

August 15, 2015. The Commission Utility, Audit, Finance, and Compliance Branch's (UAFCB) examination of SCE's 2013 energy efficiency expenditures is being addressed in the 2014 incentive award, see Table 16 of this Resolution.

SoCalGas Advice Letter 4859

SoCalGas requests an incentive award in the amount of $2,141,962. This amount is consistent with the amounts calculated in the 2013 Ex-Post Efficiency Savings and Performance Incentive Performance Statement Report[11], dated August 15, 2015. The SoCalGas reduction of $5,262 in response to the Commission Utility, Audit, Finance, and Compliance Branch's (UAFCB) examination of SoCalGas' 2013 energy efficiency expenditures is being addressed in the 2014 incentive award, see Table 23 of this Resolution.

SDG&E Advice Letter 2788-E/2417-G

SDG&E requests an incentive award in the amount of $2,824,209. This amount differs from the amounts calculated in the 2013 Ex-Post Efficiency Savings and Performance Incentive Performance Statement Report[12], dated August 15, 2015. In its advice letter filing, SDG&E includes a reduction of $3,003 in response to the Commission Utility, Audit, Finance, and Compliance Branch's (UAFCB) examination of SDG&E's 2013 energy efficiency expenditures. Commission staff accepts this reduction and removed the $3,003 reduction from the 2014 incentive award.

With respect to the letter in support of revising the "hard-to-reach" definition, that issue is outside the scope of the advice letter filing and thus should be

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38C9585FFF05/0/2013ESPIPerformanceStatementReport_DISTRIBUTE.pdf, August 2015

[11] See Table 1 of the 2013 Performance Statement Report, http://www.cpuc.ca.gov/NR/rdonlyres/5730A107-47D8-49E7-8607-38C9585FFF05/0/2013ESPIPerformanceStatementReport_DISTRIBUTE.pdf, August 2015

[12] ibid

addressed in a subsequent phase of the Energy Efficiency proceeding, R.13-11-005.

2014 Incentive Awards

In reviewing the 2014 incentive awards (excluding awards for savings from custom projects and "uncertainty list" measures), Commission staff found inconsistencies between the expenditure and savings values filed in the IOUs' advice letters and the data submitted in their quarterly and monthly reports.[13] Monthly reports are available publicly via the Commission's California Energy Efficiency Statistics website (http://eestats.cpuc.ca.gov/Views/Documents.aspx). Quarterly reports contain some confidential customer data and, therefore, are not publicly available at this time. The quarterly reports contain the same data as monthly reports but in a more detailed format and are presumably sourced from the same utility databases as the monthly reports. The data is stored on the Energy Division (ED) Central Server.

Given the discrepancies between the quarterly reports and the expenditure data filed in each of the IOUs' advice letters, without the benefit of the final 2014 UAFCB audit to assist staff in reconciling them, <u>the initial payments awarded this Resolution for the expenditure-based components of the ESPI mechanism rely on the **lower value** between the two sources of expenditure-related data (the quarterly reports or the utility-filed expenditures)</u>. As stated in the Background section, the utilities' expenditures will be trued up with the UAFCB audit results when the audits are completed in 2016.

Beyond identifying differences between the savings filed in the IOUs' advice letters and quarterly report data, staff conducted a high level review of the

[13] Appendix D of the Energy Efficiency Policy Manual (Version 5) describes program administrators' reporting requirements. Program administrators are required to submit monthly reports on expenditures and program-level savings and quarterly reports on budgets and expenditure caps. Quarterly reports also contain measure level energy savings data.

quarterly energy savings data to validate the energy savings. A summary of the reviewed energy savings values, the details of the review, and a link to the review spreadsheet are included as Attachment 3 of this Resolution.

This Resolution makes the following adjustments to energy savings values used to verify the ESPI awards:

1. Removal of any Uncertain Measures from the advice letter filings,
2. Addition of any deemed certain measures omitted from the advice letter filings,
3. Proper application of Early Retirement (ER) policy and related effective and remaining useful life (EUL and RUL) values for add-on measures and measures with savings calculated over existing baselines,
4. Proper application net-to-gross (NTG) values, and
5. Removal of any deemed certain measures installed pre-2013.

Overall, this Resolution increases savings to account for omitted deemed certain measures and to reduce savings to account for Uncertain Measures, incorrect application of NTG values, and for incorrect application of RUL values for retrofit add-on and early retirement applications.

For ER application and RUL value adjustments in retrofit add-on and early retirement applications, staff elected to apply the entire adjustment. Staff did not investigate the use of RUL values for in last year's program year 2013 ESPI awards; however, for program year 2014 staff reviewed these values. Staff revised retrofit add-on measures so that the EUL of the measure is equal to the lower of the RUL of the modified system or equipment or the EUL of the add-on component. Staff also identified and revised misclassified measures as retrofit add-on measures and early retirement applicable measures. Going forward, the IOUs need to apply the correct RUL for retrofit add-on applications and need to correctly classify measures as retrofit add-on measures and for early retirement applications.

For NTG adjustments, staff elected to apply three-quarters of the NTG adjustment, rather than the entire adjustment (i.e., all of the changes made to NTG values) to acknowledge the fact that there may be justifiable reasons why the utilities applied hard-to-reach or emerging technology NTG values for measures in programs that our high level review identified as inappropriate. Based on past experience with delving into instances in which staff has identified hard-to-reach or emerging technology designations that it believed were incorrect, staff considers it highly unlikely that the number of instances this would be the case could exceed one in four. Misapplication of NTG values was also identified in Attachment 3 of Resolution G-3497 and Attachment 3 of Resolution E-4700, where PG&E, SCE, SoCalGas, and SDG&E requested approval of program year 2012 and partial 2013 energy efficiency incentive awards.

If the utilities believe that staff over-corrected NTG values, they are directed to provide the requisite supporting documentation, consistent with existing Commission policy, for the measures for which the higher NTG is believed warranted in their 2016 advice letter for the 2014 program year custom project and uncertainty list savings awards and "true up."

Staff elected to exclude savings for measures, not on the uncertainty list, that were installed before program year 2013 and therefore should have been already submitted in the IOUs' 2013 award claims. In the program year 2014 claims, SCE is continuing to include claims for savings for measures installed before 2013. IOUs need to include all savings for measures, not on the uncertainty list, in the appropriate year for claims, complying with the adopted savings accounting direction based on measure installation dates[14], or forfeit those awards. Therefore, next year's claims should not include savings for measures, not on the uncertainty list, that were installed before 2015. IOUs should indicate in their data submissions what year each measure is installed.

For incentive calculations based on energy savings, staff uses the data from the Energy Division Central Server (i.e., the reviewed quarterly report data) to verify the IOUs' savings claims. As such, this Resolution modifies the requested 2014

[14] This annual installation date based claims requirement was introduced in D.04-09-060 (page 33 and OP 14) , clarified in and reiterated in D.05-04-051 (page 55, Findings of Fact 36-42, Conclusion of Law 3, Ordering Paragraph 17), and again in D.05-09-043 (page 84).

(ex ante) savings awards, where appropriate, to be consistent with the reviewed data on file with the CPUC.

PG&E Advice Letter 3606-G/4659-E

PG&E requests $ 11,515,950 for the 2014 incentive award. In accordance with D.13-09-023 and the staff-issued memo, the award is comprised of four components:

Table 2: PG&E Filed 2014 Incentive Award Claim

Award Component	**Requested Amount**
Energy savings with ex ante parameter estimates	$ 5,387,508
Ex ante review performance	$ 4,368,296
Codes and standards management fee	$ 873,505
Non-resource program management fee	$ 886,641
Total	$ 11,515,950

Component 1: Energy Savings Performance Award

In Energy Division's review of PG&E AL 3606-G/4659-E, staff finds PG&E's filing to be inconsistent with the utility-reported data on file with the Commission and stored on the ED Central Server. The differences between the PG&E-filed savings values and the Commission data are noted below.

Table 3: Comparison of PG&E Filed Energy Savings and ED Central Server Values

	IOU Claimed Value (supplemental AL)	**ED Central Server Value**	**Difference**
GWh	1,265	1,180	7%
MW	210	183	13%
MMth	42	40	4%

It is unclear why the utility-reported data on file at the Commission would differ from PG&E's advice letter filing. The savings values staff used for the purposes of this Resolution is included as Attachment 3. Given that the Commission data on file are comprised of utility-filed claims reviewed by Commission staff, staff relied on the Commission data to verify and confirm PG&E's filing. As such, the energy savings component of the shareholder incentive award for PG&E is calculated per Table 4 below, for a total reduction of $ 420,168 from the claimed amount in PG&E AL 3606-G/4659-E.

Table 4: PG&E Energy Savings Performance Award Calculation

Energy Units Saved	Earnings Rate	Total Earnings
1,180 GWh	$ 2,525/GWh	$ 2,979,500
183 MW-Yr	$ 6,200/MW-Yr	$ 1,134,600
40 MMTh	$ 21,331/MMTh	$ 853,240
		$ 4,967,340

Energy Efficiency Program Expenditures

In AL 3606-G/4659-E PG&E notes the following expenditures that are applicable to the three incentive award components:

Table 5: PG&E Filed Expenditures

Award Component	Applicable Budget(s)	Expenditures (less administrative costs)
2. Ex ante review performance	All resource programs	$ 274,735,623
3. Codes and standards management fee	Codes and standards programs	$ 7,279,208
4. Non-resource program management fee	Non-resource programs	$ 29,554,687

PG&E's filed expenditures for resource, non-resource, and C&S programs are inconsistent with the utility-reported data on file at the Commission. The differences are noted below:

Table 6: Comparison of PG&E and ED Central Server Expenditures

	IOU Claimed Value	ED Central Server Value	Difference

Resource programs	$ 274,735,623	$ 240,601,821	12%
Codes and standards programs	$ 7,279,208	$ 7,279,208	0%
Non-resource programs	$ 29,554,687	$ 29,107,070	2%

The list of resource, non-resource and C&S programs, with the reported expenditures, is included as Attachment 2 to this Resolution.

In staff's initial analysis of PG&E's expenditures, staff noted inconsistencies between PG&E's filed expenditures and Commission data. The quarterly data submitted by PG&E to the ED Central Server does not include On-bill Financing expenditures but the AL claimed expenditures do. The expenditures claimed by PG&E in AL 3606-G/4659-E categorizes expenditures as resource, non-resource, or C&S for the 2013 and 2014 expenditure claims differently compared to the quarterly data submitted to the Commission. Programs such as Ozone Laundry, CA Community Colleges, Local Government Energy Action Resources, and Governmental Partnership Programs all split their expenditures between resource and non-Resource categories in PG&E's AL claims. This split is performed on the quarterly data for the above programs using the 89% Resource 11% Non-Resource split that Commission staff calculated from PG&E's submitted data. The IOUs have submitted how they will categorize their 2015 programs on February 23, 2015[15] which should enable a clearer accounting of allocating expenditures to different program categories.

Per the staff-issued memo distributed on June 9, 2014 and included as Attachment 1 to this Resolution, the IOUs' 2014 expenditures will be trued up once the UAFCB final 2014 audit is complete. For the purposes of this Resolution, staff relied on PG&E's data submissions to reconcile expenditure data differences between PG&E AL 3492-G/4451-E and data from the ED Central Server (included as Attachment 2 to this Resolution). Staff uses **lower value** between the IOU claimed expenditures in the AL and the quarterly expenditures from the ED Central Server if reconciliation cannot be made.

[15] PG&E AL 2566-G/4591-E, SCE AL 3181-E, SoCalGas 4764, SDG&E 2709-E/2363-G, Updates to the 2015 ESPI Mechanism Earnings Coefficient and Caps, February 28, 2015

Per the staff-issued memo distributed on June 9, 2014 and included as Attachment 1 to Resolution G-3497, the IOUs' 2013 ESPI Resolution expenditures are to be trued up as the UAFCB final 2013 audit was completed on June 30, 2015. The difference in expenditures between the PG&E 2013 ESPI Resolution expenditures and 2013 UAFCB audited expenditures is used to calculate the true up for the 2014 award.

Table 7: Comparison of 2013 PG&E Claimed and UAFCB Audited Expenditures

	2013 IOU Resolution Expenditure	**2013 UAFCB Audit Expenditure**	**Award Difference**
Resource programs	$ 275,359,291	$ 276,487,600[16] [17]	($ 21,495)[18]
Codes and standards programs	$ 6,295,617	$ 6,295,617	$ 0
Non-resource programs	$ 28,675,400	$ 28,675,400	$ 0

Component 2: Ex Ante Review Performance Award

[16] Resource expenditure derived from Portfolio total minus Administrative expenses minus Non-IOU program expenditure minus EMV expenditure minus On-bill financing minus C&S expenditure (less administrative expenses) minus Non-resources expenditure (less administrative expenses from Tables B-2, B-3, and B-4 of Utility Audit, Finance & Compliance Reports for 2013 Energy Efficiency Programs, http://www.cpuc.ca.gov/PUC/Water/Available+Documents/Downloadable+Reports/Utility_Audit_Finance_and_Compliance_Reports.htm, June 30, 2015

[17] A pre-2013 carryover of $48,699,178 is reallocated back to the 2013 UAFCB Audit Expenditure under Resource Programs from Table: Summary of EE Program Reporting Differences Among 2013 EEStats Reports on Page 2 of Utility Audit, Finance & Compliance Reports for 2013 Energy Efficiency Programs, http://www.cpuc.ca.gov/PUC/Water/Available+Documents/Downloadable+Reports/Utility_Audit_Finance_and_Compliance_Reports.htm, June 30, 2015

[18] The award difference for resource programs is the difference between the 2013 ESPI Resolution Expenditure and the 2013 UAFCB Audit Expenditure.

In accordance with D.13-09-023, PG&E is eligible to earn up to 3% of resource program expenditures, less administrative spend, for the ex ante review performance award. As noted above, PG&E's final 2014 ex ante performance score was 53/100. The ex ante performance award component for PG&E is calculated as:

$ 240,601,821* 3% * 53% = $ 3,825,569

The 2014 award of $ 3,825,569 is increased by $ 21,495 to be trued up to account for the difference between the 2013 ESPI Resolution expenditure and the 2013 UAFCB audited expenditure.

$ 3,825,569– ($275,359,291- $ 276,487,600) * 3% * 63.5% = $ 3,847,064

<u>This award is $ 3,847,064 and is $ 521,232 less the than the amount claimed in PG&E AL 3606-G/4659-E to account for the 2013 expenditure true up from the 2013 UAFCB audit.</u>

Component 3: Codes and Standards Program Management Fee

Per D.13-09-023, the codes and standards program management fee is equal to 12% of the codes and standards program expenditures, less administrative spend. The codes and standards management fee is calculated as:

$ 7,279,208* 12% = $ 873,505

The total 2013-2014 award cap for the codes and standards program management fee is $ 1,410,000. An amount of $ 755,474 was approved for the 2013 award and if $ 873,505 is approved for the 2014 award, the total award, $ 1,628,979 will exceed the cap by $ 218,979. Therefore, the total award is reduced to not exceed the total award cap.

$ 873,505 - $ 218,979 = $ 654,526

<u>This award is $ 654, 526 and is $ 218,979 less the than the amount claimed in PG&E AL 3606-G/4659-E to account for the 2013-2014 award cap.</u>

Component 4: Non-resource Program Management Fee

Per D.13-09-023, the non-resource program management fee is equal to 3% of non-resource program expenditures, less administrative spend. The non-resource program management fee is calculated as:

$ 29,107,070 * 3%= $ 873,212

This award is $ 873,212 and is $ 13,429 less than the amount claimed in PG&E AL 3606-G/4659-E to account for differences between the expenditures filed in the AL and on the ED Central Server.

Incentive Recovery though Retail Rates

The 2014 incentive award for PG&E totals $ 10,342,142 as shown below. This award is $ 1,173,808 less than the amount claimed in PG&E AL 3606-G/4659-E. PG&E is awarded a lesser amount than what was claimed in PG&E AL 3606-G/4659-E due to differences in the expenditures and energy savings data in PG&E's advice letter and the ED Central Server, 2013 audit true up, and 2013 - 2014 awards cap adjustment.

Table 8: PG&E 2014 Incentive Award

Award Component	**Award Amount**
2014 Energy Savings (with ex ante parameter estimates)	$ 4,967,340
2014 Ex Ante Review Performance	$ 3,847,064
Codes and Standards Management Fee	$ 654,526
Non-resource Program Management Fee	$ 873,212
Total	$ 10,342,142

Per PG&E AL 3606-G/4659-E, PG&E will recover the 2014 incentive award from ratepayers by allocating the total award between its electric and gas balancing accounts in accordance with the electric and gas net benefit factors approved for the 2013-14 portfolios, as follows:
Table 9: PG&E Incentive Award Allocation

Allocation[19]	2014 Energy Efficiency Incentive awards
Electric Balancing Account (82%)	$ 8,480,556
Gas Balancing Account (18%)	$ 1,861,586
Total	$ 10,342,142

<u>SCE Advice Letter 3240-E</u>

SCE requests $ 12,193,233 for the 2014 incentive award. In accordance with D.13-09-023 and the staff-issued memo, the award is comprised of four components:

Table 10: SCE Filed 2014 Incentive Award Claim

Award Component	Requested Amount
Energy savings with ex ante parameter estimates	$ 6,791,987
Ex ante review performance	$ 4,001,864
Codes and standards management fee	$ 376,602
Non-resource program management fee	$ 1,025,205
2013 UAFCB Audit True Up	($ 2,424)
Total	$ 12,193,234

SCE reduced its earnings claim by $ 2,424 in accordance with the Recommendation for Observation 4 per the 2013 UAFCB Draft Audit[20].

Component 1: Energy Savings Performance Award

In Energy Division's review of SCE AL 3240-E, staff finds SCE's filing to be inconsistent with the utility-reported data on file with the Commission and

[19] The net benefit factor for the 2013-14 portfolio cycle was approved in Advice Letter 3356-G-A/4176-E-A.

[20] Financial, Management, Regulatory, and Compliance Examination Report on Southern California Edison Company's Energy Efficiency For the Period January 1, 2013 through December 31, 2013, p. 2.

stored on the ED Central Server. The differences between the SCE-filed savings values and the Commission data are noted below.

Table 11: Comparison of SCE Filed Energy Savings and ED Central Server Values

	IOU Claimed Value (supplemental AL)	**ED Central Server Value**	**Difference**
GWh	1,767	1,785	-1%
MW	376	352	6%

It is unclear why the utility-reported data on file at the Commission would differ from SCE's advice letter filing. The savings values staff used for the purposes of this Resolution is included as Attachment 3. Given that the Commission data on file are comprised of utility-filed claims reviewed by Commission staff, staff relied on the Commission data to verify and confirm SCE's filing. As such, the energy savings component of the shareholder incentive award for SCE is calculated per Table 12 below, for a total reduction of $ 102,462 from the claimed amount in SCE AL 3240-E.

Table 12: SCE Energy Savings Performance Award Calculation

Energy Units Saved	**Earnings Rate**	**Total Earnings**
1,785 GWh 352 MW-Yr	$ 2,525/GWh $ 6,200/MW-Yr	$ 4,507,125 $ 2,182,400
		$ 6,689,525

Energy Efficiency Program Expenditures

In AL 3240-E SCE notes the following expenditures that are applicable to the three incentive award components:

Table 13: SCE Filed Expenditures

Award Component	**Applicable Budget(s)**	**Expenditures (less administrative costs)**
2. Ex ante review performance	All resource programs	$ 229,992,165
3. Codes and standards	Codes and standards	$ 3,138,352

Award Component	Applicable Budget(s)	Expenditures (less administrative costs)
management fee	programs	
4. Non-resource program management fee	Non-resource programs	$ 34,173,491

SCE's filed expenditures for resource, non-resource, and C&S programs are inconsistent with the utility-reported data on file at the Commission. The differences are noted below:

Table 14: Comparison of SCE and ED Central Server Expenditures

	IOU Claimed Value	ED Central Server Value	Difference
Resource programs	$ 229,992,165	$ 326,235,872	-42%
Codes and standards programs	$ 3,138,352	$ 3,728,867	-19%
Non-resource programs	$ 34,173,491	$ 43,970,386	-29%

The list of resource, non-resource, and C&S programs, with the reported expenditures, is included as Attachment 2 to this Resolution. In staff's initial analysis of SCE's expenditures, staff noted relatively large inconsistencies between SCE's filed expenditures and Commission data. The expenditures claimed by SCE in AL 3240-E does not include the pre-2013 Program Year roll over funds but the quarterly data on the ED Central Server does include the roll over funds. SCE also includes pensions and benefits in their quarterly data submissions to the Central Server. In contrast, the quarterly data does not include On-bill Financing expenditures but the AL claimed expenditures do. Commission staff reached out to SCE staff to reconcile the differences. Additionally, there may still be inconsistency in the categorization of expenditures as resource, non-resource, or C&S for the 2013 and 2014 expenditure claims. The IOUs have submitted how they will categorize their 2015 programs on February 23, 2015[21].

Per the staff-issued memo distributed on June 9, 2014 and included as Attachment 1 to this Resolution, the IOUs' 2014 expenditures will be trued up once the UAFCB final 2014 audit is complete. For the purposes of this Resolution, staff relied on SCE's data submissions to reconcile expenditure data differences between SCE AL 3240-E and data from the ED Central Server (included as Attachment 2 to this Resolution). Staff uses the **lower value** between the IOU claimed expenditures in the AL and the quarterly expenditures from the ED Central Server if reconciliation cannot be made.

Per the staff-issued memo distributed on June 9, 2014 and included as Attachment 1 to Resolution E-4700, the IOUs' 2013 ESPI Resolution are to be trued up as the UAFCB final 2013 audit was completed on June 30, 2015. The difference in expenditures between the SCE 2013 ESPI Resolution and 2013 UAFCB audited expenditures is used to calculate the true up for the 2014 award.

Table 15: Comparison of 2013 SCE Claimed and UAFCB Audited Expenditures

	2013 ESPI Resolution Expenditure	**2013 UAFCB Audit Expenditure**	**Award Difference**
Resource programs	$ 152,890,562	$ 152,890,562[22]	$ 0[23]

[21] PG&E AL 2566-G/4591-E, SCE AL 3181-E, SoCalGas 4764, SDG&E 2709-E/2363-G, Updates to the 2015 ESPI Mechanism Earnings Coefficient and Caps, February 28, 2015

[22] Resource expenditure derived from Portfolio total minus Administrative expenses minus C&S expenditure (less administrative expenses) minus Non-resources expenditure (less administrative expenses from Tables B-2, B-3, and B-4 of Utility Audit, Finance & Compliance Reports for 2013 Energy Efficiency Programs, http://www.cpuc.ca.gov/PUC/Water/Available+Documents/Downloadable+Reports/Utility_Audit_Finance_and_Compliance_Reports.htm, June 30, 2015 An additional difference of $ 4,532,426 is reported by SCE staff to be external to ESPI expenditures accounting.

	2013 ESPI Resolution Expenditure	**2013 UAFCB Audit Expenditure**	**Award Difference**
Codes and standards programs	$ 2,780,375	$ 2,780,376	$ 0
Non-resource programs	$ 12,047,533	$ 12,047,528	$ 0

Component 2: Ex Ante Review Performance Award

In accordance with D.13-09-023, SCE is eligible to earn up to 3% of resource program expenditures, less administrative spend, for the ex ante review performance award. As noted above, SCE's final 2014 ex ante performance score was 58/100. The ex ante performance award component for SCE is calculated as:

$ 229,992,165* 3% * 58% = $ 4,001,864

<u>This award is $ 4,090,926 and is the same amount claimed in SCE AL 3240-E.</u>

Component 3: Codes and Standards Program Management Fee

Per D.13-09-023, the codes and standards program management fee is equal to 12% of the codes and standards program expenditures, less administrative spend. The codes and standards management fee is calculated as:

$ 3,138,352* 12% = $ 376,602

$ 367,602 - $ 2,424[24] = $ 374,178

[23] The award difference for resource programs is the difference between the 2013 ESPI Resolution Expenditure and the 2013 UAFCB Audit Expenditure.

[24] Per the draft Financial, Management, Regulatory, and Compliance Examination Report on Southern California Edison Company's (SCE's) Energy Efficiency (EE) Program For the Period January 1, 2013 through December 31, 2013, Observation 4, p 2. SCE reported and paid an incorrect amount to a vendor from April through November

Footnote continued on next page

The 2013 UAFCB Audit True Up of $ 2,424 in 2013 awards is already noted by SCE AL 3240-E. This award is $ 374,178 and is same amount claimed in SCE AL 3240-E.

Component 4: Non-resource Program Management Fee

Per D.13-09-023, the non-resource program management fee is equal to 3% of non-resource program expenditures, less administrative spend. The non-resource program management fee is calculated as:

$ 34,173,491 * 3%= $ 1,025,205

This award is $ 1,025,205 and is the same amount claimed in SCE AL 3240-E.

Incentive Recovery though Retail Rates

The 2014 incentive award for SCE totals $ 12,179,834 as shown below. This award is $ 102,462 less than the amount claimed in SCE AL 3240-E. SCE is awarded a lesser amount than what was claimed in SCE AL 3240-E due to differences in the program expenditures and energy savings data in SCE's advice letter and the ED Central Server and 2013 audit true up.

Table 16: SCE 2014 Incentive Award

Award Component	**Award Amount**
2014 Energy Savings (with ex ante parameter estimates)	$ 6,689,525
2014 Ex Ante Review Performance	$ 4,001,864
Codes and Standards Management Fee	$ 376,602
Non-resource Program Management Fee	$ 1,025,205
2013 UAFCB Audit True Up	($ 2,424)
Total	$ 12,090,772

SoCalGas Advice Letter 4826

2013 by using incorrect labor rates. SCE has therefore reduced its earnings claim by $2,424 in accordance with the Recommendation for Observation 4.

SoCalGas requests $ 2,039,319 for the 2014 incentive award. In accordance with D.13-09-023 and the staff-issued memo, the award is comprised of four components:

Table 17: SoCalGas Filed 2014 Incentive Award Claim

Award Component	**Requested Amount**
Energy savings with ex ante parameter estimates	$ 794,281
Ex ante review performance	$ 1,047,976
Codes and standards management fee	$ 73,418
Non-resource program management fee	$ 128,906
2013 UAFCB Audit True Up	($ 5,262)
Total	$ 2,039,319

The UAFCB included two audit observations recommending that certain expenditures be excluded from the ESPI in the SoCalGas 2013 Audit Report.[25] The UAFCB concluded that $ 5,262 should have been charged to Program Year 2012, and not Program Year 2013.

Component 1: Energy Savings Performance Award

In Energy Division's review of SoCalGas AL 4826, staff finds SoCalGas's filing to be inconsistent with the utility-reported data on file with the Commission and stored on the ED Central Server. The differences between the SoCalGas-filed savings values and the Commission data are noted below.

Table 18: Comparison of SoCalGas Filed Energy Savings and ED Central Server Values

	IOU Claimed Value (supplemental AL)	**ED Central Server Value**	**Difference**
MMTh	37	36	3%

[25] Financial, Management, Regulatory, and Compliance Examination Report on Southern California Gas Company's Energy Efficiency For the Period January 1, 2013 through December 31, 2013, p. 1.

It is unclear why the utility-reported data on file at the Commission would differ from SoCalGas's advice letter filing. The savings values staff used for the purposes of this Resolution is included as Attachment 3. Given that the Commission data on file are comprised of utility-filed claims reviewed by Commission staff, staff relied on the Commission data to verify and confirm SoCalGas's filing. <u>As such, the energy savings component of the shareholder incentive award for SoCalGas is calculated per Table 19 below, for a total reduction of $ 26,365 from the claimed amount in SoCalGas AL 4826.</u>

Table 19: SoCalGas Energy Savings Performance Award Calculation

Energy Units Saved	Earnings Rate	Total Earnings
36 MMTh	$ 21,331/MMTh	$ 767,916
		$ 767,916

Energy Efficiency Program Expenditures

In AL 4826 SoCalGas notes the following expenditures that are applicable to the three incentive award components:

Table 20: SoCalGas Filed Expenditures

Award Component	Applicable Budget(s)	Expenditures (less administrative costs)
2. Ex ante review performance	All resource programs	$ 50,262,659
3. Codes and standards management fee	Codes and standards programs	$ 611,820
4. Non-resource program management fee	Non-resource programs	$ 4,296,874

SoCalGas's filed expenditures for non-resource programs are consistent with the utility-reported data on file at the Commission. The differences in expenditures for resource and C&S programs are noted below:

Table 21: Comparison of 2014 SoCalGas and ED Central Server Expenditures

	IOU Claimed Value	ED Central Server Value	Difference
Resource programs	$ 50,262,659	$ 49,095,345	2%
Codes and standards programs	$ 611,820	$ 655,675	-7%
Non-resource programs	$ 4,296,874	$ 4,296,867	0%

The list of programs, with the reported expenditures, is included as Attachment 2 to this Resolution. In staff's initial analysis of SoCalGas's expenditures, staff noted inconsistencies between SoCalGas's filed expenditures and Commission data. There may still be inconsistency in the categorization of expenditures as resource, non-resource, or C&S for the 2013 and 2014 expenditure claims. The IOUs have submitted how they will categorize their 2015 programs on February 23, 2015[26].

Per the staff-issued memo distributed on June 9, 2014 and included as Attachment 1 to this Resolution, the IOUs' 2014 expenditures will be trued up once the UAFCB final 2014 audit is complete. For the purposes of this Resolution, staff relied on SoCalGas's data submissions to reconcile expenditure data differences between SoCalGas AL 4826 and data from the ED Central Server (included as Attachment 2 to this Resolution). <u>Staff uses **lower value** between the IOU claimed expenditures in the AL and the quarterly expenditures from the ED Central Server if reconciliation cannot be made.</u>

Per the staff-issued memo distributed on June 9, 2014 and included as Attachment 1 to Resolution G-3497, the IOUs' 2013 ESPI Resolution expenditures are to be trued up as the UAFCB final 2013 audit was completed on June 30, 2015. The difference in expenditures between the SoCalGas 2013 ESPI Resolution and 2013 UAFCB audited expenditures is used to calculate the true up for the 2014 award.

[26] PG&E AL 2566-G/4591-E, SCE AL 3181-E, SoCalGas 4764, SDG&E 2709-E/2363-G, Updates to the 2015 ESPI Mechanism Earnings Coefficient and Caps, February 28, 2015

Table 22: Comparison of 2013 SoCalGas Claimed and UAFCB Audited Expenditures

	2013 ESPI Resolution Expenditure	**2013 UAFCB Audit Expenditure**	**Award Difference**
Resource programs	$ 39,303,489	$ 40,470,948[27]	($ 23,290)[28]
Codes and standards programs	$ 208,021	$ 164,169	$ 5,262
Non-resource programs	$ 3,678,072	$ 3,678,073	$ 0

Component 2: Ex Ante Review Performance Award

In accordance with D.13-09-023, SoCalGas is eligible to earn up to 3% of resource program expenditures, less administrative spend, for the ex ante review performance award. As noted above, SoCalGas's final 2014 ex ante performance score was 69.5/100. The ex ante performance award component for SoCalGas is calculated as:

$$\$\,49{,}095{,}336 * 3\% * 69.5\% = \$\,1{,}023{,}638$$

$ 1,023,638 is increased by $ 23,291 to be trued up to account for the difference between the 2013 SoCalGas's claimed expenditure and the UAFCB audited expenditure.

$$\$\,1{,}023{,}638 - (\$\,39{,}303{,}489 - \$\,40{,}470{,}957) * 3\% * 66.5\% = \$\,1{,}046{,}928$$

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[27] Resource expenditure derived from Portfolio total minus Administrative expenses minus C&S expenditure (less administrative expenses) minus Non-resources expenditure (less administrative expenses from Tables B-2, B-3, and B-4 of Utility Audit, Finance & Compliance Reports for 2013 Energy Efficiency Programs, http://www.cpuc.ca.gov/PUC/Water/Available+Documents/Downloadable+Reports/Utility_Audit_Finance_and_Compliance_Reports.htm, June 30, 2015

[28] The award difference for resource programs is the difference between the 2013 ESPI Resolution Expenditure and the 2013 UAFCB Audit Expenditure.

This award is $ 1,046,928 and is $ 1,048 less the than the amount claimed in SoCalGas AL 4826 to account for the difference between the 2014 expenditure differences between what SoCalGas filed in the AL and with the ED central server and for the 2013 expenditure true up from the 2013 UAFCB audit.

Component 3: Codes and Standards Program Management Fee

Per D.13-09-023, the codes and standards program management fee is equal to 12% of the codes and standards program expenditures, less administrative spend. The codes and standards management fee is calculated as:

$$\$\ 611{,}820 * 12\% = \$\ 73{,}418$$

$$\$73{,}418 - \$5{,}262 = \$68{,}156$$

The 2013 UAFCB Audit True Up of $ 5,262 in 2013 awards is already noted by SoCalGas AL 4826. This award is $ 68,156 and is same amount claimed in SoCalGas AL 4826.

Component 4: Non-resource Program Management Fee

Per D.13-09-023, the non-resource program management fee is equal to 3% of non-resource program expenditures, less administrative spend. The non-resource program management fee is calculated as:

$$\$\ 4{,}296{,}874 * 3\% = \$\ 128{,}906$$

This award is the same amount claimed in SoCalGas AL 4826.

Incentive Recovery though Retail Rates

The 2014 incentive award for SoCalGas totals $ 2,011,907 as shown below. This award is $ 27,412 less than the amount claimed in SoCalGas AL 4826. SoCalGas is awarded a lesser amount than what was claimed in SoCalGas AL 4826 due to differences in the program expenditures and energy savings data in SoCalGas' advice letter and the ED Central Server and 2013 audit true up.

Table 23: SoCalGas 2014 Incentive Award

Award Component	**Award Amount**
2014 Energy Savings (with ex ante parameter estimates)	$ 767,916
2014 Ex Ante Review Performance	$ 1,046,928
Codes and Standards Management Fee	$ 73,418
Non-resource Program Management Fee	$ 128,906
2013 UAFCB Audit True Up	($ 5,262)
Total	$ 2,011,907

In SoCalGas AL 4826, SoCalGas distributes the 2014 incentive awards between its core (94%) and non-core (6%) classes of service. The revenue requirement impact by class of service is summarized below.

Table 24: SoCalGas Incentive Award Allocation

Class of Service	Applicable Rate Schedules	Increase
Core	GR, GS, GM, GO-AC, G-NGVR, GL, G-10, G-AC, G-EN, G-NGV	$ 1,900,784
Non-core	GT-F, GT-I, GT-TLS	$ 112,098
Total		$ 2,011,907

SDG&E Advice Letter 2764-E/2396-G

SDG&E requests $ 3,776,697 for the 2014 incentive award. In accordance with D.13-09-023 and the staff-issued memo, the award is comprised of four components:

Table 25: SDG&E Filed 2014 Incentive Award Claim

Award Component	**Requested Amount**
Energy savings with ex ante parameter estimates	$ 2,081,559
Ex ante review performance	$ 1,368,459
Codes and standards management fee	$ 100,062
Non-resource program management fee	$ 229,620
Total	$ 3,779,700

Component 1: Energy Savings Performance Award

In Energy Division's review of SDG&E AL 2764-E/2396-G, staff finds SDG&E's filing to be inconsistent with the utility-reported data on file with the Commission and stored on the ED Central Server. The differences between the SDG&E-filed savings values and the Commission data are noted below.

Table 26: Comparison of SDG&E Filed Energy Savings and ED Central Server Values

	IOU Claimed Value (supplemental AL)	ED Central Server Value	Difference
GWh	565	535	5%
MW	98.6	94	5%
MMTh	2.06	2	3%

It is unclear why the utility-reported data on file at the Commission would differ from SDG&E's advice letter filing. The savings values staff used for the purposes of this Resolution is included as Attachment 3. Given that the Commission data on file are comprised of utility-filed claims reviewed by Commission staff, staff relied on the Commission data to verify and confirm SDG&E's filing. <u>As such, the energy savings component of the shareholder incentive award for SDG&E is calculated per Table 27 below, for a total reduction of $ 105,222 from the claimed amount in SDG&E 2764-E/2396-G.</u>

Table 27: SDG&E Energy Savings Performance Award Calculation

Energy Units Saved	Earnings Rate	Total Earnings
535 GWh	$ 2,525/GWh	$ 1,350,875
94 MW-Yr	$ 6,200/MW-Yr	$ 582,800
2 MMTh	$ 21,331/MMTh	$ 42,662
		$ 1,976,337

Energy Efficiency Program Expenditures

In AL 2764-E/2396-G SDG&E notes the following expenditures that are applicable to the three incentive award components:

Table 28: SDG&E Filed Expenditures

Award Component	Applicable Budget(s)	Expenditures (less administrative costs)
2. Ex ante review performance	All resource programs	$ 67,081,303
3. Codes and standards management fee	Codes and standards programs	$ 808,826
4. Non-resource program management fee	Non-resource programs	$ 7,654,016

SDG&E's filed expenditures for resource and non-resource programs are not consistent with the utility-reported data on file at the Commission. The differences are noted below:

Table 29: Comparison of SDG&E and ED Central Server Expenditures

	IOU Claimed Value	ED Central Server Value	Difference
Resource programs	$ 67,081,303	$ 67,926,408	-1%
Codes and standards programs	$ 808,826	$ 833,851	-3%
Non-resource programs	$ 7,654,016	$ 7,672,294	-0.2%

The list of programs, with the reported expenditures, is included as Attachment 2 to this Resolution. In staff's initial analysis of SDG&E's expenditures, staff noted inconsistencies between SDG&E's filed expenditures and Commission data for the resource and non-resource programs. There may still be minor inconsistencies in the categorization of expenditures as resource, non-resource, or C&S for the 2013 and 2014 expenditure claims. The IOUs have submitted how they will categorize their 2015 programs on February 23, 2015[29].

[29] PG&E AL 2566-G/4591-E, SCE AL 3181-E, SoCalGas 4764, SDG&E 2709-E/2363-G, Updates to the 2015 ESPI Mechanism Earnings Coefficient and Caps, February 28, 2015

Per the staff-issued memo distributed on June 9, 2014 and included as Attachment 1 to this Resolution, the IOUs' 2014 expenditures will be trued up once the UAFCB final 2014 audit is complete. For the purposes of this Resolution, staff relied on SDG&E's data submissions to reconcile expenditure data differences between SDG&E AL 2764-E/2396-G and data from the ED Central Server (included as Attachment 2 to this Resolution). Staff uses **lower value** between the IOU claimed expenditures in the AL and the quarterly expenditures from the ED Central Server if reconciliation cannot be made.

Per the staff-issued memo distributed on June 9, 2014 and included as Attachment 1 to Resolution G-3497, the IOUs' 2013 ESPI Resolution expenditures are to be trued up as the UAFCB final 2013 audit was completed on June 30, 2015. The difference in expenditures between the SDG&E 2013 ESPI Resolution expenditures and 2013 UAFCB audited expenditures is used to calculate the true up for the 2014 award.

Table 30: Comparison of 2013 SDG&E Claimed and UAFCB Audited Expenditures

	2013 ESPI Resolution Expenditure	**2013 UAFCB Audit Expenditure**	**Award Difference**
Resource programs	$ 58,739,080	$ 61,368,920[30]	($ 50,888)[31]
Codes and standards programs	$ 276,246	$ 276,355	$ 0

[30] Resource expenditure derived from Portfolio total minus Administrative expenses minus C&S expenditure (less administrative expenses) minus Non-resources expenditure (less administrative expenses from Tables B-2, B-3, and B-4 of Utility Audit, Finance & Compliance Reports for 2013 Energy Efficiency Programs, http://www.cpuc.ca.gov/PUC/Water/Available+Documents/Downloadable+Reports/Utility_Audit_Finance_and_Compliance_Reports.htm, June 30, 2015

[31] The award difference for resource programs is the difference between the 2013 ESPI Resolution Expenditure and the 2013 UAFCB Audit Expenditure.

Non-resource programs	$ 6,027,540	$ 6,009,265	$ 548

Component 2: Ex Ante Review Performance Award

In accordance with D.13-09-023, SDG&E is eligible to earn up to 3% of resource program expenditures, less administrative spend, for the ex ante review performance award. As noted above, SDG&E's final 2014 ex ante performance score was 68/100. The ex ante performance award component for SDG&E is calculated as:

$ 67,081,303* 3% *68% = $ 1,385,459

$ 1,385,459 is increased by $ 50,888 to be trued up to account for the difference between the 2013 SDG&E claimed expenditure and the UAFCB audited expenditure.

$ 1,368,459 - ($ 58,739,080 - $ 61,368,920) * 3% * 64.5% = $ 1,419,346

<u>This award is $ 1,419,346 and is $ 50,888 more the than the amount claimed in SDG&E AL 2764-E/2396-G to account for the 2013 expenditure true up from the 2013 UAFCB audit.</u>

Component 3: Codes and Standards Program Management Fee

Per D.13-09-023, the codes and standards program management fee is equal to 12% of the codes and standards program expenditures, less administrative spend. The codes and standards management fee is calculated as:

$ 808,826* 12% = $ 100,075

<u>This award is $ 100,075 and is the same amount claimed in SDG&E AL 2764-E/2396-G.</u>

Component 4: Non-resource Program Management Fee

Per D.13-09-023, the non-resource program management fee is equal to 3% of non-resource program expenditures, less administrative spend. The non-resource program management fee is calculated as:

$ 7,654,016* 3%= $ 229,620

$ 229,072 is reduced by $ 548 to be trued up to account for the difference between the 2013 SDG&E claimed expenditure and the UAFCB audited expenditure.

$$ \$\ 229{,}620 - (\$\ 6{,}027{,}540 - \$\ 6{,}009{,}265) * 3\% = \$\ 229{,}072 $$

This award is $ 229,072 and is $ 548 less than the amount claimed in SDG&E AL 2764-E/2396-G to account for the difference for the 2013 expenditure true up from the 2013 UAFCB audit.

Incentive Recovery though Retail Rates

The 2014 incentive award for SDG&E totals $ 3,721,828 as shown below. This award is $ 54,869 less than the amount claimed in SDG&E AL 2764-E/2396-G. SDG&E is awarded a lesser amount than what was claimed in SDG&E AL 2764-E/2396-G due to differences in the program expenditures and energy savings data in SDG&E's advice letter and the ED Central Server and 2013 audit true up.

Table 31: SDG&E 2014 Incentive Award

Award Component	**Award Amount**
2014 Energy Savings (with ex ante parameter estimates)	$ 1,976,337
2014 Ex Ante Review Performance	$ 1,419,346
Codes and Standards Management Fee	$ 100,075
Non-resource Program Management Fee	$ 229,072
Total	$ 3,724,831

Per SDG&E AL 2764-E/2396-G, SDG&E will recover the 2014 incentive award from ratepayers by allocating the total award to its electric and gas Rewards and Penalties Balancing Accounts (RPBAs). The 2014 incentive award will be allocated according to the authorized 2013-14 electric and gas budget split of 90% electric and 10% gas.

Table 32: SDG&E Incentive Award Allocation

Allocation	**Incentive Award**
Electric RBPA (90%)	$ 3,352,348
Gas RBPA (10%)	$ 372,483

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.

On November 23, 2015, PG&E, SoCalGas, and SDG&E filed comments in response to this Resolution. SCE did not file any comments.

PG&E

PGE's comments on this draft Resolution approve the incentive award for the second part of the PY 2013, but request a correction to the energy savings, energy efficiency expenditures true-up, and Codes and Standards expenditures portions of the first part of the PY 2014 awards.

PG&E requests that the energy savings award in the draft Resolution should not be adjusted using a NTG value of 3/4 and instead use the values adopted in approved workpapers. Appendix A of PG&E's comments includes a list of measures with workpaper numbers where PG&E asserts the NTG values were inappropriately changed. PG&E filed the same comment in response to Resolution G-3497 PG&E, SDG&E, and SoCalGas requesting approval of program year 2012 and partial 2013 energy efficiency incentive awards.

This Resolution rejects PG&E's comments related to energy savings and makes no adjustments to the savings-related incentives in response to PG&E's comments.

The documentation provided by PG&E in support of its comment that the claimed NTG values are appropriate does not come remotely close to answering the questions at hand. The list provided by PG&E does not include a single piece of information in support of PG&E's argument that a particular NTG value is warranted over staff's adjusted value. The same argument is made in Resolution G-3497 and there is no discernable correction made to fix this discrepancy since the last ESPI advice letter.

There may be potential that some NTG values were inaccurately adjusted; however, PG&E has failed to prove the point. As stated in this Resolution, staff applied 3/4 of the NTG adjustment rather than the entire adjustment as a conservative application of the findings of the high level review. A deeper dive into the measure-level may show that PG&E accurately applied some NTG values consistent with Commission guidance (including the use of the hard-to-reach and emerging technology NTG values); however, it could also reveal broader problems with NTG application or other parameter values (EUL or RUL values, the use of the early retirement delivery type and related dual baseline, or unit energy savings), most of which did not receive scrutiny in the ex ante claim review process.

PG&E states that the expenditure true-ups from the 2013 UAFCB audit are unnecessary for the award calculation in the draft Resolution and request the true-up to be removed.

1. Remove Table 7. Comparison of 2013 PG&E Claimed and UAFCB Audited Expenditures.
2. Remove the reduction from the true-up from the 2013 UAFCB audits for Components 2, 3, and 4 of the award.

This Resolution rejects some of PG&E's comments related to expenditure true-up and makes adjustments to the expenditure-related incentives. The PY 2014 award is adjusted upward by $ 397,165.

1. Table 7 will not be removed from the Resolution as there is still a discrepancy between 2013 PG&E reported expenditures for the ESPI and the 2013 Audit findings.

Table 7: Comparison of 2013 PG&E Claimed and UAFCB Audited Expenditures

	2013 IOU Resolution Expenditure	2013 UAFCB Audit Expenditure	Award Difference
Resource programs	$ 275,359,291	$ 276,487,600	($ 21,495)
Codes and standards programs	$ 6,295,617	$ 6,295,617	$ 0
Non-resource programs	$ 28,675,400	$ 28,675,400	$ 0

2. Upon further review, staff adjusted Component 2 of the PY 2014 award upwards by $ 21,495 to account for the 2013 Audit true-up. Staff finds that there no true-up necessary for Components 3 and 4 of the PY 2014 award beyond the adjustments that account for the C&S Cap and the discrepancy between the 2014 claimed expenditures and the 2014 ED Central Server values.

PG&E requests that C&S Award Cap to be removed for Component 3 of the PY 2014 award to recover the reduction of $ 163,456. PG&E states that the cap in D.13-09-023 is placed on an undefined term of authorized expenditures. PG&E shifted $ 700,000 into the C&S Program after the cap was set in 2013 and the $ 700,000 should be used to adjust the cap upwards as funds shifted within fund-shifting rules are authorized expenditures.

This Resolution rejects PG&E's comments related to C&S Award Cap and makes no adjustments to the C&S expenditure incentives in response to PG&E's comments. D.13-09-023 adopted an award cap of $1,410,000 for the C&S management fee based on the 2013-14 C&S program budget, less administrative funds, and this cap will not be modified as a result of a mid-cycle fund shift.[32] Staff assumes that the Commission's purpose in adopting award caps is to ensure that a program administrator cannot shift funds beyond fixed limits to "game the system."

1. [32] D.13-09-023 at page 78.

SoCalGas

SoCalGas' comments note that SoCalGas recommends that the ESPI process would benefit from additional collaboration and transparency so the discrepancies and irregularities between the information of Energy Division and SoCalGas can be communicated earlier in the process. SoCalGas proposes to include a meeting in the current process.

Staff supports improving the ESPI process with additional collaboration and transparency with the utilities. Adding an addition meeting to the analysis may consolidate some of the discrepancies and irregularities between the sources.

SoCalGas also identified three technical changes in it PY 2014 energy savings that should be made in the Resolution: 1. Home Upgrade Program, 2. Thermostatic Valve with 1.6 GPM Showerhead, and 3. EUL/RUL changes for Tank Insulation.

This Resolution rejects SoCalGas's comments related to energy savings and makes no adjustments to the savings-related incentives.

1. SoCalGas argues that only the Advanced Home Upgrade Program projects are included in the Uncertain Measures list for PY2014 and thus cannot be claimed for savings, and all other projects under the Home Upgrade Program are claimable for the incentive award. However, staff notes that the Uncertain Measures List (Attachments 3 to D.13-09-023) lists the general Energy Upgrade California program measures and includes all Home Upgrade Program projects. Therefore, the savings for those projects are not to be based on ex ante values. Staff also finds that SoCalGas listed all Home Upgrade Program projects under the custom measure category and, thus, the shareholder incentives related to the Home Upgrade Program should be claimed in next year's advice letter. SoCalGas shall clarify whether or not the Home Upgrade Program projects are deemed or custom and how the savings are calculated for those projects in their next ESPI application. Consequently, staff rejects SoCalGas's claim for an additional $3,645 of incentive award.
2. SoCalGas comments that the thermostatic valve with 1.6 GPM showerhead is not on the Uncertain Measures List and should be eligible for savings claims. Staff finds that the thermostatic valve with showerhead measure is

part of the "water savings kits/items (shower and faucet)" measures on the Uncertain Measure List, consequently, savings from installing thermostatic valve with 1.6 GPM showerhead measures are not eligible for ex ante based savings.

3. SoCalGas also comments that the EUL for tank insulation should remain unaltered at 11 years because SoCalGas only allows new tank insulation to be incentivized. For retrofit add-on categories, the EUL of add-on measure is capped at the RUL of the system. Staff finds that the methodology for adjusting the RUL is correct and thus no adjustments will be made.

SDG&E

SDG&E disagrees with the adjustment that resulted from the UAFCB examination of SDG&E's PY 2013 expenditures. SDG&E disagrees with the UAFCB finding that the $3,003 award reduction should be made in the PY 2014 incentive award. SDG&E proposes that the reduction should be made in the PY 2013 incentive award so the final PY 2013 second ESPI incentive award is $2,824,209 and the final PY 2014 first ESPI incentive award is $3,724,831.

Staff agrees with SDG&E. Therefore, this Resolution also adjusts the PY 2013 and PY 2014 incentive awards.

SDG&E also expresses concern with how the NTG recommendation in adjusting deemed energy savings would be applicable at the customer or participant level versus the measure or program level. SDG&E finds it appropriate that the true-up of savings for the PY 2014 second ESPI incentive claim is to allow adjustment of NTG values at the participant level.

Staff believes that defining if savings should be claimed at the measure or program level versus at the customer or participant level is out of the scope of the Resolution. Staff does not support change the accounting process adopted in D.13-09-023.

FINDINGS

1. Commission decision D.13-09-023 directs the IOUs to file an annual Tier 3 Advice Letter to claim shareholder incentive awards.
2. The UAFCB audit of the IOUs' 2014 energy efficiency program expenditures is not yet complete. As such, on June 9, 2014, Commission staff sent a memo to direct IOUs to file the initial 2014 incentive claims based on utility-reported data. The memo is included as Attachment 1 to this Resolution.
3. The second installation of 2014 incentive awards (savings from custom projects and "uncertainty list" measures and 2014 "true up") will reconcile any differences between utility-reported and Commission-audited data. Any adjustments will be offset in the second (PY+2) payment and will not require IOUs to re-state the previous year's earnings.
4. Given that the Commission data on file are comprised of utility-filed reports, Commission staff relies on the Commission data to verify and confirm the IOUs' filings. Attachments 2 and 3 of this Resolution show the program expenditures and savings values, respectively, used to verify the IOUs' advice letter fillings. For incentives calculated based on expenditures, staff used the **lower of the IOUs' values** filed in their advice letters and the quarterly report data. The IOUs' expenditures will be trued up with the final 2014 UAFCB energy efficiency audit reports. For incentives calculated based on energy savings, staff used the quarterly report data to verify incentive claims. Because there is currently no true up method planned for ex ante savings, staff relies on the Energy Division Central Server data which is sourced from staff-reviewed utility-filed reports.
5. Per the staff-issued memo distributed on June 9, 2014 and included as Attachment 1 to Resolution G-3497, the IOUs' 2013 expenditures are to be trued up as the UAFCB final 2013 audit was completed on June 30, 2015.
6. PG&E's initial 2014 incentive claim is consistent with the directions of D.13-09-023. PG&E's filed energy savings claim is generally supported by the utility-reported savings data on file at the Commission. PG&E's filed expenditure claims are not supported by the utility-reported quarterly expenditures data on file at the Commission. In total, PG&E is awarded $ 1,173,808 less than the amount claimed in PG&E AL 3606-G/4659-E. PG&E is awarded a lesser amount than what was claimed in PG&E

AL 3606-E/4659-G to account for the difference between the 2014 saving and expenditure differences between what PG&E filed in the AL and with the ED central server and for the 2013 expenditure true up from the 2013 UAFCB audit and for the 2013-2014 C&S award cap.

7. SCE's initial 2014 incentive claim is consistent with the directions of D.13-09-023. SCE's filed energy savings claim is generally supported by the utility-reported savings data on file at the Commission. SCE's filed expenditure claims are generally supported by the utility-reported quarterly expenditures data on file at the Commission. In total, <u>SCE is awarded $ 102,462 less than the amount claimed in SCE AL 3240-E.</u> SCE is awarded a lesser amount than what was claimed in SCE AL 3240-E to account for the difference between the 2014 saving and expenditure differences between what SCE filed in the AL and with the ED central server and for the 2013 expenditure true up from the 2013 UAFCB audit.

8. SoCalGas' initial 2014 incentive claim is consistent with the directions of D.13-09-023. SoCalGas' filed energy savings claim is generally supported by the utility-reported savings data on file at the Commission. SoCalGas' filed expenditure claims are generally supported by the utility-reported quarterly expenditures data on file at the Commission. In total, <u>SoCalGas is awarded $ 27,412 less than the amount claimed in SoCalGas AL 4826.</u> SoCalGas is awarded a lesser amount than what was claimed in SoCalGas AL 4826 to account for the difference between the 2014 saving and expenditure differences between what SoCalGas filed in the AL and with the ED central server and for the 2013 expenditure true up from the 2013 UAFCB audit.

9. SDG&E's initial 2014 incentive claim is consistent with the directions of D.13-09-023. SDG&E's filed energy savings claim is generally supported by the utility-reported savings data on file at the Commission. SDG&E's filed expenditure claims are generally supported by the utility-reported quarterly expenditures data on file at the Commission. In total, <u>SDG&E is awarded $ 54,869 less than the amount claimed in SDG&E AL 2764-E/2396-G.</u> SDG&E is awarded a lesser amount than what was claimed in SDG&E AL 2764-E/2396-G to account for the difference between the 2014 saving differences between what SDG&E filed in the AL and with the ED central server and the 2013 expenditure true up from the 2013 UAFCB audit.

10. PG&E's filed incentive amount for the second part of program year 2013 Energy Efficiency Incentive awards is consistent with D.13-09-023 and appropriately adjusts the 2013 earnings in response to the 2013 UAFCB audit.
11. SDG&E's filed incentive amount for the second part of program year 2013 Energy Efficiency Incentive awards is consistent with D.13-09-023; the adjustment to the 2013 earnings in response to the 2013 UAFCB audit will be addressed with the 2013 incentive earnings in this Resolution.
12. SoCalGas's filed incentive amount for the second part of program year 2013 Energy Efficiency Incentive awards is consistent with D.13-09-023.
13. SCE's filed incentive amount for the second part of program year 2013 Energy Efficiency Incentive awards is consistent with D.13-09-023.
14. The issue of revising the "hard-to-reach" definition is outside the scope of this Resolution and should be addressed in a subsequent phase of the Energy Efficiency proceeding, R.13-11-005.
15. No protests were filed for PG&E AL 3606-G/4659-E, SCE AL 3240-E, SoCalGas AL 4826, SDG&E AL 2764-E/2396-G.
16. No protests were filed for PG&E AL 3632-G/4705-E, SCE AL 3271-E, SoCalGas AL 4859, and SDG&E AL 2788-E/2417-G.
17. This Resolution approves the program year 2014 incentive awards (excluding awards for savings from custom projects and "uncertainty list" measures) with modifications.
18. This Resolution approves the awards for the second part of program year 2013 Energy Efficiency Incentive (award savings from custom projects and "uncertainty list" measures and 2013 "true up").
19. PGE's comments on this draft Resolution approve the incentive award for the second part of the PY 2013, but request a correction to the energy savings, energy efficiency expenditures true-up, and Codes and Standards expenditures portions of the first part of the PY 2014 awards. PG&E requests that the energy savings award in the draft Resolution should not be adjusted using a NTG value of 3/4 and instead use the values adopted in approved workpapers. PG&E states that the expenditure true-ups from the 2013 UAFCB audit are unnecessary for the award calculation in the draft Resolution and request the true-up to be removed. PG&E requests that C&S

Award Cap to be removed for Component 3 of the PY 2014 award to recover the reduction of $ 163,456.

20. This Resolution rejects PG&E's comments related to energy savings and makes no adjustments to the savings-related incentives in response to PG&E's comments. Staff does not remove the NTG adjustments applied in this Resolution because PG&E did not provide adequate documentation as to why the values should not be adjusted. Staff considers the application of three-quarters of the potential NTG adjustments to be a conservative application of the findings of the claims review.
21. This Resolution rejects some of PG&E's comments related to expenditure true-up and makes adjustments to the expenditure-related incentives. The PY 2014 award is adjusted upward by $ 397,165. Table 7 will not be removed from the Resolution as there is still a discrepancy between 2013 PG&E reported expenditure for the ESPI and the findings of the 2013 Audit. Staff finds that Component 2 of the PY 2014 award is adjusted upwards by $ 21,495 to account for the 2013 Audit true-up. Staff also finds that is there no true-up necessary for Component 3 and 4 of the PY 2014 award.
22. PG&E states that the cap in D.13-09-023 is placed on an undefined term of authorized expenditures. PG&E shifted $ 700,000 into the C&S Program after a hard cap was set in 2013 and the $ 700,000 should be used to adjust the cap upwards as funds shifted within fund-shifting rules are authorized expenditures.

23. This Resolution rejects PG&E's comments related to C&S Award Cap and makes no adjustments to the C&S expenditure incentives in response to PG&E's comments. The C&S award cap is adopted in D.13-09-023 and will not be adjusted in this Resolution.

24. SoCalGas' comments note that SoCalGas recommends that the ESPI process would benefit from additional collaboration and transparency so the discrepancies and irregularities between the information of Energy Division and SoCalGas can be communicated earlier in the process.
25. Staff supports improving the ESPI process with additional collaboration and transparency with the utilities.

26. SoCalGas identified three technical changes in it PY 2014 energy savings that should be made in the Resolution: 1. Home Upgrade Program, 2. Thermostatic Valve with 1.6 GPM Showerhead, and 3. EUL/RUL changes for Tank Insulation.

27. This Resolution rejects SoCalGas's comments related to the technical changes and makes no adjustments to the savings-related incentives. Staff finds that the Uncertain Measures List includes all Home Upgrade Program Projects so the savings cannot be claimed on an ex ante basis. In addition, SoCalGas shall clarify whether or not those projects are deemed or custom and how the savings are calculated in their next ESPI application. Staff also finds that the Thermostatic Valve with 1.6 GPM Showerhead is on the Uncertain Measures List so the savings cannot be claimed on an ex ante basis. Staff review the methodology for EUL/RUL for Tank Insulation measures and finds that no changes are necessary.

28. SDG&E's comments on the Draft Resolution state that it disagrees with the adjustment that resulted from the UAFCB examination of SDG&E's PY 2013 expenditures. SDG&E disagrees with the treatment that the $3,003 award reduction should be made in the PY 2014 incentive award.
29. The Resolution adjusts SDG&E's incentive awards so the final PY 2013 second ESPI incentive award is $2,824,209 and the final PY 2014 first ESPI incentive award is $3,724,831.
30. SDG&E is also concerned with how the NTG recommendation in adjusting deemed energy savings would be applicable at the customer or participant level versus the measure or program level.
31. Staff believes that defining if savings should be claimed at the measure or program level versus at the customer or participant level is out of the scope of the Resolution. Staff does not support change the accounting process adopted in D.13-09-023.

<u>THEREFORE IT IS ORDERED THAT:</u>

1. The request of Pacific Gas and Electric Company (PG&E) for Energy Efficiency Incentive award as made in Advice Letter 3606-G/4659-E is

modified from the original request. PG&E is awarded $ 10,342,142 for the program year 2014 Efficiency Savings and Performance Incentive (ESPI) award.

2. Pacific Gas and Electric Company (PG&E) is authorized to record its 2014 incentive award totaling $ 10,342,142 in its electric and gas balancing accounts according to the electric and gas net benefit factors allocating 2013-14 energy efficiency portfolio expenditures (82% electric, 18% gas) for recovery in its customer rates.
3. The request of Southern California Edison (SCE) for Energy Efficiency Incentive award as made in Advice Letter 3240-E is modified from the original request. SCE is awarded $ 12,090,772 for the program year 2014 Efficiency Savings and Performance Incentive (ESPI) award. The $ 12,090,772 award can be recovered in SCE's rates through its Base Revenue Requirement Balancing Account for its rates effective in 2016.
4. The request of Southern California Gas Company (SoCalGas) for Energy Efficiency Incentive award as made in Advice Letter 4826 is modified from the original request. SoCalGas is awarded $ 2,011,907 for the program year 2014 ESPI award.
5. Southern California Gas Company (SoCalGas) is authorized to record its 2014 incentive award totaling $ 2,011,907 in its Rewards and Penalties Balancing Account for recover in its core (94%) and non-core (6%) customer rates.
6. The request of San Diego Gas and Electric Company (SDG&E) for Energy Efficiency Incentive award as made in Advice Letter 2764-E/2396-G is modified from the original request. SDG&E is awarded $ 3,724,831 for the initial program year 2014 ESPI award.
7. San Diego Gas & Electric Company (SDG&E) is authorized to record its 2014 incentive award totaling $ 3,724,831 in its electric and gas Rewards and Penalties Balancing Accounts. The 2014 incentive award will be allocated according to the authorized 2013-14 electric and gas budget split of 90% electric and 10% gas.
8. The request of Pacific Gas and Electric Company (PG&E) for Energy Efficiency Incentive award as made in Advice Letter 3632-G/4705-E is

approved. PG&E is awarded $ 14,358,084 for the second part of the program year 2013 Efficiency Savings and Performance Incentive (ESPI) award.

9. Pacific Gas and Electric Company (PG&E) is authorized to allocate the second part of the 2013 incentive award totaling $ 14,358,084 to electric and gas customers on a basis of the electric and gas net benefit factor of 82% electric and 18% gas.

10. The request of Southern California Edison (SCE) for Energy Efficiency Incentive award as made in Advice Letter 3271-E is approved. SCE is awarded $ 10,455,223 for the second part of the program year 2013 Efficiency Savings and Performance Incentive (ESPI) award for recovery in 2016 rates.

11. The request of Southern California Gas Company (SoCalGas) for Energy Efficiency Incentive award as made in Advice Letter 4859 is approved. SoCalGas is awarded $ 2,141,962 for the second part of the program year 2013 Efficiency Savings and Performance Incentive (ESPI) award.

12. Southern California Gas Company (SoCalGas) is authorized to recover the second part of the 2013 incentive award totaling $ 2,141,962 in its core (94%) and non-core (6%) customer rates of the annual Natural Gas Transportation Rate revenues table.

13. The request of San Diego Gas & Electric Company (SDG&E) for Energy Efficiency Incentive award as made in Advice Letter 2788-E/2417-G is modified from the original request. SDG&E is awarded $ 2,824,209for the second part of the program year 2013 Efficiency Savings and Performance Incentive (ESPI) award.
14. San Diego Gas & Electric Company (SDG&E) is authorized to record the second part of the 2013 incentive award totaling $ 2,824,209in its electric and gas Rewards and Penalties Balancing account as 90% electric and 10% gas.
15. Commission staff may address the "hard-to-reach" definition in a subsequent phase of the Energy Efficiency proceeding, R.13-11-005.

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 December 3, 2015; the following Commissioners voting favorably thereon:

_/s/ Timothy J. Sullivan__
TIMOTHY J. SULLIVAN
Executive Director

MICHAEL PICKER
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
LIANE M. RANDOLPH
Commissioners

ATTACHMENT 1: STAFF-ISSUED MEMO PROVIDING GUIDANCE ON ESPI ADVICE LETTER FILING

STATE OF CALIFORNIA Edmund G. Brown Jr., Governor

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

To: All Parties in R.13-11-005 and R.12-01-005

From: Katie Wu, Energy Division

Date: June 9, 2014

Subject: Additional Detail on Implementation of the Efficiency Savings and Performance Incentive (ESPI) Mechanism

To all parties:

Since adoption of the ESPI, Commission staff has begun implementation of the tasks prescribed in D.13-09-023, the decision adopting the ESPI. Staff is coordinating internally to ensure that the deadlines are met and IOUs have the information needed to ultimately file award claims each June. During the course of these activities, staff found that the annual energy efficiency audit performed by the Commission's Audit Branch would not be complete by June of the year following program implementation. In order to conduct a robust audit, the Commission audit team requires at least nine months to complete an audit.

As such, in order to meet the deadlines set in D.13-09-023 and allow adequate time for IOU EE audits to be complete, the incentive distribution process is described in more detail below. In general, incentive awards in the year following program year (i.e., PY +1) will be calculated using utility-reported information and incentive awards in the year two years after program year (i.e., PY +2) will be calculated based on Commission-verified information. The PY+2 incentive payment will include a true-up to reconcile any differences between utility-reported and Commission-verified information. Program years 2013 and 2014 are referenced below for illustrative purposes; the process will be identical each year unless and until the Commission modifies the ESPI.

1. By June 30 of the year following the program year (e.g., 2014 for 2013 program activities), each utility will file a Tier 3 Advice Letter to Energy Division to request energy efficiency incentive award payments for:

a. Non-resource management fee: Equal to 3% of the utility's reported expenditures on non-resource programs during the previous program year.

b. Codes and standards management fee: Equal to 12% of the utility's reported expenditures on codes and standards programs during the previous program year.

c. Ex ante review performance: Equal to 3% of the utility's reported expenditures on resource programs (excluding administrative costs) during the previous program year multiplied by the utility's ex ante review score determined in accordance with Attachment 5 of D.13-09-023.

d. Energy savings with ex ante parameter estimates: Equal to the utility's net lifecycle reported savings and installation rates multiplied by the adopted earnings rates coefficients, determined in accordance with Attachment 1 of D.13-09-023. Only savings from deemed measures not included on the ESPI Uncertain List are included in this calculation.

2. By June 30 two years after the program year (e.g., 2015 for PY 2013), each utility will file a Tier 3 Advice Letter to Energy Division to request:

   a. Incentive awards for energy savings with ex post parameter estimates: Equal to the utility's net lifecycle verified savings and installation rates from two program years ago (e.g., savings subject to ex post verification in 2013 will be awarded in 2015) for deemed measures on the ESPI Uncertain List and custom projects and measures.

   b. A true-up of award payments distributed the previous year for items a-d in Item 1 above for two years prior (e.g., for PY2013 in the 2015 Advice Letter) based on verified expenditures and measure installation rates. The true-up will reconcile any differences between the utility-reported versus Commission-audited expenditures / Commission-verified measure installation rates. Publicly available Commission-led audits and EM&V studies will be used to verify expenditures and installation rates, respectively.

c. Incentive award payments for items a-d listed above for the previous program year (e.g.,for PY2014 in the 2015 Advice Letter) based on reported expenditures.

This process is summarized in a table in the attached appendix. Commission staff finds that this incentive distribution process will allow utilities to reliably predict energy efficiency incentive awards while protecting ratepayers from potentially overpaying for energy efficiency incentive awards.

If parties have any questions or concerns regarding this incentive distribution process, please contact Katie Wu at katie.wu@cpuc.ca.gov or 415.703.2452.

APPENDIX: Incentive Distribution Process Summary

Program Year + 1 (uses utility-reported data)	**Program Year + 2** (uses Commission-verified data)
Non-resource Management Fee	Energy Savings from custom projects and measures
Codes and Standards Management Fee	Deemed Energy Savings with ex post parameters (i.e., savings from the ESPI Uncertain List measures)
Ex Ante Review Performance Award	True-up of all PY+1 payments using Commission audited expenditures and verified installation rates
Deemed Energy Savings with ex ante parameters	

ATTACHMENT 2:
2014 PROGRAM EXPENDITURES

Attachment 2 to this Resolution is a spreadsheet of the 2014 program expenditures, as reported to the Commission by the IOUs in their quarterly and monthly reports. The electronic spreadsheet separates costs for each program administrator into different tabs. Columns A and B of each tab note the Program ID number and Program Name, respectively. Columns H and I note the administrative costs, which were subtracted from the total expenditures in Columns L (quarterly reports) and M (monthly reports). Columns P and Q show the total expenditures less administrative spend using quarterly reports (Column P) and monthly reports (Column Q). Columns N and O show the differences between the monthly and quarterly reports.

The total 2014 resource, non-resource, and codes and standards expenditures are noted in the Row 3 of cells in Columns V, W, and X, respectively (calculated by subtracting 2013 audited expenditures from 2013 and 2014 total expenditures filed with the ED Central Server).

The summary tables are available at
http://www.cpuc.ca.gov/NR/rdonlyres/38D893E8-C509-4BD3-A445-6BB8EDA8C4C1/0/ESPI2014Analysis.xlsx.

ATTACHMENT 3: 2014 DEEMED EX ANTE SAVINGS

Attachment 3 to this Resolution is series of summary tables of IOUs' 2014 deemed ex ante savings. The summary tables were created from the utility-filed quarterly report that were rolled up into a summary table that retains measure-specific information by summing parameters of the records for each program administrator. Specifically, the records were rolled up based on: program administrator, portfolio subprogram, measure name, type of measure (normal replacement, early retirement, etc.), sector (residential, commercial, etc.), measure full life and replaced equipment remaining life, net-to-gross, installation rate, custom measure realization rate, and a flag indicating if the record is for a deemed savings or custom savings calculation measure.

The summary tables are available at http://www.cpuc.ca.gov/NR/rdonlyres/E8339572-20B1-4865-AC0F-CF23FBCE9604/0/DRAFT2014_ESPI_DeemedClaimsSummaryClaimsAdj14October2015Corrected20151102.xlsm.

The review targeted the following issues:

1. Removal of all Uncertain Measures from this advice letter filing,
2. Consideration of market effects,
3. Proper application of Early Retirement (ER) policy and related effective and remaining useful life (EUL and RUL) values for add-on measures and measures with savings calculated over existing baselines,
4. Proper application of the Hard-to-Reach and Emerging Technology net-to-gross (NTG) values, and
5. Removal of measures installed pre-2013.

Staff classifies erroneous and inappropriate assignments of EUL and RUL into the three categories described below:

- **Use of high RUL or EUL for add-on measures:** The EUL of measures that add new technologies to existing equipment or systems is typically limited by the RUL of the existing equipment. These measures are commonly referred to as "Retrofit Add-on" or "REA" measures. Examples of REA measures are the addition of an air economizer onto an air conditioning system, installing insulation to a heated storage tank or the installation of night covers on open refrigerated cases. Staff has revised these measures so that the EUL of the measure is equal to the lower of the RUL of modified system or equipment and the EUL of the new component. The RUL has been revised in all cases to be zero.

- **Measures misclassified as add-on measures:** Some measures appear to be classified as REA, but actually are defined as a replacement of specific component of an existing operating system or piece of equipment with a more efficient component. Examples of these types of measures are replacement of linear fluorescent lighting in refrigerated cases with LEDs and the replacement of wall switches for lighting with wall-box occupancy sensors. Since the existing equipment cannot operate without the replaced component, these measures should have been classified as Early Retirement (ER) rather than REA. For these measures, the RUL has been revised to be the lower of the RUL of modified system or equipment and the EUL of the new component, and the EUL has been set equal to the RUL.

- **Measures misclassified as Replace-on-Burnout measures:** Any measure with savings calculated above a pre-existing condition implies an early retirement application. Where the measure is a replacement of a component of an existing system or piece of equipment, the EUL of the measure must be the lower of the RUL of modified system or equipment and the EUL of the new component. Staff has revised these measures to reflect this requirement. These measures are likely misclassified as ROB and should be classified as ER where the RUL is set to follow this requirement and the EUL is set equal to the RUL.

Staff classifies the erroneous and inappropriate assignments of NTG into five categories as described below.

- **Possible error in NTG assignment:** Some measures appear to have incorrect NTG assignments. For example, several non-lighting measures appear to be assigned NTG values that are only applicable for lighting measures for direct install to hard-to-reach customers (0.89 for T8 linear fluorescent and 0.8 for commercial CFLs).

- **Use of direct install to hard-to-reach customer default:** It appears that all utilities are assigning NTG values from the category of "direct install to hard-to-reach customers" for local government and third-party programs. *This NTG designation is NOT for activities that are either direct install OR to hard-to-reach customer, but instead they are only for direct install activities into hard-to-reach customer facilities/homes*.

Specific criteria were developed by staff to be used in classifying a customer as hard-to-reach. Two criteria are considered sufficient if one of the criteria met is the geographic criteria defined below. There are common, as well as separate, criteria when defining hard-to-reach for residential versus small business customers. The barriers common to both include:

- Those customers who do not have easy access to program information or generally do not participate in energy efficiency programs due to a combination of language, business size, geographic, and lease (split incentive) barriers. These barriers to consider include:

    - Language – Primary language spoken is other than English, and/or

    - Geographic – Businesses or homes in areas other than the United States Office of Management and Budget Combined Statistical Areas of the San Francisco Bay Area, the Greater Los Angeles Area and the Greater Sacramento Area or the Office of Management and Budget metropolitan statistical areas of San Diego County.

- For small business added criteria to the above to consider:

    - Business Size – Less than ten employees and/or classified as Very Small (Customers whose annual electric demand is less than 20kW, or whose annual gas consumption is less than 10,000 therm, or both) , and/or

    - Leased or Rented Facilities – Investments in improvements to a facility rented or leased by a participating business customer

- For residential added criteria to the above to consider:
    - Income – Those customers who qualify for the California Alternative Rates for Energy (CARE) or the Family Electric Rate Assistance Program (FERA), and/or
    - Housing Type – Multi-family and Mobile Home Tenants (rent and lease)

In place of the direct install hard-to-reach NTG values (0.89 for T8 linear fluorescent, 0.80 for commercial CFL, and 0.85 for all other technologies) for measure installations at the facilities and homes of customers who do not meet the hard-to-reach minimum criteria, staff expects the use of more appropriate defaults, most commonly 0.55 to 0.70 for residential sectors and 0.60 to 0.70 for commercial, industrial and agricultural sectors.

- **Use of Emerging Technology default:** It appears that all program administrators are assigning the Emerging Technology default of 0.85 to all LED measures. It is not clear of the basis for this assignment. Since many LED measures appear in third party or local government partnership programs, these may also be assigned the hard-to-reach defaults as described above. As directed in D.12-05-015, program administrators must propose and request approval from staff for the use of the emerging technology default. Additionally, D.12-05-015 requires that, in order for the emerging technology default to be used, the measure inclusion into the portfolio must be directly attributable to the emerging technology program activity. Simply including the emerging technology NTG designation in a workpaper or other document, with no documentation to support the emerging technology program influence claim, is not sufficient.

- **Use of NTG value that is not in DEER:** Values that appear to be from earlier versions of DEER. For example, a number duct sealing claims report an NTG value of 0.46 instead of the residential default of 0.55.