Date of Issuance – December 16, 2016

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION E-4807**
December 15, 2016

R E S O L U T I O N

Resolution E-4807. Approves, with adjustments, the requests of Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SCG) Efficiency Savings and Performance Incentive (ESPI) awards for program years 2014 (ex-post) and 2015 (ex-ante).

PROPOSED OUTCOME:

- Approve energy efficiency shareholder incentive awards as per Table 1.

IOU	Total Request	Total Award
PG&E	$19,082,173	$16,325,625
SCE	$22,650,741	$17,255,315
SDG&E	$5,087,784	$3,904,245
SCG	$4,048,696	$3,538,297

Table 1: IOU ESPI awards PY 2014 & 2015

- Authorize the IOUs to include the above awards in their Energy Efficiency (EE) balancing accounts.

SAFETY CONSIDERATIONS:

- This Resolution is not expected to have an impact on safety.

ESTIMATED COST:

- This Resolution approves energy efficiency shareholder incentives as detailed in Table 1.

By Advice Letters (AL) PG&E AL 3755-G/4908-E, SCE AL 3464-E, SDG&E AL 2950-E/2511-G, SCG AL 5024, filed on September 1, 2016, PG&E AL 3755-G-A/4908-E-A filed on October 7, 2016, SCE AL 3464-E-A, filed on October 10, 2016 and SDG&E AL 2950-E-A/2511-G-A filed on October 20, 2016.

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SUMMARY

This Resolution addresses PG&E, SCE, SDG&E, and SCG's[1] Advice Letters seeking approval of program year 2014 and partial 2015 Efficiency Savings and Performance Incentive (ESPI) awards in compliance with D.12-12-032, D.13-09-023 and Appendix 5 of D.15-10-028. This resolution modifies PG&E, SCE, SDG&E, and SCG' ALs and approves the incentives, as detailed in Table 2.

Component	PG&E	SCE	SDG&E	SCG
2014 Ex-Post Savings	$13,658,382	$11,738,029	$1,937,665	$2,029,846
2015 Ex-Ante Savings	$4,568,863	$4,435,076	$794,155	$677,646
2015 Ex-Ante Review Performance	$2,744,668	$861,094	$848,062	$587,577
2015 Codes & Standards	$960,345	$581,031	$97,416	$59, 009
2015 Non-Resource	$322,945	$539,355	$186,878	$186,758
2014 Ex-Ante Savings True Up	($83,705)	($408,841)	$48,873	$239
2014 EAR Performance True Up	($12,503)	($2,786)	-	($2,778)
2014 Codes & Standards True Up	($2,737)	($26,073)	($6,646)	-
2014 Non-Resource True Up	($7,633)	($461,570)	($2,158)	-
2006-2008 RRIM Adjustment	($5,823,000)	-	-	-
Total Award	$16,325,625	$17,255,315	$3,904,245	$3,538,297

Table 2: IOUs ESPI awards PY 2014 & 2015 per component

[1] Hereafter collectively referred to as the Investor Owned Utilities (IOUs)

BACKGROUND

I. 2006 - 2008 Incentive Mechanism

The California Public Utilities Commission (hereafter the Commission) adopted a shareholder incentive mechanism for energy efficiency programs beginning with the 2006-08 portfolios to motivate investor owned utilities to pursue energy efficiency as a core business strategy. Significant controversy over the 2006-08 incentive mechanism, however, caused the Commission to reconsider the incentive mechanism structure. The Commission opened a proceeding (R.12-01-005) to consider reforms to the original mechanism. R.12-01-005 was split to address an incentive policy for the 2010-12 cycle separate from an incentive policy for the 2013-14 cycle and beyond.

In September 2015, with Decision D.15-09-026 the Commission re-opened Rulemaking (R.) 09-01-019, the Order Instituting Rulemaking to Examine the Commission's Energy Efficiency Risk/Reward Incentive Mechanism (RRIM), to re-examine three Decisions involving the energy efficiency shareholder incentive awards for the 2006-2008 energy efficiency portfolios of the four IOUs.

In September 2016, the Commission adopted D.16-09-019, which requires PG&E to return $29,115,011 over a five-year period, starting with the Efficiency Savings and Performance Incentive (ESPI) awards granted in the 2016 calendar year.[2]

On October 13, 2016, the Commission adopted Decision 16-10-008, which requires SCE to return $13.5 million to ratepayers in three installments. Ordering Paragraph 2(a) stipulates that the first $4.5 million credit will occur within 30 calendar days of the Commission's approval of the Settlement or the Commission's approval of SCE's 2016 ESPI, whichever comes later. SCE is also authorized to accelerate the refund installments by refunding the present value of the three-year stream of refund installments via a one-time payment of the net present value of the total payments. For purposes of present value, the discount rate shall equal 7.9 percent; SCE's authorized weighted average cost of capital.[3]

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[2] D.16-09-019, Attachment A

[3] SCE Settlement OP. 2.D

On Nov 16, 2016 SCE filed a separate AL (3513-E) for the purposes of their RRIM settlement. SCE is using their weighted average cost of capital of 7.9% in calculating the present value of their one time installment.

On September 30, 2016 SDG&E and SCG sent an email to the service list in R.09-01-019 stating they have made significant progress on settlement negotiations with The Utility Reform Network (TURN) and the Office of Ratepayer Advocates (ORA) and are working on drafting the settlement documentation and motion. On October 31, 2016, ORA sent a status update to note that SDG&E, SCG, TURN, and ORA have continued to make progress on drafting the settlement agreements and requested another extension to finalize the settlement, with a status update expected on November 30, 2016.

II. 2013 - 2014 ESPI Mechanism

The Efficiency Savings and Performance Incentive (ESPI) mechanism was adopted on September 5, 2013 in D.13-09-023[4]. Later on, Decision D.15-10-028[5] updated the timelines for ESPI review to comply with the new EE planning, budget, and review processes adopted in the same Decision. The framework of the ESPI program was retained.

The ESPI mechanism is a multi-component incentive structure intended to motivate 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:

A. **Energy Efficiency Resource Savings:** A performance award for ex-ante locked down and ex-post verified net lifecycle resource program[6] energy savings measured in MW, GWh and MMTh. This component is capped at

[4] D.13-09-023

[5] D.15-10-028

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

9% of the resource program budget (excluding funding dedicated to administrative activities, codes and standards programs, Evaluation, Measurement and Verification (EM&V), and Community Choice Aggregators (CCA)/ Regional Energy Networks (RENs).

Per D.13-09-023, 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. IOUs may file for incentive payments for ex ante savings in the year following the program year (i.e., in 2016 for program year 2015) and for ex post savings two years following the program year (i.e., in 2016 for program year 2014). Ex-post savings values will apply to custom measures and deemed measures on the ESPI Uncertain List[7] for the corresponding year. Ex-ante values will apply to deemed measures not on the ESPI Uncertain List[8] for the corresponding year.

B. **Ex-Ante Review (EAR) Process Performance**: A performance award for IOUs ex-ante review conformance of up to 3% of authorized resource program expenditures, excluding administrative costs.

D.13-09-023 prescribes that the ex-ante review performance award be the product of the final IOU score and the earnings cap for the component. Each IOU's score is based 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
2. Quality of submittals
3. Consideration of existing DEER guidance and previous feedback in the development of workpapers and custom project deliverables
4. Collaboration with Commission staff/Pro-activeness

[7] 2014 Uncertain Measure List for 2014 Ex-Post Claims (D.13-09-023, appendix 3)

[8] 2015 Uncertain Measure List for 2015 Ex-Ante Claims

On July 14, 2015 Commission staff issued a mid-year review where utilities were given the opportunity to provide comments. Final Ex-Ante Review Performance reports were publicly released April 4, 2016.[9] Table 3 shows a comparison of the IOUs' 2014 and 2015 scores.

IOU	2014 Score (%)	2015 Score (%)
PG&E	53	40.84
SCE	58	41.91
SDG&E	68	43.79
SCG	69.5	41.91

Table 3: Ex Ante Review Process Performance Score 2014 vs. 2015

C. **Codes and Standards (C&S):** A management fee for the IOUs advocacy of codes and standards. This award equals 12% of the authorized C&S program expenses, , excluding administrative costs, and

D. **Non-Resource Programs:** A management fee for implementing non-resource[10] programs equal to 3% of the authorized non-resource program expenses, excluding administrative costs.

For the purposes of calculating the ESPI awards, program expenditures shall not exceed authorized budgets. Rewards shall also be capped at each component's maximum cap respectively.

Per D.13-09-023, the IOUs must rely on public versions of the CPUC Utility Audit, Finance and Compliance Branch (UAFCB) reports to determine the actual expenditures to calculate their respective incentive awards.

[9] 2015 EAR Performance Memos

[10] 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.

2015 Earning Rate and Incentive Earnings Cap

The incentive earnings caps for each component and each IOU adopted in D.13-09-023 and updated in 2015[11] are as follows:

Component	PG&E	SCE	SDG&E	SCG
Energy Efficiency Resource Savings	$28,473,786	$9,491,262	$1,752,163	$670,476
Ex-ante review performance award	$21,974,541	$7,324,847	$581,031	$788,930
C&S program management fee	$7,308,445	$2,436,148	$114,457	$668,155
Non-Res. program management fee	$4,904,746	$1,634,915	$91,293	$392,899
2015 Total Cap	$40,387,687	$30,669,349	$10,527,205	$7,023,853

Table 4: 2015 Award Caps by Component and IOU

For all energy savings, the incentive award is calculated using the statewide earnings rates adopted in D.13-09-023, updated in 2015[12]. The use of statewide earnings rates allows each unit of energy saved to earn an incentive award. The adopted statewide earnings rates are:

- Electricity: $2,335/GWh
- Peak Demand: $7,127/MW-Yr
- Natural Gas: $30,454/MMth

NOTICE

Notice of PG&E AL 3755-G/4908-E, SCE AL 3464-E, SDG&E AL 2950-E/2511-G, SCG AL 5024, PG&E AL 3755-G-A/4908-E-A, SCE AL 3464-E-A, and SDG&E AL 2950-E-A/2511-G-A were made by publication in the Commission's Daily

[11] 2015 ESPI Earning Coefficients and Caps

[12] ibid

Calendar. PG&E, SCE, SDG&E, and SCG state that a copy of the Advice Letter was mailed and distributed in accordance with Section 4 of General Order 96-B.

PROTESTS

No protests were filed in response to PG&E AL 3755-G/4908-E, SCE AL 3464-E, SDG&E AL 2950-E/2511-G, SCG AL 5024, PG&E AL 3755-G-A/4908-E-A, SCE AL 3464-E-A, and SDG&E AL 2950-E-A/2511-G-A.

DISCUSSION

Discrepancies in Expenditure Data

On August 1, 2016 Commission Staff sent out ESPI Guidelines[13] to the IOUs for their September 1, Advice Letter (AL) Submissions. The IOUs generally conformed to the guidelines, however, in reviewing the ALs, Commission staff found several inconsistencies between the claims, the AL attachments, and the direction given to IOUs in the 2014 Audit reports issued by the Utility Audit, Finance and Compliance Branch (UAFCB)[14]. IOUs must use the guidelines for 2017 ESPI ALs as a template for their 2017 ESPI submissions.

Despite gradual improvements made in IOUs' accounting processes there are still continuous discrepancies between the data reported to the audit branch, data submitted through the Monthly and Quarterly reports, data submitted to the Energy Division Central Server (ED CS), data submitted in the annual fund shifting report, data submitted as part of the 2017 budget filing AL, and data submitted in the ESPI ALs. The inconsistencies are prevalent in program classification, cost categorization and expenditure values. The IOUs' accounting issues will be addressed further in the Phase III of R.13-11-005.

For this year's ESPI calculations Commission staff collaborated with the IOUs' EE personnel, the Commission's audit branch and the Commission's EE data team to resolve discrepancies in expenditure and energy savings data. Commission staff spent a tremendous amount of time and effort to reconcile

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13 2016 Energy Division ESPI Guidelines

14 2014 UAFCB Audit Reports

these discrepancies, however, where reconciliation could not be made between the IOU-claimed values in the AL and the IOUs' claims submitted to the ED CS, the values from ED CS were utilized for the purpose of award calculations. This is similar to the process followed in prior years.

Adjustments to Program Expenditure Data

This Resolution makes the following adjustments to the IOUs expenditure values used to calculate the ESPI awards:

A. True Up Adjustments based on the 2014 UAFCB Audit Reports

Commission staff made adjustments to the IOUs' claims based on the recommendations in the 2014 audit reports. The net present value of these adjustments together with other 2014 true ups were calculated considering each IOU's respective authorized weighted average cost of capital.[15]

B. Correction of Program Classification

Commission staff mapped program classifications in the AL against the IOUs' Advice Letter submissions in February 2015.[16] Program reclassification is not allowed mid-cycle. Several program classifications were corrected as a result of this mapping exercise.

C. 2015 Authorized Expenditures

Consistent with the Resource and Non-Resource program classification in the Energy Efficiency Policy Manual[17], for the purposes of ESPI calculations, Commission included expenditures related to any Third Party or State/Local Government Program, which reported energy efficiency savings, as part of the Resource category. Similarly for any Resource program that had no energy efficiency savings reported, the program expenditures were excluded from the total resource expenditures for the purposes of ESPI reward calculations.

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[15] PG&E 8.06%, SCE 7.90%, SDG&E 7.79%, SCG 8.02%

[16] PGE AL 3566-G/4591-E, SCE AL 3181-E, SDGE AL 2709-E/2363-G and SCG AL 4764

[17] Energy Efficiency Policy Manual, Version 5, July 2013, P.57, 61

In the decision authorizing the 2015 EE program budgets, the Commission raised several significant accounting issues and, while the Commission deferred most of the issues to the next phase of the proceeding, it explicitly clarified that the Commission considers "Authorized Expenditures" to be the "Budgets" approved in decision D.14.10.046.[18] Therefore consistent with Commission's order, the 2015 program budgets authorized in decision D.14.10.046 were considered the maximum acceptable expenditures for the purposes of ESPI award calculations.[19] Therefore, any expenditure beyond the authorized budgets was not considered eligible for award calculations.

In addition, IOUs shall only make claims on funds spent in the respective program year. Claims must exclude all funds reported as spent in previous years and all committed expenditures for activities in future years.

D. Expenditures over the Commission Established Hard and Soft Caps

The Commission has set a 10% hard cap for administrative costs, a 6% soft cap for Marketing, Education and Outreach activities, and a 20% target for the Direct Implementation/Install Non Incentive (DINI)[20] Costs. The 10% hard cap on administrative cost is dealt with during the annual UAFCB audits. The IOUs are directed to refund any excess expenditure (beyond 10%) to the California ratepayers. Such ramifications are not available for the excess expenditures in the other two categories (ME&O and DINI). Throughout the years (since the RRIM mechanism and throughout the 2010-2015 budget cycles) the Commission has repeatedly addressed the overspending on the ME&O and DINI expenditures and has required the utilities to minimize their non-incentive expenditures to achieve the 20% DINI cost target.[21] While the Commission has tolerated over-

[18] "Most immediately, we will clarify some definitions for purposes of this decision. The "budgets" we approve here reflect each IOU's authorized expenditures for 2015 programs (including funds IOUs may "commit" in 2015, to be paid out in subsequent years). D.14.10.046, at 43

[19] D.14-10-046 at 107-109

[20] The term has also been referred to as "Implementation – Customer Services" or "Non-Incentive and Rebates Budget for program delivery"

[21] D.09-09-047 and again in D.12-11-015 at 98

Footnote continued on next page

expenditures in these two categories (due to these thresholds being titled a soft cap and a target[22]) and has not required the IOUs to refund the excess expenditures to the ratepayers, it also does not intend to reward the IOUs based on these excess expenditures. Therefore for this year's ESPI calculations the Commission is removing any ME&O expenditures (over 6%) and resource DINI expenditures (over 20%) from the total program expenditures and, therefore, excluding the excess expenditures from earning shareholder incentive awards.

Adjustments to Ex-Ante Energy Savings Data

This Resolution makes the following adjustments to energy savings values used to calculate the ESPI ex-ante savings awards:

A. Data Discrepancy Adjustments

Where reconciliation could not be made between the data submitted via the ESPI AL and the quarterly data reported by IOUs, the quarterly reported data was used to calculate deemed 2015 ex-ante ESPI savings.

Application of Early Retirement (ER) policy and related effective and remaining useful life (EUL and RUL) values for ER, retrofit add-on (REA) measures and measures with savings calculated over existing baselinesFor ER application and

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Despite a hard cap of 10% on administrative costs, as well as a soft cap of 6% on marketing and outreach expenses, the proportion of other non-incentive costs (the category called "Implementation – Customer Services" in the budget templates) as a percent of the total budgets has been rising steadily, approaching close to 45% in some cases in the budgets as proposed by the utilities. In several cases, the total non-incentive budgets approach 70%. We recognize that some of this increase in non-incentive costs is likely due to Commission directives that result in higher non-incentive costs. However, given that the "implementation – customer services" category of costs is not capped anywhere in our rules or decisions, it appears to have become a catch-all category of costs that is steadily growing.

[22] The term "Target" which was initially borrowed from stakeholders' comments implies a threshold one attempts to reach to, while the 20% DINI target is a threshold for the IOUs to stay under. This natural intuition of the term "target" can cause confusion while dealing with excess cost and hence needs to be addressed in the phase III of the EE proceeding.

RUL value adjustments, the Commission adjusted RUL values that were consistent with DEER requirements. Some equipment replacement measures claimed savings above an existing baseline but were not identified as ER and so were claiming the first period savings for the entire EUL. Commission revised these savings to be ER and applied the correct RUL and second period savings. Commission also 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. Additionally, Commission identified and revised misclassified measures such as ER or replace-on-burnout (ROB) measures identified as REA.

B. Proper application of Commission direction for schools that allows only above code measures to be claimed

All K-12 schools and community college measures and projects are specifically identified in the claims. Some measures are identified as early retirement; IOUs are allowed to claim measures as early retirement that meet the Commission policy requirement, however all measures must be above code measures.[23]. The Commission has retained the early retirement claims but requires that the utilities ensure future claims are only for above code measures and that early retirement is not inappropriately claimed for measures primarily induced via Proposition 39 money.

C. Proper application of net-to-gross (NTG) values

For NTG adjustments, Commission staffs' review focused on three areas: hard-to-reach, emerging technology, and locational (or constrained area) NTG values. There are fewer uses of the hard-to-reach and emerging technology NTG values in the 2015 claims compared to the 2014 claims. Commission staff revised hard-to-reach NTG values to the standard DEER values when it was clear from program documentation that the served customers could not qualify as hard-to-reach customers[24]. For emerging technologies, Commission revised the NTG to the standard DEER values where the measure technology had been in program

[23] Decision 14-10-046 Ordering paragraph 9 states "For all projects undertaken by schools" that "The only eligible measures are those that are above code."

[24] See CPUC resolution G-3497 (December 18, 2014), at 61

offerings for more than four years, or if any IOUs were claiming the same measure but using the standard DEER value. Locational targeted programs serving transmission, distribution, or generation constrained areas may claim an NTG of 0.85, however, customer incentives must also be "the higher of 75% of incremental measure cost, or what is available under prior policies.[25]" Commission staff observed very little targeting or increase in incentives for measures in constrained areas as compared to identical measures offered across the service area. As a measure of targeting for constrained areas Commission staff identified measures with incentives at least five percent greater than incentives for identical measures in non-constrained areas, and in those cases accepted the 0.85 NTG value for targeted activities and revised all other claims to the standard DEER NTG values.

D. Application of DEER EUL for screw-in compact fluorescent lamps (CFLs)

Commission reviewed and revised, as needed, all screw-in CFL claims to have the correct DEER EUL value. It appears that IOUs are claiming an EUL without applying the DEER required degradation multiplier of 0.523.[26] In previous years, screw-in CFLs were on the uncertain measures list, thus not eligible for deemed not uncertain ex-ante savings review and payment. However, the Commission has adopted a DEER EUL to be equal to the product of the EUL year value and the degradation multiplier. Therefore, it is expected that, all claims will have the correct ex-ante EUL value so no further adjustments are required.

E. Revisions to SCE ER claims for commercial packaged HVAC equipment to reflect available evidence based on review of current and historical claims by all IOUs

Commission staff reviewed the details of the SCE savings claims for its commercial HVAC ER program. Those claims were adjusted to be in conformance with the previous Commission direction as well as staff direction to

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[25] D.14-10-046, OP 9

[26] The DEER2008 EUL update included a "switching degradation factor" of 0.523 for indoor residential screw-in CFLs. Explicit calculations of EULs for CFLs are included in the DEER 2008 update documentation showing that the final EUL in years is always multiplied by the degradation factor.

SCE staff regarding the requirements on the claims for that specific program. Commission direction regarding requirements for ER claims clearly places a burden on SCE to only submit such claims after an examination of evidence supporting or refuting such claims is done.[27] Commission staff examined and compared the claims across all IOUs for installations of commercial packaged HVAC equipment from 2010 through the second quarter of 2016. The comparison of statewide trends to the SCE activity claims were used as a way to verify the fraction of ER claims that reasonably represent actual ER installations.[28] The Commission adjusted the early retirement portion of SCE's packaged HVAC claims by applying a gross savings adjustment of 0.25, to reflect that the majority of SCE early retirement claims are more likely in actuality normal replacement installations. This change reduces early retirement claims and associated savings by 75%.[29]

F. Removal of pre 2015 installed measures in 2015 claims

Aligned with prior Commission direction[30], Commission also excluded savings for measures that had installation dates, identified in the ED CS quarterly data, prior to January 1, 2015. In the last ESPI filing (2014 ex-ante claims), some IOUs had included claims for savings for measures installed before 2014. Resolution

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[27] D.12-05-015 at 346

[28] D.13-090023 at 51: "For measures that are not on the "deemed but high uncertainty" measure list, only the measure count will be subject to verification in calculating ESPI earnings (as well as any errors in the ex-ante parameter values and calculations included in the claim, of course). The installation rate represents the actual number of an EE measure (e.g., efficient lighting, advanced heating systems) put in place as compared to the claimed amount. We authorize Commission staff to adjust IOU claimed measure counts with verified installation rates for any EE measures in the portfolio, including those deemed measures not identified as highly uncertain."

[29] Detailed analysis and documentation of all IOU's packaged HVAC claims are provided in the 2015 ex-ante workbook on the CPUC's ESPI website.

[30] The annual installation date based claims requirement was introduced in D.04-09-060 (at 33 and Findings of Facts 14) , clarified and reiterated in D.05-04-051 (at 55, Findings of Fact 36-42, Conclusion of Law 3, Ordering Paragraph 17), D.05-09-043 (at 84) and again in Resolution G-3510 (at 13).

G-3510 forfeited such awards and directed IOUs to only include measures installed in the respective year of claims for the next year submission. IOUs were also directed to indicate in their data submissions what year each measure is installed.[31] The IOUs did not comply with these directions in their 2016 submissions.

Going forward the IOUs should only include savings for measures actually installed (the year the measure has been physically installed and became operational to deliver savings) in the same year they are claiming incentives for. IOUs should indicate the measure installation date in their data submissions.

Two workbooks containing data on all the reported, reviewed and adjusted program expenditures and energy savings values, and a summary of the details of the savings review are available on the Commission ESPI website.[32]

This resolution modifies PG&E, SCE, SDG&E, and SCG's requested awards and approves the incentives, as detailed herein:

[31] Resolution G-3510 at 13 "Therefore, next year's claims should not include savings for measures, not on the uncertainty list, that were installed before 2015"

[32] CPUC ESPI website

1. Pacific Gas and Electric (PG&E)

PG&E requests $19,082,173 in their 2016 ESPI AL submission as detailed below:

Component	Request
2014 Ex-Post Savings	$13,658,382
2015 Ex-Ante Savings	$5,191,401
2015 Ex-Ante Review Performance	$3,835,082
2015 Codes & Standards	$1,463,926
2015 Non-Resource	$855,012
2014 Ex-Ante Savings True Up	($77,462)
2014 Ex-Ante Review Performance True Up	($11,571)
2014 Codes & Standards True Up	($2,533)
2014 Non-Resource True Up	($7,064)
2006-2008 RRIM Adjustment	($5,823,000)
Total Request	**$19,082,173**

Table 5: PG&E 2016 ESPI Claim as Filed in AL3755-G-A/4908-E-A

1.1 Energy Efficiency Resource Savings

- 2014 Ex-Post Energy Savings

ESPI Component	Request	Award
2014 Ex-Post Savings	$13,658,382	$13,658,382

- 2015 Ex-Ante Energy Savings

ESPI Component	2015 Cap	Request	Award
2015 Ex-Ante Savings	$28,473,786	$5,191,401	$4,568,863

1.2 Ex-Ante Review (EAR) Process Performance

PG&E's workpaper activities at the beginning of 2015 demonstrated an intention to collaborate with Commission staff, particularly on high profile workpapers. By the mid-year feedback, Commission staff had reviewed six recent workpapers and provided an individual assessment of each, including detailed edits of the submitted ex ante data to demonstrate the corrections needed for format, consistency, and accuracy. The mid-year assessment also noted that, while PG&E was making some strides towards compliance with the 2013-2014 Lighting Retrofit dispositions, elements of the 2015 Lighting Retrofit Guidance memo issued in January 2015 had not yet been incorporated.

For PG&E's custom projects in 2015, Commission staff reviewed both single projects and large groups of selected custom project applications. The 2015 review activities were tracked across 49 CPUC Tracking IDs encompassing several hundred custom projects. Commission staff remains concerned with how PG&E's program staff and its Third Party implementers continue to amplify customer expectations for large energy efficiency incentive amounts before a complete review is done for major assumptions, eligibility, or program attribution. Allowing customer expectations to be set high for project types with a history of issues, or those with complex market, baseline, or measurement problems sets up potential customer satisfaction issues when significant deficiencies are identified for their project.

PG&E and Third Party implementers need to address more of the issues up front and early in the "project lead" stage rather than allowing expectations to rise and leaving it to Commission review process to identify problems. The number of projects selected for review that have significant issues raises great concerns about the vast majority of projects that are not selected for review. The legitimacy of these concerns is supported by the continued low gross and net realization rates found by the ex post evaluations of custom activities for 2014. This is a troubling example of an apparent lack of reasonable judgment in PG&E program staff's stewardship of ratepayer funds that requires serious PG&E management attention.

In accordance with D.13-09-023, for this award component PG&E is eligible to earn up to three percent of resource program expenditures, less administrative spend. PG&E's final 2015 ex-ante performance score was 40.84/100.[33] In Commission staffs' analysis of PG&E's expenditures, we found several inconsistencies between PG&E's filed expenditures and data submitted by PG&E to the ED Central Server. Several adjustments were made, per the earlier discussion in this resolution and displayed in the workbook available on the CPUC ESPI Website.

ESPI Component	2015 Cap	Request	Award
2015 EAR Performance	$9,491,262	$3,835,082	$2,744,668

1.3 <u>Codes and Standards (C&S)</u>

Per D.13-09-023, the codes and standards program management fee is equal to 12% of the C&S authorized program expenditures, less administrative spend. The different value calculated by the Commission results from PG&E's C&S expenditures exceeding 2015 Commission authorized levels.

ESPI Component	2015 Cap	Request	Award
2015 C&S Management Fee	$1,752,163	$1,463,926	$960,345

1.4 <u>Non-Resource Programs</u>

Per D.13-09-023, the non-resource program management fee is equal to three percent of non-resource program expenditures, not to exceed authorized expenditures, less administrative spend.

[33] 2015 EAR Performance Memos

ESPI Component	2015 Cap	Request	Award
2015 Non-Resource Management Fee	$670,476	$855,012	$322,945

PG&E requested an award value beyond the 2015 non-resource program award cap. A similar request was made by PG&E for the 2014 rewards and was rejected by the Commission. The Commission's purpose in adopting an award cap is to offer a reasonable earning opportunity to IOUs while it also ensures that ratepayers are not funding unreasonable costs.[34]

Moreover, PG&E's 2015 expenditures on the non-resource programs exceed the 2015 authorized budget for non-resource programs. As discussed earlier IOU shareholder incentives are awarded based on adopted budgets rather than expenditures shifted mid-cycle. For the purposes of ESPI award calculations, the expenditures are adjusted and capped based on the 2015 authorized budget.

1.5 True Ups

In AL 3755-G-A/4908-E-A PG&E included ex-ante savings adjustment as identified in Commission staffs' 2014 Ex-Post ESPI Final Performance Statement Report issued on August 1, 2016[35] as well as adjustments for the 2014 EAR performance awards based on PG&E's own finding of accounting errors. On October 7, 2016 in their supplemental AL PG&E included further adjustments based on the 2014 UAFCB audit reports.[36]

The primary reason for PG&E's true-up of 2014 Ex-ante Savings is the reconciliation of record classification into custom ex-post, deemed ex-post, and ex-ante savings incentive groups. There were two major groups of claims that required reconciliation: (1) Claims in both the ex-ante savings incentive in Resolution G-3510 that are now included in the deemed ex-post savings incentive (covered under the Report) and (2) Claims not included in the ex-ante savings

[34] D.13-09-023 FOF.19

[35] 2014 Ex-Post ESPI Final Performance Statement Report

[36] Memorandum Issues June 30,2016 , Observations 4,7,15,18

incentive in Resolution G-3510 that are also not included in the deemed ex-post savings incentive in the Report. Furthermore, Commission applied an ex-post installation rate to the ex-ante records, per D.13-09-023.

Commission has also considered PG&E's authorized weighted average cost of capital (8.06%) in calculating the true ups (except for the 2006-2008 RRIM adjustments).

On September 15, 2016, the Commission adopted D.16-09-019 that approved the RRIM settlement for PG&E. The Settlement Agreement requires PG&E to reduce its request for a shareholder incentive by $5,823,000 per year, for five years, until it has offset a total of $29.1 million of PG&E's EE revenue requirement that would otherwise be collected in rates.

Component	Request	Award
2014 Ex-Ante Savings True Up	($77,462)	($83,705)
2014 EAR Performance True Up	($11,571)	($12,503)
2014 Codes & Standards True Up	($2,533)	($2,737)
2014 Non-Resource True Up	($7,064)	($7,633)
2006-2008 RRIM Adjustment	($5,823,000)	($5,823,000)

PG&E's final 2016 award values including all adjustments are shown below:

Component	Award
2014 Ex-Post Savings	$13,658,382
2015 Ex-Ante Savings	$4,568,863
2015 Ex-Ante Review Performance	$2,744,668
2015 Codes & Standards	$960,345
2015 Non-Resource	$322,945
2014 Ex-Ante Savings True Up	($83,705)
2014 Ex-Ante Review Performance True Up	($12,503)
2014 Codes & Standards True Up	($2,737)
2014 Non-Resource True Up	($7,633)
2006-2008 RRIM Settlement Adjustment	($5,823,000)
Total Award	**$16,325,625**

Table 6: PG&E 2016 ESPI awards

This award is $2,756,548 less than the amount requested in AL 3755-G-A/4908-E-A.

2. Sothern California Edison (SCE)

SCE requests $22,650,741 in their 2016 ESPI AL submission as detailed below:

Component	Request
2014 Ex-Post Savings	$11,738,029
2015 Ex-Ante Savings	$7,487,372
2015 Ex-Ante Review Performance	$3,015,717
2015 Codes & Standards	$581,031
2015 Non-Resource	$659,439
2014 Ex-Ante Savings True Up	($378,907)
2014 Ex-Ante Review Performance True Up	-
2014 Codes & Standards True Up	($24,164)
2014 Non-Resource True Up	($427,776)
2006-2008 RRIM Adjustment	-
Total Request	**$22,650,741**

Table 7: SCE 2016 Incentive Award Claim as Filed in SCE AL3464-E-A

2.1 Energy Efficiency Resource Savings

- 2014 Ex-Post Energy Savings

ESPI Component	Request	Award
2014 Ex-Post Savings	$11,738,029	$11,738,029

- 2015 Ex-Ante Energy Savings

ESPI Component	2015 Cap	Request	Award
2015 Ex-Ante Savings	$21,974,541	$7,487,372	$4,435,076

2.2 Ex-Ante Review (EAR) Process Performance

SCE's workpaper activities at the beginning of 2015 showed improvement over 2014 in terms of data submittals; however, we observed very little movement to incorporate previous decisions, input and direction. One encouraging exception was SCE's efforts to develop an approach to document and properly claim "hard-to-reach" net-to-gross values, which requires coordination across workpaper development, field implementation and claims reporting disciplines.

In 2015, Commission staffs' custom projects ex-ante review activities spanned across 24 different custom projects. We found that SCE's engineering team exhibited genuine interest to collaborate and work with Commission staff to improve their project reviews due diligence.

In accordance with D.13-09-023, SCE is eligible to earn up to three percent of authorized resource program expenditures, less administrative spend, for the ex-ante review performance award. SCE's final 2015 ex-ante performance score was 41.91/100.[37] In Commission staffs' analysis of SCE's expenditures, we found major discrepancies between SCE's filed expenditures and data submitted by SCE to the ED CS. The differences in values between the two sources are often as large as two orders of magnitude. Several adjustments were made on the data per the earlier discussion in this resolution. The adjustments are shown in the workbook on the CPUC ESPI website.[38]

ESPI Component	2015 Cap	Request	Award
2015 EAR Performance	$7,324,847	$3,015,717	$861,094

2.3 <u>Codes and Standards (C&S)</u>

Per D.13-09-023, the codes and standards program management fee is equal to 12% of the C&S authorized program expenditures, less administrative spend. SCE's C&S expenditures exceed the Commission authorized levels. The final award also exceeds the 2015 C&S award cap. Hence the award is equal to the 2015 C&S award cap. SCE had rightfully requested this cap in their ESPI AL.

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[37] 2015 EAR Performance Memos

[38] CPUC ESPI website

ESPI Component	2015 Cap	Request	Award
2015 C&S Management Fee	$581,031	$581,031	$581,031

2.4 Non-Resource Programs

Per D.13-09-023, the non-resource program management fee is equal to three percent of non-resource program expenditures, not to exceed authorized expenditures, less administrative spend. SCE's non-resource expenditures exceed the 2015 Commission authorized levels, as a result the calculated award is less than the value requested in the AL.

ESPI Component	2015 Cap	Request	Award
2015 Non-Resource Management Fee	$788,930	$659,439	$539,355

2.5 True Ups

SCE included ex-ante savings adjustments as identified in Commission staffs' 2014 Ex-Post ESPI Final Performance Statement Report issued on August 1, 2016[39] as well as some adjustments from the 2014 UAFCB audit reports.[40] SCE had failed to include the 2014 EAR performance true ups in their ESPI AL.

The primary reason for SCE's true-up of 2014 ex-ante savings is the reconciliation of record classification into custom ex-post, deemed ex-post, and ex-ante savings incentive groups. There were two major groups of claims that required reconciliation: (1) Claims in both the ex-ante savings incentive in Resolution G-3510 that are now included in the deemed ex-post savings incentive (covered under the Report) and (2) Claims not included in the ex-ante savings incentive in Resolution G-3510 that are also not included in the deemed ex-post savings

[39] 2014 Ex-Post ESPI Final Performance Statement Report

[40] Memorandum Issues June 30,2016 , Observations 4,7,8,16

incentive in the Report. Furthermore, Commission applied an ex-post installation rate to the ex-ante records, per D.13-09-023.

Commission has also considered SCE's authorized weighted average cost of capital (7.90%) in calculating the true ups.

Component	Request	Award
2014 Ex-Ante Savings True Up	($378,907)	($408,841)
2014 Ex-Ante Review Performance True Up	-	($2,786)
2014 Codes & Standards True Up	($24,164)	($26,073)
2014 Non-Resource True Up	($427,776)	($461,570)
2006-2008 RRIM Settlement Adjustment	-	-

SCE's final 2016 ESPI award values including all adjustments are shown below:

Component	Award
2014 Ex-Post Savings	$11,738,029
2015 Ex-Ante Savings	$4,435,076
2015 Ex-Ante Review Performance	$861,094
2015 Codes & Standards	$581,031
2015 Non-Resource	$539,355
2014 Ex-Ante Savings True Up	($408,841)
2014 Ex-Ante Review Performance True Up	($2,786)
2014 Codes & Standards True Up	($26,073)
2014 Non-Resource True Up	($461,570)
2006-2008 RRIM Settlement Adjustment	-
Total Award	**$17,255,315**

Table 8: SCE's 2016 ESPI awards

This award is $5,395,426 less than the amount requested in SCE AL 3464-E.

3. San Diego Gas & Electric (SDG&E)

SDG&E requests $5,087,784 in their 2016 ESPI AL submission as detailed below:

Component	Request
2014 Ex-Post Savings	$1,937,665
2015 Ex-Ante Savings	$1,563,003
2015 Ex-Ante Review Performance	$1,137,075
2015 Codes & Standards	$97,416
2015 Non-Resource	$315,451
2014 Ex-Ante Savings True Up	$45,341
2014 Ex-Ante Review Performance True Up	-
2014 Codes & Standards True Up	($6,165)
2014 Non-Resource True Up	($2,002)
2006-2008 RRIM Adjustment	-
Total Request	**$5,087,784**

Table 9: SDG&E 2016 ESPI Claim as Filed in SDG&E AL2950-E-A/2511-G-A

3.1 Energy Efficiency Resource Savings

- 2014 Ex-Post Energy Savings

ESPI Component	Request	Award
2014 Ex-Post Savings	$1,937,665	$1,937,665

- 2015 Ex-Ante Energy Savings

ESPI Component	2015 Cap	Request	Award
2015 Ex-Ante Savings	$7,308,445	$1,563,003	$794,155

3.2 Ex-Ante Review (EAR) Process Performance

For the 2015 workpaper review assessment, Commission staff continued to observe a high level of SDG&E staff activity oriented toward improving the overall quality of workpapers and accompanying ex-ante data submissions as well as streamlining the review process. However, with the exception of a couple of workpaper examples, SDG&E staff seem to have made no progress in their workpaper submissions since the preliminary review stage resulting in overall performance that declined in 2015 as compared to 2014.

As for the 2015 custom projects review assessment, Commission's ex-ante review activities touched 11 SDG&E custom projects. SDG&E's engineering team continues to show sincere attentiveness to better understand and implement the Commission directions, policies, and Commission's expectations for custom project reviews. Despite the fact that there is a lot of room for improvement, SDG&E staff scored the highest points in the ESPI custom ex ante review among the four investor-owned utilities. Commission expects to see improvements throughout 2016 in both SDG&E's internal custom project reviews and tracking and follow-up on projects selected for the ex-ante review.

In accordance with D.13-09-023, SDG&E is eligible to earn up to three percent of authorized resource program expenditures, less administrative spend, for the ex-ante review performance award. SDG&E's final 2015 ex-ante performance score was 43.79/100.[41] In the analysis of SDG&E's expenditures, we found several inconsistencies between SDG&E's filed expenditures and data submitted by SDG&E to the ED CS. Several adjustments were made per the earlier discussion in this resolution and shown in the workbook at the CPUC ESPI Website.[42]

ESPI Component	2015 Cap	Request	Award
2015 EAR Performance	$2,436,148	$1,137,075	$848,062

41 2015 EAR Performance Memos

42 CPUC ESPI website

3.3 Codes and Standards (C&S)

Per D.13-09-023, the codes and standards program management fee is equal to 12% of the authorized C&S program expenditures, less administrative spend.

ESPI Component	2015 Cap	Request	Award
2015 C&S Management Fee	$114,457	$97,416	$97,416

3.4 Non-Resource Programs

Per D.13-09-023, the non-resource program management fee is equal to three percent of the authorized non-resource program expenditures, not to exceed authorized expenditures, less administrative spend. The different value we calculated results from the difference in SDG&E's reported expenditure in their AL versus the values submitted to the ED Central Server. SDG&E's non-resource expenditures also exceeded 2015 authorized expenditures. The excess expenses were excluded from ESPI awards calculations.

ESPI Component	2015 Cap	Request	Award
2015 Non-Resource Management Fee	$668,155	$315,451	$186,878

3.5 True Ups

SDG&E included ex-ante savings adjustment as identified in Commission staffs' 2014 Ex-Post ESPI Final Performance Statement Report issued on August 1, 2016[43] as well as adjustments based on the 2014 UAFCB audit reports[44].

The primary reason for SDG&E's true-up of 2014 ex-ante savings is the reconciliation of record classification into custom ex-post, deemed ex-post, and ex-ante savings incentive groups. There were two major groups of claims that required reconciliation: (1) Claims in both the ex-ante savings incentive in Resolution G-3510 that are now included in the deemed ex-post savings incentive

[43] 2014 Ex-Post ESPI Final Performance Statement Report

[44] Memorandum Issues June 30,2016 , Observations 4,5,9

(covered under the Report) and (2) Claims not included in the ex-ante savings incentive in Resolution G-3510 that are also not included in the deemed ex-post savings incentive in the Report. Furthermore, Commission applied an ex-post installation rate to the ex-ante records, per D.13-09-023.

Commission has also considered SDG&E's authorized weighted average cost of capital (7.79%) in calculating the true ups.

ESPI Component	Request	Award
2014 Ex-Ante Savings True Up	$45,341	$48,873
2014 Ex-Ante Review Performance True Up	-	-
2014 Codes & Standards True Up	($6,165)	($6,646)
2014 Non-Resource True Up	($2,002)	($2,158)

SDG&E's final 2016 ESPI award values including all adjustments are shown below:

Component	Award
2014 Ex-Post Savings	$1,937,665
2015 Ex-Ante Savings	$794,155
2015 Ex-Ante Review Performance	$848,062
2015 Codes & Standards	$97,416
2015 Non-Resource	$186,878
2014 Ex-Ante Savings True Up	$48,873
2014 Ex-Ante Review Performance True Up	-
2014 Codes & Standards True Up	($6,646)
2014 Non-Resource True Up	($2,158)
2006-2008 RRIM Settlement Adjustment	-
Total Award	**$3,904,245**

Table 10: SDG&E 2016 ESPI awards

This award is $1,183,539 less than SDG&E's request in AL2950-E-A/2511-G-A.

4. **Sothern California Gas (SCG)**

SCG requests $4,048,696 in their 2016 ESPI AL submission as detailed below:

Component	**Request**
2014 Ex-Post Savings	$2,029,846
2015 Ex-Ante Savings	$1,024,615
2015 Ex-Ante Review Performance	$600,299
2015 Codes & Standards	$59,009
2015 Non-Resource	$337,278
2014 Ex-Ante Savings True Up	$221
2014 Ex-Ante Review Performance True Up	($2,572)
2014 Codes & Standards True Up	-
2014 Non-Resource True Up	-
2006-2008 RRIM Settlement Adjustment	-
Total Request	**$4,048,696**

Table 11: SCG 2016 ESPI Claim as Filed in SCG AL5024

4.1 Energy Efficiency Resource Savings

- 2014 Ex-Post Energy Savings

ESPI Component	**Request**	**Award**
2014 Ex-Post Savings	$2,029,846	$2,029,846

- 2015 Ex-Ante Energy Savings

ESPI Component	**2015 Cap**	**Request**	**Award**
2015 Ex-Ante Savings	$4,904,746	$1,024,615	$677,646

4.2 Ex-Ante Review (EAR) Process Performance

In 2015, Commission staff observed continued efforts on the part of SCG to improve their workpaper development processes, increase their level measure

and project critical analysis, improve utilization of DEER values and methods, and streamline the ex-ante review process.
Overall, the number of SCG's custom projects reviewed by Commission staff decreased significantly in 2015. Review activities spanned across only seven projects. Despite the very low activity level, we are disappointed in SCG staff's handling of these ex-ante review selected custom projects. We remain concerned that SCG program staff and its Third Party implementers set high customer expectations for large incentive awards before any appropriate project review is undertaken.

In accordance with D.13-09-023, SCG is eligible to earn up to three percent of authorized resource program expenditures, less administrative spend, for the ex-ante review performance award. SCG's final 2015 ex-ante performance score was 41.91/100.[45] In Commission's analysis of SCG's expenditures, we found several inconsistencies between SCG's filed expenditures and data submitted by SCG to the ED Central Sever. Several adjustments were made per the earlier discussion in this resolution and in the workbook available at the CPUC ESPI Website.[46]

ESPI Component	2015 Cap	Request	Award
2015 EAR Performance	$1,634,915	$600,299	$587,577

4.3 <u>Codes and Standards (C&S)</u>

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

ESPI Component	2015 Cap	Request	Award
2015 C&S Management Fee	$91,293	$59,009	$59,009

[45] 2015 EAR Performance Memos

[46] CPUC ESPI website

4.4 Non-Resource Programs

Per D.13-09-023, the non-resource program management fee is equal to three percent of the authorized non-resource program expenditures, less administrative spend. SCG's 2015 non-resource expenditures exceed the Commission authorized levels. The non-resource program management fee is calculated as:

ESPI Component	2015 Cap	Request	Award
2015 Non-Resource Management Fee	$392,899	$337,278	$186,758

4.5 True Ups

SCG included ex-ante savings adjustment as identified in Commission's 2014 Ex-Post ESPI Final Performance Statement Report issued on August 1, 2016[47] as well as adjustments based on the 2014 UAFCB audit reports.[48] UAFCB had also identified additional accounting errors in the non-resource program expenditures however they had not suggested modifications as the difference would have led to insignificant reward adjustments.[49]

The primary reason for SCG's true-up of 2014 Ex-ante savings is the reconciliation of record classification into custom ex-post, deemed ex-post, and ex-ante savings incentive groups. There were two major groups of claims that required reconciliation: (1) Claims in both the ex-ante savings incentive in Resolution G-3510 that are now included in the deemed ex-post savings incentive (covered under the Report) and (2) Claims not included in the ex-ante savings incentive in Resolution G-3510 that are also not included in the deemed ex-post savings incentive in the Report. Furthermore, Commission applied an ex-post installation rate to the ex-ante records, per D.13-09-023.

[47] 2014 Ex-Post ESPI Final Performance Statement Report

[48] Memorandum Issues June 30,2016 , Observations 4, 16, 19

[49] ibid Obs. 7

Commission has also considered SCG's authorized weighted average cost of capital (8.02%) in calculating the true ups.

Component	Request	Award
2014 Ex-Ante Savings True Up	$221	$239
2014 Ex-Ante Review Performance True Up	($2,572)	($2,778)
2014 Codes & Standards True Up	-	-
2014 Non-Resource True Up	-	-

SCG's final 2016 ESPI award values including all adjustments are shown below:

Component	Award
2014 Ex-Post Savings	$2,029,846
2015 Ex-Ante Savings	$677,646
2015 Ex-Ante Review Performance	$587,577
2015 Codes & Standards	$59,009
2015 Non-Resource	$186,758
2014 Ex-Ante Savings True Up	$239
2014 Ex-Ante Review Performance True Up	($2,778)
2014 Codes & Standards True Up	-
2014 Non-Resource True Up	-
2006-2008 RRIM Settlement Adjustment	-
Total Award	**$3,538,297**

Table 12: SCG 2016 ESPI awards

This award is $510,399 less than the amount claimed in SCG AL 5024.

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.

The four Investor Owned Utilities submitted comments to the draft resolution. Below are the issues raised and discussed by the IOUs in their comments.

<u>IOUs' Expenditures over the 6% ME&O and 20% DINI Thresholds:</u>

PG&E, SDG&E and SCG are correct in stating that in D.12.11.015 the Commission found the 20% target set previously still as reasonable and decided to maintain the target at the same level though it wasn't still met by the IOUs.[50] The Commission states in D.12.11.015 that "Despite a hard cap of 10% on administrative costs, as well as a soft cap of 6% on marketing and outreach expenses, the proportion of other non-incentive costs (the category called "Implementation – Customer Services" in the budget templates) as a percent of the total budgets has been rising steadily, approaching close to 45% in some cases in the budgets as proposed by the utilities. In several cases, the total non-incentive budgets approach 70%. We recognize that some of this increase in non-incentive costs is likely due to Commission directives that result in higher non-incentive costs. However, given that the "implementation – customer services" category of costs is not capped anywhere in our rules or decisions, it appears to have become a catch-all category of costs that is steadily growing."

What the Commission points out in the above statement is that despite the IOUs' consistently exceeding that target, the Commission is not setting a higher threshold for the IOUs and still believes that the 20% is a reasonable threshold for the IOUs to stay under for their DINI expenditures.

[50] PG&E Comments at 5, SDG&E Comments at 4, and SCG Comments at 2

We also clarify that in this resolution we are not setting a hard cap for the DINI expenditures. A hard cap would have disallowed the excess DINI expenditures and would have required the IOUs to return the excess expenditures to the California ratepayers, similar to how administrative costs are treated. We are simply precluding IOUs from earning shareholder incentive awards on the excess expenditures beyond the Commission's desired thresholds.

In addition PG&E believes that their non-resource expenditures are within the Commission authorized levels if the 20% DINI threshold is not considered.[51] We would like to clarify that the 20% DINI issue does not concern the non-resource programs and was not applied to PG&E's non-resource expenditures.

SCG in their comments states that marketing expenditures should not be classified as administrative costs.[52] We hereby clarify that marketing and outreach expenditures were not treated as admin costs. The EE policy manual considers ME&O a non-resource program[53] and as a result Commission staff moved these costs from the resource program expenditures to the non-resource program expenditures. The ME&O expenditures are considered eligible for the non-resource program management fee award calculations. We also clarify that contrary to SCG's statement the ME&O expenditures were in fact removed from resource expenditures in the previous ESPI resolution.

SCG also objects to the Commission use of data and believes that the Commission should use the IOU's database for the purposes of ESPI award calculation.[54] We clarify that the data available on the ED Central Server is IOUs' own data submitted as part of their periodic reports.

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[51] PG&E Comments at 1

[52] SCG Comments at 3

[53] 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.

[54] SCG Comments at 5

In addition, PG&E has a rather unusual request from the Commission. The IOU requests to be allowed to "demonstrate the merits of its 2016 claims" by filing an adjustment to their 2016 claims in the 2017 ESPI submission.[55] Public Utilities Code Section 311g and Section 14.5 of CPUC's rules of practice and procedure provides the opportunity for any person or party to comment on the draft resolution until ten days before the Commission meeting. PG&E was rightfully provided the opportunity to demonstrate the merits of its 2016 claims during the comment period of this draft resolution. This is in addition to the informal communications between PG&E and Commission staff clarifying PG&E's advice letter filing prior to the issue of the draft resolution. PG&E's comments filed on the draft Resolution were considered and, where warranted, adjustments were made to the shareholder incentives. Where adjustments were not made in response to PG&E's comments, however, the Commission finds that those shareholder incentive claims were not justified.

2015 Commission Authorized Expenditures:

SCE states in their comments that the draft resolution has incorrectly relied on the "budget" data in place of "actual total cost" data in calculating its recommended award.[56] SDG&E in their comments also believe that if the Commission approves mid-cycle shifts, then those expenditures should be considered in the ESPI award calculations.[57] We have further clarified this issue in the discussion section of the resolution. The most recent Commission decision has explicit language on what the Commission considers "authorized expenditures," however, even if the Commission were to consider mid-cycle fund shift expenditures in the future ESPI calculations it would be practically impossible to do so with the current status of the accounting issues we face with the IOUs data. Commission staff executed a tremendous amount of work reconciling IOUs' data across four different recent data submissions by the IOUs. With this level of discrepancy even between the annual fund shifting reports and the 2017 budget filing (submitted within a few months) it would be extremely

[55] PG&E Comments at 3

[56] SCE Comments at 3,4

[57] SDG&E Comments at 6

challenging to verify any expenditures submitted by the IOUs. This issue will be discussed further in the phase III of the proceeding.

In addition, SCE's believes that the Commission has excluded applicable costs in calculating the total cost category, such as user incentives, costs from prior funding cycles, and pensions and benefits costs, in its calculations.[58] We assume what SCE refers to as the "user incentive" is the cost category called "IncentRebatesUserInputIncentive" that is an input into the avoided cost calculator. The IOUs are specifically advised not to populate this category with data but, if done, the costs will then be treated as administrative costs.[59] SCE has over $156 million dollars in this cost category. In their comments, SCE did not provide any specific details on what these $156 million dollars pertain to, why they are included in this cost category, or why SCE believes they should be treated any differently. Moreover, Commission staff could not locate any cost category separately marked as "pensions and benefits" in the data submitted by SCE or the data available on ED CS. Such costs are perhaps currently bundled in with all other cost categories. Given that SCE's comments did not adequately justify the inclusion of these costs, they remain excluded from the shareholder incentive calculations.

Guidelines for 2017 ESPI Submissions:

We agree with PG&E that any new changes to ESPI mechanism are better suited for the phase III of the proceeding.[60] Therefore, we defer the accounting issues regarding the unspent uncommitted funds and its interest to phase III of the proceeding. As for the guidelines mentioned in the Resolution, Commission staff will set forth a uniform data submission template across all four utilities. The data submission formats in the ESPI guidelines were, and will continue to be, similar to what is required from the IOUs for the annual budget filings. This process will prevent multiple follow up data requests.

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[58] SCE Comment at 4

[59] E3 EE Calculator Technical Manual at 4:" We recommend that users NOT use this input. Use this cell for incentives and rebates that are not calculated on a per unit installed basis, and should be treated like administrative costs. These costs are not treated like transfer payments, and are assumed to NOT reduce the Measure costs."

[60] PG&E Comments at 2

In contrast SCE suggests more collaboration with Commission staff to ensure closer conformance to Commission staff guidance and expectations on data submission.[61] The Commission welcomes SCE's suggestion on more collaboration on the ESPI process.

SCG also requests more collaboration and transparency on the ESPI process. The IOU states that they had to filter through 400,000 data points to back calculate the values in the draft resolution.[62] We certainly welcome more collaboration between the IOUs and Commission staff. We also agree that the ESPI award calculation process is a very cumbersome effort. In an attempt to reduce the size of the final work product, Commission staff had removed some of the obvious formulas when combining the two ex-ante workbooks (savings and expenses). It was assumed that with all the adjustments being listed out in the Resolution and all the data provided, it would be easy to trace the calculations. In response to SCG's comment we have added in the formulas and updated the workbooks (now divided in two separate files).

<u>2014 Ex-ante ESPI Overcompensations:</u>

SDG&E and SCG both incorrectly apply a statement from the RRIM decision to the ESPI resolution.[63] They believe that the application of the IOUs' weighted average cost of capital is not applicable to the 2014 overcompensations. The claim derives from a 2007 decision on the old RRIM mechanism stating that" Although we permitted interest accrual on uncollected earnings for the pre-1998 shared savings incentive mechanism, we do not adopt this treatment today [as the two mechanisms have very different characteristics]…Therefore, we are not persuaded that interest should accrue on delayed payments of either earnings or penalties under today's adopted incentive mechanism."[64] The decision language clearly refers to the incentive mechanism adopted in that decision (the RRIM Mechanism). The mechanism used in this resolution is not the RRIM mechanism

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[61] SCE Comments at 2

[62] SCG Comments at 5

[63] SDG&E Comments at 7, SCG Comments at 3

[64] D.07-09-043 at 125

and hence its provisions cannot be applied to an inherently different mechanism we currently have (the ESPI mechanism).

The shareholder incentive awards are to ensure a reasonable rate of return on energy efficiency investments for the IOUs. They are not meant to function as interest free loans to the IOUs. If there is overcompensation to the IOU in a prior year, then it is only appropriate that the amount is refunded to the ratepayers at the current value of the money. This is a simple accounting exercise and it was also recently used by SCE in calculating the Net Present Value of their RRIM settlement refunds.[65]

Net-to-gross (NTG) Adjustments on the ex-ante Savings:

In their comments, PG&E asks the Commission to reject adjustments to net-to-gross values and characterizes the values used in their claims as "locked down" by Commission Decision.[66] Commission staff agrees that ex ante NTG values for deemed measures not on the uncertain measure list are "locked down" as the values in the Commission-adopted DEER version applicable to claims in a specific year, in this case the values adopted for use in 2015. However, Commission staff is correct in its analysis that the values are not "locked down" to those in the IOUs claims, but rather to the values in DEER that must be correctly utilized in the IOUs' claims. The IOUs are responsible for the correct application of DEER to their workpapers and custom projects, reviewed or not, as well as their claims.[67,68] It is appropriate for Commission staff to review the IOUs' claims for deemed measures not on the uncertain measure list prior to

[65] D.16.00.08 OP. 2d

[66] PG&E Comments at 6

[67] Decision 12-05-015 Ordering paragraph 143 states "Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall utilize Database for Energy Efficient Resources (DEER) assumptions, methods, and data in the development of non-DEER values whenever appropriate, and shall follow Commission Staff direction relating to the determination of appropriate application of DEER to non-DEER values."

[68] Decision 12-05-015 OP 149 states "Commission Staff shall assign, at its discretion, Net-to-Gross (net of free- ridership) values as part of its ex ante project reviews process."

acceptance for ESPI payments to ensure appropriate use of DEER and related Commission direction, and adjust values not in compliance. The claims review is often the first opportunity that Commission staff has to review exactly how the IOUs have chosen to use DEER and other Commission direction in their formal savings filings before the Commission.

NTG values assigned for projects and programs the IOUs designated as Hard-to-Reach, Emerging Technologies or targeting specific transmission, distribution, or generation constrained areas were reviewed, and in some cases adjusted by Commission staff. Based on the comments, Commission staff reviewed these adjustments and either retained them or made modifications as noted below in each of the three areas.

Commission staff reviewed the draft adjustments for HTR NTG assignments and made the following determinations:

- For PGE 21009 (Direct Install for Manufactured and Mobile and Mobile Homes) Commission staff removed any downward adjustments. The adjustment workbook notes that measures installed into single family homes were removed since the HTR criteria requires that measures be installed in rented, manufactured, or multi-family homes. After further review, staff identified that most of the installations were into single family homes outside of major metropolitan areas. In these cases, either a lower household income or non-English primary language would qualify. However, any installations into single family homes located in major metropolitan areas would not qualify according to the direction included with CPUC resolution G-3497. Staff was not able to isolate these claims during the comment review period and, therefore, chose to remove any downward adjustments.
- For SDGE 3211, Local-Cals-Middle Income Direct Install (MIDI) Commission staff retains the downward adjustment to these values to standard DEER defaults. All installations for this program were in major metropolitan areas, which means that three criteria from Commission resolution G-3497 are required for the use of the HTR values: low income, English as a second language, and renters in manufactured or multi-family homes. However, the low end of the income bracket as defined in the Program Implementation Plan (PIP) covering this program is higher than the upper bound of the low income definition, which in turn makes it impossible for three criteria discussed above to be met.

Commission staff reviewed the comments and draft adjustments for "constrained areas" and concludes that no changes are warranted. The stated intent of the direction in Decision 14-10-046 in providing an elevated NTG value is to encourage IOUs to develop and implement program enhancements that specifically target customers in constrained areas.[69] By increasing efforts through targeting, the Commission expected increased participation and uptake, thus supporting a higher NTG. Through its review of claims and IOU program activities, Commission staff did not find evidence of significant targeting or evidence of significant enhanced uptake in constrained areas. PG&E notes that a "kicker" incentive was offered as a way to increase uptake, however, PG&E claims reveal that in 2015, 430 kickers were paid in constrained areas while 12,984 were paid in all other areas of their service area. Thus, based on this evidence, the use of kickers does not appear to have been a targeting strategy for constrained areas but rather a general approach to program delivery.

Commission staff, including those responsible for the oversight of the Emerging Technology (ET) program area, reviewed the IOU comments and draft adjustments for ET NTG assignment adjustments and concludes that no changes are warranted. D.12-05-015 requires the use of the ET NTG to be approved by staff.[70] The NTG values in question were included in workpapers that were passed through without review while the submitting IOUs never specifically requested approval of the use of the ET NTG value. The background discussion for these adjustments notes that the ET NTG was denied when: a) another IOU

[69] Decision 14-10-046 OP.9 provides "for programs targeting specific transmission, distribution, or generation constrained areas" that "For purposes of determining net savings, default ex ante lockdown rules apply, except that a Net-to-Gross ratio of .85 (before spillover effects) is 'locked down' for all projects." while also requiring for those programs that "The only eligible measures are those that are above code." and "Customer incentives shall be the higher of 75% of incremental measure cost, or what is available under prior policies."

[70] Decision 12-05-015 Ordering Paragraph 15: "Commission Staff shall accept or reject a proposed Emerging Technology measure classification and set any Emerging Technology measure's Net-to-Gross ratio at a higher value than the default value as it deems appropriate."

did not claim it, or b) the supporting ET research was so old that the measure could not reasonably categorized as an emerging technology.

K-12 Schools and Community College Adjustments:

In their comments, PG&E asks the Commission to reject adjustments to claims for K-12 schools and community colleges that removed below code savings in early retirement claims.[71] Commission staff agrees with comments from PG&E that early retirement claims are allowed, including the to-code portion for the RUL period. However, staff also points out that it is not reasonable to assume that an IOU's program influenced the early retirement if the project received most of the project support from California Proposition 39 funds and the amount of that funding greatly exceeded the IOU provided incentive. At this time, Commission staff has removed this adjustment. However, Commission staff requires that going forward IOUs are to review any proposed early retirement claims for schools and community colleges to identify any projects having predominantly Proposition 39 funding, thus the IOU incentive is unlikely to have caused any to-code improvements for the project. In those cases the IOUs are to remove the to-code savings from those claims thus returning them to be normal replacement rather than early retirement.

Effective Useful Life (EUL) adjustments:

In their comments SDG&E requests that the Commission reject the Commission staff proposed adjustments measure EUL values in their claims.[72] Commission staff agrees with some of the SDG&E comments but disagrees with others. In general, Commission staff disagrees with SDG&E that there is a lack of clarity in the direction or timing relative to the EUL allowed to be claimed for REA measures. The guidance document covering REA measures was developed jointly by Commission staff and the IOUs and was first distributed in draft form to all IOUs in January of 2013 with the first final "living" document published for public distribution in July of 2014.[73] In that document the REA section provides that "The EUL of REA measures is capped at the RUL of the equipment being retrofitted. This means that REA measures utilize the RUL of the pre-existing equipment up to and not to exceed the EUL for the REA measure." From

[71] PG&E Comments at 7

[72] SDG&E Comments at 2

[73] "Early Retirement Using Preponderance of Evidence", Version 1.0, July 16, 2014 (SCE/CPUC)

adopted DEER methods, the RUL of existing equipment defaults to 1/3 of that equipment EUL value with evidence based alternate value assignment available at the discretion of Commission staff, primarily for setting the acceleration period used in early retirement situations.[74] Commission staff noted that most of the adjustments made to SDG&E claims were for measures reported as "RET", which is the older alternative abbreviation for early retirement. Commission staff adjusted that assignment to be either REA, ROB/NR, or ER as appropriate.

Notwithstanding the above discussion, Commission staff agrees with some of the SDG&E comments on adjusted EUL values and has removed the downward adjustments for the measures listed below:

- Pipe and duct insulation – Commission staff agrees that these measures should be treated similar to building insulation projects.
- Ozone laundry systems – Commission staff agrees that this is a stand-alone, not an REA, measure.
- Pre-rinse spray valve heads – Commission staff agrees that this is an ROB measure and should be assigned the full EUL.
- DHW demand recirculation controls – Commission staff agrees with comments. This workpaper was reviewed during the phase I review period for the 2013-2014 cycle and therefore should be assigned the approved, full EUL.
- 2-foot and 3-foot linear fluorescent retrofits – Commission staff incorrectly assigned a lower second period savings for these measures, however, the Commission staff lighting disposition issued for the 2013-2014 program cycle allowed these measures to be claimed as ROB, regardless of the baseline technology, and therefore will be assigned the full EUL.

[74] D.12-05-015 at 348 "As is the case when evaluating evidence for program induced early retirement, evidence for the remaining life and the period of accelerated replacement of the existing equipment can also be reviewed. The use of a DEER remaining useful life starting point for the acceleration period may be replaced. However, this should be allowed only if credible evidence is available to support an alternative value and that evidence leads Commission Staff to deem it more credible than of the adopted DEER values."

Pre 2015 Installations:

In their comments PG&E, SCE, and SCG request that the Commission reject the Commission staff recommendation that deemed projects installed prior to 2015 be excluded from consideration for 2015 ESPI payments. SCG suggests that some deemed applications are like custom in that they require an application prior to, rather than after, installation.[75] Additionally, SCG notes that some deemed projects are joint offerings with a partner electric utility and thus require added time for their partner to invoice them for their portion. PG&E implies that for deemed measures the application pre-dates the installation by stating that they are being denied savings credit for "measures that had application dates prior to January 1, 2015, even though the measures were installed and countable towards savings goals in 2016".[76] PG&E also disputes that Resolution G-3510 warned them that this action would be taken for 2015 claims. PG&E further disputes that the Commission has provided any direction for years beyond 2006-2008 that savings claims must be made in the year the installation actually takes place, saying that the direction given in D.04-09-060 or D.05-04-051 is "no longer a concern today."

The IOUs' comments seem to imply that the actual date a measure is physically installed and operational cannot and should not be the basis for their savings claims. They rather suggest that they should have complete discretion as to when they can claim the savings based on their internal decisions on when to process or approve any paperwork and/or ultimately pay an incentive. They provide no specific or concrete recommended changes to Commission policy on how to define the claiming savings approach for a year different than the Commission current direction which is (as PG&E states) "measures actually installed during (the) calendar year." Seemingly, the utilities prefer to interpret the words "actually installed" to mean when they decide to approve any paperwork documenting the actual installation or when they finish processing any paperwork related to the actual installation and pay the requested incentive or rebate. Commission staff disagrees with this request for complete flexibility or IOU discretion on choice of year for a savings claim.

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[75] SCG Comments at 4

[76] PG&E Comments at 8

Commission staff expects the IOUs, after the close of a calendar year, to close its books on savings for that year expeditiously and accurately just as is expected for its fiscal and expenditure accounting processes. The expenditure accounting process and the savings accounting process are separate issues and the accounting of the two is separate. Program costs related to a specific project are paid and those costs reported over time in most instances and are not held to project closeout. Payments to implementers and partial incentive payments to customers are paid and those costs reported over time in the year they occur. Similarly, the Commission has directed the savings be claimed in the calendar year the actual installations occur while the costs related to those installations be reported in the year they actually occur. For deemed measures that have processes like custom measures and for projects involving partner utilities the direction remains that the savings are to be reported in the calendar year of actual installation. IOUs should structure their contracts and prioritize that processing to close their savings books for a calendar year before filing the energy efficiency annual report which includes both the expenditures and savings for that calendar year. This provides a minimum of four to five months to complete the necessary work.

Commission staff certainly understands there may be a small percentage of cases where it may not be possible to complete an accurate accounting of savings before the final annual report date. For example, some custom projects may require post installation metering for extended periods as well as pre/post installation metering analysis that requires added time. For this small percentage of projects the IOUs should identify them in their annual ESPI filings and provide sufficient support documentation on why the project has not made it to the respective annual report date. Commission staff will review and award projects on a case by case basis. We expect to see very few of such cases in the next year filings.

FINDINGS

1. Commission Decision D.13-09-023 directs the IOUs to file an annual Tier 3 Advice Letter to claim energy efficiency shareholder incentive awards.
2. No protests were filed for PG&E AL 3755-G/4908-E, SCE AL 3464-E, SDG&E AL 2950-E/2511-G, SCG AL 5024, PG&E AL 3755-G-A/4908-E-A, SCE AL 3464-E-A, and SDG&E AL 2950-E-A/2511-G-A.

3. This Resolution approves the IOUs' 2014 (PY+2) and 2015 (PY+1) incentive awards with modifications.

4. The PY+1 component of the payments are based on the IOUs' reported expenditures submitted data to the Energy Division Central Server. The second installation of the 2015 incentive awards will reconcile any differences between utility-reported and Commission-audited data.

5. Given that the CPUC data on file are comprised of publicly available, utility-filed quarterly and monthly reports, we rely on the CPUC data to verify and confirm the IOUs' filings. The 2015 ESPI Ex-Ante Workbooks[77] show the program expenditures and savings values, respectively, both from the IOUs' advice letters and those submitted to Energy Division as part of the quarterly reports.

6. PG&E's 2016 incentive claim request was filed consistent with the directions of D.13-09-023. The filed incentive claim, however, is not consistent with the utility-reported expenditure and savings data on file at the CPUC. PG&E's claim was also corrected based on the EE Policy Manual directives and Decision 14-10-046, authorizing the 2015 program year budget. In total, PG&E is awarded $2,756,548 less than the amount claimed in PG&E AL 3755-G-A/4908-E-A.

7. SCE's 2014 and 2015 incentive claim was filed consistent with the directives of D.13-09-023. We found discrepancies between SCE's filed expenditures and savings and the CPUC data on file. SCE's claim was also corrected based on the EE Policy Manual directives and Decision 14-10-046, authorizing the 2015 program year budget. In total, SCE is awarded $5,395,426 less than the amount claimed in SCE AL 3464-E-A.

8. SDG&E's 2014 and 2015 incentive claim was filed consistent with the directives of D.13-09-023. We found several inconsistencies between SDG&E's filed expenditures and savings and the CPUC data on file. SDG&E's claim was also corrected based on the EE Policy Manual directives and Decision 14-10-046, authorizing the 2015 program year budget. In total,

[77] Available on the CPUC ESPI website

SDG&E is awarded $1,183,539 less than the amount claimed in SDG&E AL 2950-E-A/2511-G-A.

9. SCG's 2014 and 2015 incentive claim was filed consistent with the directives of D.13-09-023. We found discrepancies between SCG's filed expenditures and savings and the CPUC data on file. SCG's claim was also subjected to the EE policy Manual directives and Decision 14.10.046, authorizing 2015 Budget. In total, SCG is awarded $510,399 less than the amount claimed in SCG AL 5024.

THEREFORE IT IS ORDERED THAT:

1. The request of Pacific Gas and Electric Company (PG&E) for Efficiency Savings and Performance Incentive (ESPI) awards as made in Advice Letter 3755-G-A/4908-E-A is modified from the original request. PG&E is awarded $16,325,526 for the 2016 Efficiency Savings and Performance Incentive (ESPI) award.
2. Pacific Gas and Electric Company is authorized to record its 2016 incentive award totaling $16,325,526 in its electric and gas balancing accounts according to the authorized 2013-14 electric and gas budget split of 82% electric and 18% gas.
3. The request of Southern California Edison Company (SCE) for Efficiency Savings and Performance Incentive (ESPI) awards as made in Advice 3464-E-A is modified from the original request. SCE is awarded $17,255,315 for the 2016 Efficiency Savings and Performance Incentive (ESPI) award.
4. The $17,255,315 award can be recovered in SCE's rates through its Base Revenue Requirement Balancing Account for its rates effective in 2017.
5. The request of San Diego Gas & Electric Company (SDG&E) for Efficiency Savings and Performance Incentive (ESPI) awards as made in Advice Letter 2950-E-A/2511-G-A is modified from the original request. SDG&E is awarded $3,904,245 for the 2016 ESPI awards.
6. San Diego Gas & Electric Company is authorized to record its 2016 incentive award totaling $3,904,245 in its electric and gas Rewards and Penalties Balancing Accounts. The 2016 incentive award will be allocated according to the authorized 2013-14 electric and gas budget split of 90% electric and 10% gas.

7. The request of Southern California Gas Company (SCG) for Efficiency Savings and Performance Incentive (ESPI) awards as made in Advice Letter 5024 is modified from the original request. SCG is awarded $3,538,297 for the 2016 ESPI awards.

8. Southern California Gas Company is authorized to record its 2016 incentive award totaling $3,538,297 in its Rewards and Penalties Balancing Account for recovery in its core (94%) and non-core (6%) customer rates.

9. Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SCG) shall only make claims on funds spent in the respective program year. Claims must exclude all funds reported as spent in previous years and all committed expenditures for activities in future years.

10. Reiterating previous Commission direction, Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SCG) should only include savings for measures installed in the same year they are claiming incentives for. IOUs should indicate the measure installation date in their data submissions. IOUs should also identify the small percentage of projects which were installed in a separate year than their claim year. They should also provide sufficient documentation supporting the delay in reporting of such projects.

11. Within 30 days of the approval of this Resolution, Commission Staff will issue the 2017 ESPI guidelines for the utilities Sep 01, 2017 ESPI submissions.

12. Pacific Gas and Electric Company (PG&E), Southern California Edison Company (SCE), San Diego Gas & Electric Company (SDG&E), and Southern California Gas Company (SCG) must use the guidelines for 2017 ESPI ALs as a template for their 2017 ESPI submissions.

13. Within 60 days of the approval of this Resolution, Pacific Gas and Electric Company, Southern California Edison Company, San Diego Gas & Electric Company, and Southern California Gas Company shall file a Tier 1 Advice Letter calculating the earning rates and award caps for program year 2016. The submission must include a comprehensive list of the utilities' energy

efficiency programs and budget placements in compliance with the guidelines for 2017 ESPI ALs.

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 15, 2016; 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