PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

ENERGY DIVISION **RESOLUTION G-3439**
September 10, 2009

R E S O L U T I O N

Resolution G-3439. Pacific Gas and Electric Company (PG&E) requests authorization to shift $40.9 million in unspent, uncommitted gas and electric Energy Efficiency (EE) program funds from prior years to augment the 2009 Bridge Funding authorized by D.08-10-027 for specific programs.

By Advice Letter 3030-G/3487-E filed on July 1, 2009.

SUMMARY

This Resolution approves PG&E's request to access its balancing account containing $40.9 million in unspent/uncommitted energy efficiency program funds from 1998-2008 Energy Efficiency (EE) program years (PY) to augment the 2009 bridge funding period until the Commission approves funding for the proposed 2009-2011 EE budget cycle.

The funding augmentation will apply to Mass Market partnerships, Targeted Markets – both core and third party and programs, Education and Training, Residential New Construction and Codes and Standards. Energy savings accruing from the funding augmentation for the identified programs will count towards the Performance Earnings Basis (PEB) and towards the Minimum Performance Standard (MPS).[1]

PG&E must provide an accounting of its unspent, uncommitted funds approved here in conjunction with its reporting under Energy Efficiency Groupware

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[1] D.09-05-037, "Interim Decision Determining Policy and Counting Issues for 2009 to 2011 Energy Efficiency Programs", Conclusions of Law #11, p. 58.

Application (EEGA)[2] for the bridge funding programs. A true-up of the 2009 bridge funding expenditures and savings will be required to address any remaining unspent/uncommitted funds.

PG&E is directed to file an advice letter to request the disposition of any additional funds remaining from its 2006-2008 portfolio budget, any unspent amounts from the augmentation adopted here, and from any remaining pre-2006 unspent/uncommitted funds.

BACKGROUND

On July 1, 2009, Pacific Gas and Electric Company (PG&E) filed Advice Letter (AL) 3030-G/3487-E requesting authorization to shift $40.9 million in unspent, uncommitted electric and gas Energy Efficiency (EE) program funds from 1998-2008 Energy Efficiency (EE) program years to augment particular program areas to ensure delivery and customer EE projects will continue to be funded in the 2009 bridge period timeframe, until the Commission approves funding for the proposed 2009-2011 EE budget cycle.

PG&E notes that under the current bridge funding, the annualized funding is 26% lower than the $498 million spent in 2008. PG&E states that this reduction has impeded programs by reducing marketing efforts and has caused it to avoid making customer commitments for near-term and long-term projects. At the same time, PG&E states that it has seen a strong increase in demand for energy education and training programs, up 40% for its Stockton facility and up 27% for its San Francisco Pacific Energy Center. Increased participation in education and training programs may be a result, in part, of current economic conditions in California. Additionally, third party and government partnerships are reducing marketing and outreach efforts and laying off staff due to the limited funding.

PG&E inserts two tables in its advice letter, outlining the source of the funding by electric and gas energy efficiency funds, and by major portfolio budget categories, those subprogram elements it has identified for the augmented funds. This latter table is reproduced in Attachment A.

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[2] EEGA is the CPUC energy efficiency utility reporting database.

PG&E states that consistent with approved Advice Letters 2967-G/3356-E (2009 Bridge Funding Implementation) and 2985-G/3393-E (matching the gas and electric funding allocations with the 2006-2008 gas and electric funding allocations – 17% and 83% respectively), it requests the same funding allocations between gas and electric in its balancing accounts.

NOTICE

Notice of AL 3030-G/3487-E dated July 1, 2009 was made by publication in the Commission's Daily Calendar on July 6, 2009. PG&E states that a copy of the Advice Letter was mailed and distributed in accordance with Section IV of General Order 96-B.

On June 29, 2009, PG&E notified its Program Advisory Group (PAG) and its Peer Review Group (PRG) of its intent to request additional prior to submitting the AL. Letters from third party program implementers addressing the impact of the bridge funding cap were received from six energy service companies (ESCOs) – Ensave (Dairy), Global Energy Partners LLC (Oil/Gas Production), AirCare Plus (Commercial HVAC Maintenance), Honeywell (HVAC thermostats), Lockheed Martin (large industrial process evaluations (not cement or refineries), PECI (grocery stores) and Consol (residential new construction code training). These letters are attached to AL 3030-G/3487-E.

PROTESTS

Protests and comments on Advice Letter 3030-G/3487-E were received from the Division of Ratepayer Advocates (DRA) and Local Government Sustainable Energy Coalition (LGSEC) on July 21, 2009. PG&E submitted a reply to both on July 23, 2009. Comments supportive of PG&E's request were also directed to the Commission from the Community Energy Services Corporation, the City of San Pablo, Quantum Energy Services and Technologies (QuEST), and Rising Sun Energy Center.

While there is strong support for PG&E's advice letter proposal, the Local Government Sustainable Energy Coalition (LGSEC) commented that the bridge funding process needs to be amended and questions the appropriateness of the advice letter process to address the request. LGSEC questions whether the funds will go to program delivery directly or will instead be used to augment utility staff. LGSEC also notes that PG&E does not explain the criteria it will use to allocate funds to local government partnerships.

The Division of Ratepayer Advocates (DRA) filed a protest to AL 3030-G/3487-E, against the lack of transparency of the unspent/uncommitted funds from prior Energy Efficiency budget cycles. DRA requests that the Commission require a

detailed audit and accounting for all funds and interest in the balancing accounts and questions why these funds have not been used previously.

PG&E submitted a reply to LGSEC and DRA on July 23, 2009. Its response is consolidated in the discussion below.

DISCUSSION

In response to LGSEC's questions about how PG&E proposes to spend funds targeted to government partnerships, PG&E explains that upon approval of the $2.2 million allocated to partnerships, "PG&E will give its partners another chance to submit requests for additional funding, which will detail how the funding will be used and the savings would be accomplished. PG&E will examine the cost-effectiveness of the requests and also balance how to spread the use of funds over a number of months until the CPUC issues a final decision on the 2009-2011 programs."

In its reply to DRA's protest about a lack of transparency and reporting of unspent/uncommitted funds, PG&E responds that it tracks prior period unspent funds and provides monthly reports to Energy Division and the ALJ Division, as required under D.01-11-066. Unspent/uncommitted funds come from previous budget cycles where some long term commitments may not materialize. In these reports, unspent, uncommitted funds, adjustments, interest, payments, and a month-ending balance are identified by electric and gas funding. Cycles of electric funds for 2004-5 are separated from 2006-2008. Cycles of gas surcharge funds from 1998-2005 are summed; gas surcharge funds for 2006-2008 are reported separately.

LGSEC questioned the appropriateness of using the AL process to address the funding request. Energy Division responds that PG&E filed the advice letter in compliance with the fund shifting rules first adopted by D.05-09-043 and subsequently modified by D.06-12-013[3].and D.07-10-032. PG&E notified its Peer Review Group (PRG) and its Program Advisory Group (PAG) prior to submitting the advice letter, as is required under the fund shifting rules.

LGSEC questions whether the funds will go directly to program delivery or instead to utility personnel costs. Energy Division responds that it requested additional information regarding the larger amounts PG&E targeted to specific groups prior to the deadline for comments and believes the response further defines where the funds will be directed as described below.

PG&E has sought funds for six specific areas impacted by the current bridge funding where savings are being lost. It is expected that funding will be distributed to support those programs where savings and cost effectiveness will be achieved, as stated in PG&E's supplemental response to an Energy Division data request in July, 2009. The Bridge Funding decision, D.08-10-027, required the utilities to identify programs continuing into the 2009-2011 budget cycle from the 2006-2008 cycle for funding, and limited those programs to a monthly average of the original budgets adopted under D.05-09-043. For PG&E, the monthly amount was $22,733,796 and was enhanced to $30,473,972 to allow for increased electric and gas savings goals for the 2009-2011 cycle. On an annualized basis, this original funding amounts to $364.8 million. The supplemental funds requested under PG&E's advice letter would raise the annualized amount to $405.6 million, but would not be disbursed to all portfolio programs on a pro rata basis. Instead, PG&E requests the supplemental funding to primarily enhance its mass market partnerships and targeted market core and third party programs, as well as smaller amounts to meet increased education and training demands and for ongoing codes and standards work.

Of the six specific program areas identified by PG&E, the majority of the funding ($37.5 million) would be distributed to Targeted Markets – including industry

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3 See Energy Efficiency Policy Rules, Version 4, Fund Shifting Rules, page 37

third party implementers who provide specialized services to agriculture, large industrial customers, HVAC commercial maintenance customers, etc. These are continuing programs and, with the exception of enhancing funds for energy center training and a residential new construction training program, all areas identified provide energy savings. Attachment A identifies the bridge funding portfolio by all PG&E major categories and those subprogram areas where the funding would be applied in association with the expected savings.

Energy Division requested additional details regarding the funding PG&E would make available to its targeted markets. On July 17, PG&E supplemented the Attachment A Table. The savings forecasted in Attachment A include assumptions of savings that may occur as a result of the California Energy Commission's 2011 energy code proceedings. While codes and standards do not meet criteria 1 and 5 on page 7 of this resolution and much of the expected savings from these efforts will not occur until 2012 or later, current spending now will help secure future anticipated savings. The table below identifies PG&E's additional funding details and summarizes where the additional funding would be distributed.

Table 1
Summary of PG&E Bridge Funding Augmentation Request

PGE2000	**Mass Market Partnership**	**$2,196,418**
	Targeted Market (PGE2001-2008)	
PGE2001	Ag & Food Processing	$3,328,928
PGE2002	Schools & Colleges	$729,169
PGE2004	Fabrication, Process & Heavy Industrial Mfg.	$11,391,397
PGE2005	Hi-Tech Facilities	$3,604,714
PGE2007	Large Commercial	$3,359,023
	SubTotal:	**$22,413,231**
	Targeted Market Competitively Bid Programs	**$15,083,357**
PGE2009	**Residential New Construction**	**$1,994**
PGE2010	**Education & Training**	**$475,000**
PGE2011	**Codes & Standards**	**$725,000**
	Total	**$40,895,000**

Regarding the identification of firms needing enhanced funding for the $15 million proposed under the competitively bid programs, PG&E responds:

> "While PG&E has received letters from the competitively-bid program managers for additional funds, PG&E will not make a determination on how funds are spent until the CPUC approves the request for additional funding. When the request for additional funding is approved, PG&E will give its partners another chance to submit requests for additional funding, which will detail how the funding will be used and the savings that would be accomplished. PG&E will examine the cost-effectiveness of the requests and also balance how to spread the use of funds over a number of months until the CPUC issues a final decision on 2009-11 programs. Further, from a negotiating perspective, it would not be in the interests of PG&E's customers for PG&E to name in this regulatory filing which third parties will receive funds as it may hinder either party's contractual abilities."

Energy Division asked PG&E to provide its minimum criteria and threshold requirements for parties to request additional funding and whether there was sufficient time for parties to respond to another solicitation. LGSEC comments that it would prefer to avoid the additional round of competitive requests for local government partnerships by supplementing the current budgets for all equally.

PG&E responded that its minimum criteria and threshold requirements for requests are:

1. To balance portfolio 2009 needs in MW and MM Therms
2. Consideration of cost effectiveness of anticipated energy savings, including DEER08 updates
3. Business impacts, including customer backlogs, Service and Sales support, segment planning priorities
4. Utilization-to-date of bridge funding budget and previously allocated additional funding
5. Progress toward programs energy savings goals in 2009
6. Funding must be used in 2009

PG&E states that it has already requested parties to submit their requests in order to disburse the funds as soon as possible.

The objective of PG&E's request is to achieve energy savings in particular programs where activity has been constrained due to the bridge funding monthly budget limitations. In review of the history of these programs, Energy Division submits that the reported cost effectiveness for PG&E's Targeted Market programs 2001, 2004. 2005 and 2007 is very positive, ranging from a Total Resource Cost (TRC) of 1.34 (Commercial) to a TRC of 2.75 (Fabrication) for the period of January-June 2009 on a gross energy savings basis. The Mass Market Partnerships under the same report show a 0.92 TRC for the same time period on a gross savings basis and the Residential New Construction program reports a TRC of 0.89. Neither is yet cost effective. Education and training show a TRC of .001. While training programs are currently considered non-resource programs with little actual energy savings, increased workforce, education, and training has been identified as a long-term strategic planning objectives per D.08-09-040. This is a limited review and the current data is based on the customer's application with a projected completion by 2009. PG&E states that it expects the forecast to decrease as some projects fall out or are delayed during the remainder of the year.
PG&E has identified and demonstrated a need for enhanced funding for six specific program areas where increased demands and lost opportunities are occurring due to the average monthly budgeting of D.08-10-027. While some of the programs appear to show marginal cost effectiveness individually, it is Commission policy that the portfolio be cost effective as a whole. We will approve PG&E's request since their criteria and requirements for augmented funding requests should enable the individual TRCs for these programs to improve. Due to timing, it would be inefficient to subject government partnerships to another round of bidding using this set of criteria for limited funding. To spare government partnerships from diverting time to submitting augmentation bids, we will direct PG&E to allocate the funding using criteria 1, 2, 4, and 5 on page 7 of this resolution, using corresponding data reported to the Energy Efficiency Groupware Application (EEGA) data reporting system, which is publicly accessible and transparent.

Energy savings accruing from the funding augmentation for the identified programs will count towards the Performance Earnings Basis (PEB) and towards the Minimum Performance Standard (MPS) under the 2009 budget cycle, in accord with D.08-10-027.[4]

This funding request will not increase rates. Savings generated under these programs will accrue and be reported under EEGA. Consistent with approved Advice Letters 2967-G/3356-E (2009 Bridge Funding Implementation) and 2985-G/3393-E (matching the gas and electric funding allocations with the 2006-2008 gas and electric funding allocations – 17% and 83% respectively), the same funding allocations between gas and electric in PG&E's balancing accounts should be maintained.
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PG&E must provide an accounting of its unspent, uncommitted funds approved here in conjunction with its reporting under EEGA for the bridge funding programs. A true-up of the 2009 bridge funding expenditures and savings will be required to address any remaining unspent/uncommitted funds.
PG&E is directed to file an advice letter to request the disposition of any funds remaining from its 2006-2008 portfolio budget, any unspent funds from the augmentation adopted here, and from any remaining pre-2006 unspent/uncommitted funds after the 2009 bridge funding period ends.

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

[4] D.09-05-037, "Interim Decision Determining Policy and Counting Issues for 2009 to 2011 Energy Efficiency Programs", Conclusions of Law #11, p. 58.

comments, and will be placed on the Commission's agenda no earlier than 30 days from today. Comments were filed by LGSEC and by PG&E on August 31, 2009. PG&E also filed its response to Energy Division's request for additional information on the same date. The comments and data are incorporated into this resolution.

FINDINGS

1. Pacific Gas and Electric Company (PG&E) filed Advice Letter (AL) 3030-G/3487-E requesting authorization to shift $40.9 million in unspent, uncommitted electric and gas Energy Efficiency (EE) program funds to augment particular program areas to ensure delivery and customer EE projects will continue to be funded in the 2009 bridge period timeframe, until the Commission approves funding for the proposed 2009-2011 EE budget cycle.

2. PG&E states that the average monthly bridge funding has impeded programs by reducing marketing efforts, and has caused it to avoid making customer commitments for near-term and long-term projects.

3. PG&E observes that it has seen a strong increase in demand for energy education and training programs, up 40% for its Stockton facility and up 27% for its San Francisco Pacific Energy Center.

4. Third party and government partnerships are reducing marketing and outreach efforts and laying off staff due to the limited funding.

5. LGSEC questioned the appropriateness of the AL process to address the request.

6. PG&E filed its request by advice letter in compliance with the fund shifting rules first adopted by D.05-09-043.

7. LGSEC questioned whether the funds will go directly to program delivery or instead to utility personnel costs.

8. PG&E filed supplemental information requested by Energy Division identifying more specific detail about where the program funds would be directed.

9. LGSEC also requested that PG&E identify what criteria would be used to allocate funds to local government partnerships.

10. PG&E responded that it would provide its partnerships with another opportunity to submit requests and would examine the responses for cost effectiveness and for budgeting the funds through to the end of the bridge funding period.

11. If PG&E has not already received bids and requests for additional funding from government partnerships, PG&E should allocate the funding using criteria 1, 2, 4, and 5 on page 7 of this resolution, using corresponding data reported to the Energy Efficiency Groupware Application (EEGA) data reporting system, which is publicly accessible and transparent.

12. DRA protested the lack of transparency of unspent/uncommitted funds and requested a detailed audit and accounting of them.

13. Energy Division and the ALJ Division receive monthly detailed reports of unspent/uncommitted energy efficiency funds.

14. This funding request will not increase rates.

15. Savings generated under these programs will accrue and be reported under EEGA for the 2009 bridge funding reporting.

16. Funding allocations between gas (17%) and electric (83%) in PG&E's balancing accounts should be maintained, consistent with the current bridge funding allocations.

17. Any funds not utilized during 2009 should be absorbed into the balancing account after adjustments are made to the revenue requirement incorporated in PG&E's Annual Electric True-up and Gas PPP Surcharge advice letters.

THEREFORE IT IS ORDERED THAT:

1. Pacific Gas and Electric Company's request to augment funding towards six specific program areas with $40.9 million made in Advice Letter AL 3030-G/3487-E is approved, as conditioned by this Resolution.

2. PG&E shall transfer up to $ 40.9 million of its pre-2006 unspent/uncommitted funds to the particular programs identified and in the amounts as proposed under Table 1 of this resolution.

3. Funding allocations between gas (17%) and electric (83%) in PG&E's balancing accounts shall be maintained, consistent with the 2009 bridge funding approved allocations.

4. PG&E shall report expenditures, savings and commitments of the $40.9 million into the EEGA database under the 2009-2011 Bridge Funding categories.

5. Energy savings accruing from the funding augmentation for the identified programs will count towards the Performance Earnings Basis (PEB) and towards the Minimum Performance Standard (MPS) under the 2009-2011 budget cycle, in accord with D.08-10-027.

6. PG&E shall make adjustments to the revenue requirement incorporated in its Annual Electric True-up and Gas PPP Surcharge advice letters and shall revise its energy efficiency balancing accounts to reflect the augmented funds in its authorized 2009 bridge funding.

7. PG&E is directed to file an advice letter to seek approval of the disposition of any additional funds remaining from its 2006-2008 portfolio budget, any unspent funds from the augmentation adopted here, and from any remaining pre-2006 unspent/uncommitted funds after the 2009 bridge funding period ends.

8. PG&E shall allocate the funding using criteria 1, 2, 4, and 5 on page 7 of this resolution, using corresponding data reported to the Energy Efficiency Groupware Application (EEGA) data reporting system, which is publicly accessible and transparent for government partnerships if PG&E has not

already received bids and requests for additional funding from this group of programs.

9. LGSEC and DRA's comments and protests are denied without prejudice.

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 September 10, 2009; the following Commissioners voting favorably thereon:

/s/ Paul Clanon
Paul Clanon
Executive Director

MICHAEL R. PEEVEY
PRESIDENT
DIAN M. GRUENEICH
JOHN A. BOHN
RACHELLE B. CHONG
TIMOTHY ALAN SIMON
Commissioners

ATTACHMENT A

PG&E SUPPLEMENTAL FUNDING REQUEST

	Programs	Authorized Annual Budget	Forcasted Expenditure assuming additional funding given (Jan - Dec 2009)	Additional Dollars Requested	Additional MW (gross)	Additional GWh (gross)	Additional MMTherms (gross)
Mass Market							
PGE 2080	Mass Market (Residential)	$112,121,088					
PGE 2000	Mass Market (Nonresidential)	$71,697,780					
(program element)	Upstream incl. lighting	$71,266,404	$71,266,404				
(program element)	HVAC (RCA, DTS, others)	$39,929,484	$39,929,484				
(program element)	Appliance Recycling	$6,741,348	$6,741,348				
(program element)	Downstream Residential Rebates	$14,718,324	$14,718,324				
(program element)	Downstream Nonresidential Rebates	$16,350,996	$16,350,996				
(program element)	Multifamily Rebates	$4,715,700	$4,715,700				
(program element)	Mass Market Partnership (1)	$29,321,316	$31,517,734	$2,196,418	1.33	6.27	
(program element)	Mass Market Competitively Bid Prog	$775,296	$775,296				
Targeted Market							
PGE2001-2008	Targeted Market: Ag & Food Processing; Schools & Colleges; Retail Stores; Fabrication, Process & Heavy Industrial Mfg; Hi-Tech Facilities; Medical Facilities; Large Commercial; & Hospitality Facilities	$60,450,096	$82,863,327	$22,413,231	16.26	166.64	3.69
(program element)	Target Market Partnerships (2)	$17,766,696	$17,766,696				
(program element)	Target Market Competitively Bid Pro	$70,700,076	$85,783,433	$15,083,357	6.87	43.58	0.59
Residential Programs							
PGE2009	Residential New Construction	$5,430,876	$5,432,870	$1,994	0.19	0.64	0.1
	Res. Program in Targeted Market Category						
(program element)	Competitively Bid Programs	$2,223,000	$2,223,000				
Non-Resource Programs							
PGE2010	Education & Training	$11,520,000	$11,995,000	$475,000			
(program element)	Competitively Bid Programs	$998,040	$998,040				
Other Fund-Shifting							
PGE2011	Codes & Standards	$2,472,000	$3,197,000	$725,000	20	90	3.8
PGE2012	Emerging Technologies	$5,748,000	$5,748,000				
PGE2013	Statewide Marketing & Info	$4,560,000	$4,560,000				
(activity included abo	DSM Branding Study	$1,312,752	$1,312,752				
EM&V							
Energy Division, PG&E and Web Portal		$29,255,016	$29,255,016				
(activity included above) Strategic Planning		$1,763,988	$1,763,988				
Total		**$394,942,668**	**$435,837,668**	**$40,895,000**			

(1) Mass Market Partnership Programs include non-residential and residential Direct Install and non-resource outreach programs for the following Local Government Partnerships: Association of Bay Area Governments (ABAG) Energy Watch, Association of Monterey Bay Area Governments (AMBAG) Energy Watch, Bakersfield and Kern County Energy Watch, East Bay Energy Watch (EBEW), Fresno Energy Watch (FEW), Local

Government Energy Action Resources (LGEAR), Madera Energy Watch, Marin County Energy Watch, Merced/Atwater Energy Watch, Motherlode Energy Watch, Redwood Coast Energy Watch (RCEW), San Francisco Energy Watch (SFEW), South San Joaquin (SSJ) Energy Watch, Santa Barbara County Energy Watch, Sonoma County Energy Watch (SCEW), Silicon Valley Energy Watch (SVEW), City of San Joaquin Energy Watch, Mendocino Energy Watch, San Luis Obispo County Energy Watch, and Great Valley Center (GVC)

(2) Targeted Market Partnership Programs include calculated rebates for retrofits and retro-commissioning for Local Government Partnerships and the following Institutional Partnerships: California Community Colleges/IOU Energy Efficiency Partnership, California Department of Corrections and Rehabilitations/IOU Energy Partnership, State of California, and UC/CSU/IOU Energy Efficiency Partnership.