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April 30, 2010

Re: Energy Division's Notification of Need for Supplemental AL for PG&E 3065-G/3562-E

Dear Ms. Clinton,

PG&E has reviewed Energy Division's April 21, 2010 memo (ED Memo), and intends to comply with Energy Division's request for a supplemental advice filing by May 14. PG&E cannot, however, meet the May 14 deadline for one part of the request in the ED Memo: providing an update to all the portfolio program budgets. Despite PG&E's best efforts, PG&E will not be able to finalize remaining budgets, shift funds to increase funding to Strategic Plan programs as requested in the ED Memo, and ensure that the post-shift budgets are in compliance with the cost caps and other finding directives in D.09-09-047 by May 14. PG&E is bringing this to your attention as directed by the ED Memo and is also submitting a plan to comply with the ED Memo in light of this issue.

**1) Strategic Plan Program Budgets:**

PG&E intends to increase its Strategic Plan program budgets by \$19 million. PG&E will re-confirm that it can fund these programs as described below once the portfolio budget revisions are completed.

Innovator Pilots

On April 30, 2010, PG&E filed the Innovator Pilot supplemental advice letter with an increase of \$4.5 million in program funding and made associated revisions to the Innovator Pilot portion of the Government Partnership Master Program Implementation Plan (PIP). On April 15, we shared the proposed contents of the supplemental AL with Energy Division and did not receive back any comments. The AL request a 10-day comment period consistent with the guidance in the ED Memo.

Zero Net Energy Pilots

By May 7, 2010, PG&E intends to file the Zero Net Energy Pilot supplemental advice letter with an increase of \$4.6 million from PG&E program funds and \$1.4 million from EM&V funds, for a total increase of \$6.0 million. PG&E will include in the filing the associated revisions to the Zero Net Energy Pilot Program PG&E 2112 PIP. We will share the proposed AL and revised PIP with Energy Division prior to filing the advice letter. The AL will request a 10-day comment period consistent with the guidance in the ED Memo.

Emerging Technologies

By May 14, 2010, PG&E will file an advice letter describing the \$8 million increase to the Emerging Technologies budget for Scaled Field Placement, Demonstration/Showcasing, Technology Supply Side Efforts and Incubation, and make associated revisions to the budget in the Emerging Technologies PGE 2108 PIP. The AL will request a 10-day comment period consistent with the guidance in the ED Memo.

## **2) On-bill Financing:**

By May 14, 2010, PG&E will file an advice letter submitting for approval the tariff changes necessary to implement the OBF program by July 1, 2010. These tariffs were previously filed in PG&E's Compliance AL 3065-G/3562-E, with substitute sheets filed on April 7, 2010, to incorporate revisions per Energy Division's request. PG&E will also include in this advice letter the standard form Financing Agreement and an abbreviated PIP consistent with guidance in the ED Memo.

## **3) Resource Program DINI Budgets**

By June 30, 2010, PG&E will file its detailed budget revisions to reflect the increase to Strategic Plan program budgets discussed under item 1) above, and the offsetting changes to other program budgets. As directed in the ED Memo, the majority of the budget shifts are supposed to be made from direct implementation non-incentive (DINI) resource program cost components. In compliance with Decision 09-09-047, PG&E has begun implementing its 2010-2012 energy efficiency programs, and has recently finalized its third party contracts. In this process, the funding for various third party programs has been revised and funding has shifted between cost components for these programs.

As part of the supplemental Compliance AL, PG&E will update its portfolio to reflect the final budgets for its third party programs. Then PG&E can address the additional shifts needed to increase funding to the Strategic Plan programs (discussed above), including analysis and reallocation decisions by staff who are actively involved in implementing the programs that will be impacted by the budget shifts. Once the new portfolio budgets are established and we are sure that the other directives regarding cost caps, targets, savings and cost effectiveness are complied with, PG&E will be able to produce the budget and other necessary tables for the supplemental advice letter.

This portfolio redesign and rebalancing process cannot be done in the time frame suggested in the ED Memo. If any concerns arise during this rebalancing process, PG&E will engage Energy Division to assist in addressing those issues and determining whether it would result in modification to other previously-filed advice letters. We request a revised deadline be set for June 30 to file the revised budget in the supplemental Compliance AL.

## **Conclusion**

PG&E is able to make all of the requested revisions by May 14, as outlined above, except for the complete revision to the portfolio budget. Therefore, we request that the ED allow PG&E to file the budget revisions by June 30, 2010. If you have any questions about this document, please contact [Redacted](mailto:Redacted) or Shilpa Ramaiya at 415-973-3186 / [srrd@pge.com](mailto:srrd@pge.com).

cc: Simon Baker  
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