

**Jane Yura**  
Vice President  
Regulation and Rates

77 Beale Street, Room 1085  
San Francisco, CA 94105

*Mailing Address*  
Mail Code B10B  
Pacific Gas and Electric Company  
P.O. Box 770000  
San Francisco, CA 94177  
Fax: 415.973.7226

April 23, 2010

**DRAFT 04-15-10**

**Advice 3081-G-A/3597-E-A**

(Pacific Gas and Electric Company ID U 39 M)

Public Utilities Commission of the State of California

**Subject: Supplement to Innovator Pilots Program Pilot Advice Letter  
Pursuant to D.09-09-047**

Pacific Gas and Electric Company (PG&E) hereby submits its supplemental Innovator Pilots Program Pilot Advice Letter for its 2010-2012 Energy Efficiency (EE) Portfolio in compliance with Decision (D.) 09-09-047, Ordering Paragraph (OP) 20 and other directives of the Decision. This supplemental advice letter is being filed at the request of Energy Division and replaces in its entirety Advice 3081-G/3597-E.

**Purpose**

OP 20 of the EE Decision directed the investor-owned utilities (IOUs) to file an advice letter for all approved pilot programs within 120 days after the Decision's effective date. Submitted for approval, this compliance advice letter (AL) provides details for PG&E's Innovator Pilots Program.

**Background**

On July 21, 2008, PG&E and the other IOUs filed their 2009-2011 EE portfolio applications. On September 18, 2008, the California Public Utilities Commission (Commission) adopted the California Long-Term Energy Efficiency Strategic Plan (Strategic Plan) in D.08-09-040. Following Energy Division (ED) review of the portfolio applications, PG&E and the other IOUs amended their applications on March 2, 2009 in compliance with the Strategic Plan and as directed through a series of Commission rulings. Per D.09-05-037 issued May 21, 2009, PG&E and the other IOUs supplemented their portfolio requests on July 2, 2009. On September 24, 2009, the Commission issued D.09-09-047 adopting three-year portfolio budgets for 2010-2012 for each IOU. The adopted budget for PG&E is \$295 million less than the requested budget in its July 2, 2009 filing.

In accordance with OP 15 of the EE Decision, PG&E filed its compliance advice letter (AL) 3065-G/3562-E, which proposed, in part, detailed program budgets for the 2010-2012 EE portfolio. The total budget for Government Partnerships, including for Innovator Pilots, proposed in the Compliance AL is \$167.5 million, a \$32.0 reduction from PG&E's July 2, 2009 filing. As part of this reduction, PG&E proposed an Innovator Pilot budget of \$4.3 million. On December 18, 2009, the Energy Division suspended the Compliance AL and stated that the suspension should not delay the implementation of programs effective January 1, 2010. In this supplemental AL PG&E proposes to increase the total Government Partnership funding by \$4.5 million to a total of \$172 million in order to provide a total budget of \$8.8 million for the Innovator Pilots program. PG&E also intends to supplement its Compliance AL to reflect this change in the detailed program budgets for the 2010-2012 EE portfolio.

Ordering Paragraph 20 of the EE Decision directed the IOUs to file Pilot Program Advice Letters for each approved Pilot Program and specified the content required for these Advice Letters. The table below outlines the compliance items for this Innovator Pilots Pilot Program AL and indicates the AL section that covers each compliance item.

| Cite                     | Compliance Item   | AL Section           |
|--------------------------|---|----------------------|
| OP 19                    | The following energy efficiency pilot program of [PG&E] are approved, subject to the requirements listed in ordering Paragraph 20: PG&E's ZNE Pilot Program, PG&E's Innovator Pilots, PG&E's Green Communities program...and WE&T Pilot Programs (Building Commissioning Workshop Series, Residential HVAC Seminars, Comprehensive Evaluation of Food Svc. Center, Green Pathways...) |                      |
| OP 20,<br>Section<br>4.3 | The utilities shall file an Advice Letter for each approved "Pilot Program" containing the following elements:  |                      |
|                          | 1. A specific statement of the concern, gap, or problem that the pilot seeks to address and the likelihood that the issue can be addressed cost-effectively through utility programs  | Program Description  |
|                          | 2. Whether and how the pilot will address a Strategic Plan goal or strategy and market transformation   | Program Description  |
|                          | 3. Specific goals, objectives and end points for the project  | Goals and Objectives |
|                          | 4. New and innovative design, partnerships, concepts or measure mixes that have not yet been tested or employed   | Program Description  |
|                          | 5. A clear budget and timeframe to complete the project and obtain results within a portfolio cycle-pilot projects should not be continuations of programs from previous portfolios   | Budget               |

|               |   |   |
|---------------|---|---|
|               | 6. Information on relevant baselines metrics or a plan to develop baseline information against which the project outcomes be measured   | Attachment C  |
|               | 7. Program performance metrics following the methodology outlines in OP11:  | See OP 11   |
|               | 8. Methodologies to test the cost-effectiveness of the project  | Program Description   |
|               | 9. A proposed EM&V plan   | EM&V Plan   |
|               | 10. A concrete strategy to identify and disseminate best practices and lessons learned from the pilot to all CA utilities and to transfer those practices to resource programs, as well as a schedule and plan to expand the pilot to utility and hopefully statewide usage   | Program Description   |
| OP 11         | <p>“[IOUs] shall jointly file a “Program Performance Metrics” Advice Letter requesting approval for their proposed logic models and metrics, with sections for each statewide program (and associated sub-programs) within 120 days of the effective date of this decision. In their filing, [IOUs] shall include a completed Program Performance Indicator Worksheet for each energy efficiency statewide program and associated sub-program (see Appendix 2). In addition, the Advice Letter filing shall include for each statewide program (and associated subprograms):</p> <p>a. completed Program Performance Indicator Table as depicted in Appendix 2;</p> <p>b. An updated program logic model as indicated in the Program Performance Indicator Worksheet;</p> <p>c. A discussion to specifically address the extent to which each program and sub-program plan included an end game for each technology or practice that transforms building, purchasing, and use decisions to become either standard practice, or incorporated into minimum codes and standards;</p> | Attachment B<br>Attachment C<br>Attachment D  |
| OP 39         | <p>The proposed energy efficiency Local Government Partnership programs of [IOUs] are approved, subject to the following modifications:</p> <p>- Pacific Gas and Electric Company shall submit an advice letter demonstrating compliance of its proposed Innovator Pilot and the Green Communities program to pilot project criteria outlined in Section 4.3 of this decision;</p>  |   |
| Section 6.1.4 | <p>In order to ensure accountability and transparency for this pilot, we therefore direct PG&amp;E to file an advice letter detailing how its Innovator Pilots complies with the criteria for pilot programs outlined in Section 4.3 and Ordering Paragraph 20. This advice letter should also name the selected pilot partners, the budgets for each partner, and the specific activities that each partner in the pilot project will take in order to advance and measure progress towards pilot goals and objectives. No contract may be awarded prior to the approval of this advice letter. Provision of program performance metrics for the pilot shall adhere to the methodologies outlined in Appendix 2. With these modification we approve PG&amp;E’s Innovator Pilot Program.</p>  | <ul style="list-style-type: none"> <li>▪ Program Description</li> <li>▪ Budget</li> <li>▪ Attachment B</li> <li>▪ Attachment C</li> </ul> |

### **Program Description**

Half of the cities and counties in PG&E's service area are engaged in climate action activities. Further, many progressive local communities have an innovative vision for meeting new energy savings, greenhouse gas (GHG) reduction, and renewable energy goals that align with the Strategic Plan.<sup>1</sup> However, these communities may lack the financing and technical knowledge to transform their vision into successful projects that provide the desired benefits. Moreover, even the most successful project or initiative cannot serve as a model for other communities without a mechanism in place for sharing best practices and lessons learned.

The Innovator Pilots Program is designed to allow communities who are leaders in energy and GHG reduction activities to test creative approaches to address energy efficiency. The Program will provide funding for selected projects that will test, demonstrate, and measure innovative ways to deliver energy savings and will be available on a competitive basis to local, regional, or sub-regional governments or associations of governments.

Given their significant experience managing energy efficiency programs and local government partnerships, the IOUs are uniquely qualified to cost-effectively administer programs that will help California advance its energy efficiency and GHG-reduction goals. PG&E will draw on this experience to select projects that score highly against the project criteria, minimize administrative costs, and encourage partners to adopt cost-effective management processes. To improve future cost-effectiveness, PG&E will only encourage and facilitate replication of the most successful pilots in future program cycles.

In order to fund projects throughout the 2010-2012 EE portfolio cycle, PG&E requests a total budget of \$8.8 million for the Innovator Pilots program. Approximately \$4.3 million will provide program support and fund projects selected through the competitive solicitation that was conducted prior to submittal of this advice letter, including program support. After reviewing the submittals, PG&E believes that this level of funding is sufficient to fund those proposals that are truly innovative and that are highly likely to be replicated by other communities throughout the PG&E service area in future program cycles.

PG&E will execute a written agreement with each selected applicant, subject to approval of this AL. Selected communities will receive full or partial funding to implement their ideas.

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<sup>1</sup> See <http://californiaenergyefficiency.com/docs/EEStrategicPlan.pdf>.

Approximately \$3.8 million, including program support, will be reserved for additional projects that might be identified throughout the 2010 -2012 program cycle that are consistent with the Menu of Local Government Strategies for the California Long-term Energy Efficiency Strategic Plan. The remaining funds, currently estimated at \$0.7 million, but not to exceed \$1 million will be set aside for “mini projects” as described below.

### Request for Ideas Process

On October 14, 2009, PG&E issued a Request for Ideas (RFI), attached at Attachment A. On December 14, 2009, nineteen applicants submitted twenty-nine proposals totaling \$16.5 million. PG&E appreciated the applicants’ interest and their efforts to submit proposals in a relatively short timeframe. A multidisciplinary team at PG&E reviewed each proposal based on how well they addressed the following evaluation elements that are described on page 15 of Attachment A:

- Innovation;
- Broad Applicability and Transferability;
- Feasibility;
- Skill and Experience;
- Fills Gaps;
- Leveraging;
- Demonstrated Commitment to Climate Action Planning; and
- Diversity

While the review team appreciated elements of every proposal, the team recommended only those that were innovative, did not duplicate existing programs, were likely to achieve real and measurable results associated with GHG reduction strategies, and would be expected to be easily adopted by other communities in California in order to reach our shared goal of GHG reduction across the state.

Many applicants proposed activities that duplicate programs that PG&E currently offers, will be introduced in its 2010-2012 portfolio, or would be offered through new state programs. Several proposed projects were also very similar to one another. For example, six proposals totaling over \$4 million proposed residential retrofit projects included two nearly identical projects that were prepared in cooperation with the same vendor and were very similar. Proposals falling into these categories accounted for approximately \$8.8 million of the total \$16.5 million. They were eliminated from final consideration since their efforts would be duplicated by existing energy programs or duplicated by other more complete proposals.

Another \$2.8 million of funding were submitted by applicants who are ineligible for the Innovator Pilots program for work because they had very limited capacity for

broad replication for work that would be scoped out at a future date based on the results of other proposed projects.

The seven remaining proposals achieved the highest scores against PG&E's evaluation criteria and should help the California advance Strategic Plan goals. PG&E believes that some of these proposals can be scaled downward and that all seven of these proposals can be accommodated within the proposed Innovator Pilots budget. PG&E recommends that the seven proposals summarized below be approved subject to successful negotiation of each contract.

In addition to these seven proposals, there were limited components of other proposals that may merit further consideration for "mini-projects" pending detailed discussions with the applicants. Upon approval of this AL, PG&E requests authority to award contracts for the seven selected proposals and to award, as appropriate, "mini-projects" not to exceed \$1 million. PG&E will use the same criteria for selecting the "mini-projects" as for the seven proposals presented in this AL.

#### Proposal Summaries

The following proposals are recommended for full or partial funding, subject to negotiation between PG&E and each applicant. Please refer to Attachment B for each selected applicant's response to the Commission's pilot project criteria.

#### **Alameda County Office of Education Leadership in Energy Efficiency Program (LEEP) (Attachment B-1)**

The Alameda County Office of Education (ACOE) proposes a countywide energy management program in public schools that will provide financially constrained local school districts access to a centralized resource for energy efficiency expertise and energy management assistance.

The program's energy managers will develop facility energy use benchmarks for school districts in Alameda County, identify potential energy savings opportunities in participating districts, coordinate technical services including energy audits, and guidance on financial incentives to facilitate program implementation. Energy efficiency practices and policies will be adopted and implemented, and district facilities managers will build internal capabilities and energy efficiency knowledge.

#### **City of Chico Residential Retrofit Program (Attachment B-2)**

The City of Chico proposes to develop a consumer energy program that serves to improve the efficiency of existing housing stock and encourage habit changing conservation by the occupants, thereby directly impacting municipal green house gas emission reduction goals through education.

**Quantum Energy Services & Technologies, Inc. (QuEST) and the Cities of Oakland, Berkeley and Emeryville**

QuEST, on behalf of the cities of Oakland, Berkeley, and Emeryville (OBE) submitted several proposals, two of which are being recommended for funding. The three cities already work together in the East Bay Energy Watch (EBEW) program, which has consistently met or beat its targets and has been recognized as successfully providing a very comprehensive set of savings.

**Integrated Services Program (Attachment B-3)**

Integrate energy efficiency services to clients. Combine audits for lighting efficiency, space conditioning improvements, renewable energy and demand management strategies in a single transaction will maximize reductions and minimize client costs and maximize client satisfaction with PG&E and its partners.

**Residential Tenant Landlord Policy Solutions (Attachment B-4)**

Collaborate with tenant and landlord groups to identify and pilot technical, informational and policy solutions to address the split incentive problem.

**Sierra Business Council Green Prosperity Workforce Development Program (Attachment B-5)**

As a regional multi-sectoral program, Sierra Business Council's (SBC) Green Prosperity Initiative approaches climate and economic solutions through four intersecting areas: sustainable tourism, forest carbon sequestration, renewable energy, and energy efficiency. SBC partners with a variety of state and national partners and funders on different components of the Green Prosperity Initiative. The proposed Innovator Pilot project supports the energy efficiency quadrant of the Initiative and includes three targeted approaches that are measurable in the short term and replicable over a wider geographic area. These include: (1) Establish Energy and Climate Leadership Institute to develop grassroots leadership in Latino and Native communities, (2) Provide Green Workforce Training and Development across the jobs spectrum, and (3) Enhance Energy Use Information and Management for small businesses and municipalities.

**Silicon Valley Energy Watch (SVEW)**

The City of San José administers the Silicon Valley Energy Watch program, which proposed two projects.

### **Community Energy Championship Fund Social Marketing Program (Attachment B-6)**

The Community Energy Championship Fund is a mini-grant program that will support small, local, and innovative social marketing campaigns designed to achieve significant and lasting behavior change surrounding energy efficiency.

### **Municipal Whole House Rehab Pilot (Attachment B-7)**

The Municipal Whole House Rehab Pilot will expand the ability of municipal housing departments to incorporate Whole House energy efficiency into standard rehabilitation work. The project will allow a limited number of units undergoing standard retrofits through the City's Single Family Housing Rehab program to receive comprehensive energy efficiency retrofits, traditionally absent from these programs.

#### **Goals and Objectives**

The goals and objectives identified by the applicants for each proposal are described in Attachments B1 through B7.

#### **Budget**

Budgets for individual projects are subject to negotiation with each applicant and cannot be included in this advice letter. The total proposed program budget is \$8,826,248 that covers the costs of the selected participants and PG&E's program support costs.

Table 1 – Program Budget

|                      | <b>Admin</b>     | <b>Marketing</b> | <b>Direct<br/>Implementation</b> | <b>Total</b>       |
|----------------------|------------------|------------------|----------------------------------|--------------------|
| Initial Request      | \$312,388        | \$0              | \$4,013,860                      | \$4,326,248        |
| Supplemental Request | \$324,934        | \$0              | \$4,175,066                      | \$4,500,000        |
| <b>Total</b>         | <b>\$637,322</b> | <b>\$0</b>       | <b>\$8,188,926</b>               | <b>\$8,826,248</b> |

#### **Metrics**

The metrics identified by the applicants for each proposal are described in Attachments B1 through B7 and are subject to negotiation of the final scope of work for each individual pilot project. Overall program metrics are provided in Attachment C.

#### **Logic Model**



An overall logic model for this program is provided as Attachment D. Since each project will have different activities and outputs, the program logic model is provided at a very high level.

### **EM&V Plan**

PG&E proposes to develop specific research scopes of work and priorities, in accordance with the directives set forth in the upcoming CPUC decision on EM&V issues and/or through collaboration between the IOUs and Energy Division. In the Decision, the Commission deferred resolution of various EM&V issues to a subsequent decision on EM&V. (D. 09-09-047, pp. 301-04 and OP 60). Among other things, the Decision deferred issues included a clarification of the respective EM&V roles and responsibilities for Energy Division and the IOUs, as well as the actual allocation of the EM&V budget. PG&E proposes further development of its EM&V plan upon Commission resolution of these pending issues in the upcoming EM&V decision.

### **Protests**

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, by facsimile or electronically, any of which must be received no later than **April 30, 2010** which is 7 days after the date of this filing. PG&E is requesting this shortened protest period consistent with guidance from the Energy Division. **[check with ED]** Protests should be mailed to:

CPUC Energy Division  
Tariff Files, Room 4005  
DMS Branch  
505 Van Ness Avenue  
San Francisco, California 94102

Facsimile: (415) 703-2200  
E-mail: [ijnj@cpuc.ca.gov](mailto:ijnj@cpuc.ca.gov) and [mas@cpuc.ca.gov](mailto:mas@cpuc.ca.gov)

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004, at the address shown above.

The protest also should be sent via U.S. mail (and by facsimile and electronically, if possible) to PG&E at the address shown below on the same date it is mailed or delivered to the Commission:

Jane Yura  
Vice President, Regulation and Rates

Pacific Gas and Electric Company  
77 Beale Street, Mail Code B10B  
P.O. Box 770000  
San Francisco, California 94177

Facsimile: (415) 973-7226  
E-mail: PGETariffs@pge.com

### **Effective Date**

PG&E is filing this supplemental advice letter to be approved by **May 7**, 2010, which is **14** days after the filing date. PG&E is requesting this shortened review period due to the fact that there were no protests of Advice 3081-G/3597-E that sought to delay its implementation and the substantive change is to increase the program funding as requested by Energy Division. **[check with ED]**

### **Notice**

In accordance with General Order 96-B, Section IV, a copy of this advice letter is being sent electronically and via U.S. mail to parties shown on the attached list. Address changes to the General Order 96-B service list and all electronic approvals should be directed to email PGETariffs@pge.com. Advice letter filings can also be accessed electronically at: **<http://www.pge.com/tariffs>**.



Vice President – Regulation and Rates

#### Attachments:

Attachment A: Request for Ideas  
Attachment B: Applicant Proposals  
Attachment C: Program Performance Metrics  
Attachment D: Logic Diagram

cc: Service List A.08-07-021