1. Strategic Plan Program Budget Reductions

1.1 On Strategic Plan Program Budgets D. 09-09-047 states:

- OP 13d: "The utilities shall not unduly reduce Strategic Planning non-administrative costs as compared to resource program direct implementation non-incentive costs" (p. 369).
- "We further prohibit the utilities, as discussed below, from unduly reducing Strategic Planning non-administrative costs as compared to the budget reduction targets we call for with resource program direct implementation non-incentive costs below" (p. 57)

ED Finding:
- ***PG&E's total portfolio budget was reduced by 18% between July 2009 filing and D. 09-09-047, while Strategic Plan program budgets were reduced by an average of 42%.***

Table 1. Reduction in "non-protected" Strategic Plan program budget from $140 million to $61 million (from 8.6% to 4.6% of the portfolio).[1]

Energy Division-modified Pacific Gas and Electric Company
Workpaper Supporting Advice 3065-G/3562-E Compliance with D.09-09-047 OP 13.d (Dec
Strategic Plan Support vs. Resource Program Direct Implementation Non-Incentive Costs
Modified by altering order of program list ***and including ZNE pilot budget as approved***

Line No.	PG&E Program	From Testimony Table 2b-1 (adjusted) and Appendix C - Budget Workbook JUL. 2009 (in millions)	Pct of Portfolio	From Compliance AL - Appendix C - Budget Workbook NOV. 2009 (in millions)	Pct of Portfolio
1	WE&T (Excluding Energy Centers)	$ 11.659		$ 7.096	
2	Emerging Technologies	$ 47.226		$ 23.200	
3	HVAC WE&T	$ 1.843		$ 1.746	
4	Residential New Construction	$ 27.083		$ 13.522	
5	Partnerships (Innovator Pilots)	$ 17.339		$ 4.326	
6	Strategic Plan-Oriented EM&V Studies				
7	ZNE Pilots[2]	$ 25.000		$ 7.613	
8	Lighting Market Transformation	$ 0.449		$ 0.463	
9	Third Parties - WE&T[3]	$ 3.333		$ 3.335	
10	**Total Strategic Plan Program Budget (Energy Division definition)**	**$ 133.995**	**8.2%**	**$ 61.299**	**4.6%**
11	Total Portfolio Budget	$ 1,632.915		$ 1,337.994	
12	Residential Whole House[4]	$ 3.961		$ 46.000	
13	Statewide Marketing	$ 24.948		$ 24.948	
14	Strategic Planning Organization	$ 3.600		$ 3.600	
15	On-Bill Financing	$ 29.451		$ 27.845	
	Total Additional Program Budgets (included by IOUs as "Strategic Plan" programs but excluded by Energy Division	$ 61.960	4%	$ 102.393	8%
16	**Total Portfolio Budget**	**$ 1,632.915**		**$ 1,337.994**	

[1] Excludes "protected" Strategic Plan programs mandated in D. 09-09-047 (Whole House Retrofits); programs required prior to completion of the Strategic Plan (on-bill financing; Statewide ME&O); and programs ED staff could not locate (Strategic Planning Organization). The Whole House Retrofit Program is excluded from the analysis of IOU responsiveness to OP13d as it was specifically mandated as a budget increase in D. 09-09-047.

[2] ZNE budget decreased from $30.7 million to $25 million as per D. 09-09-047

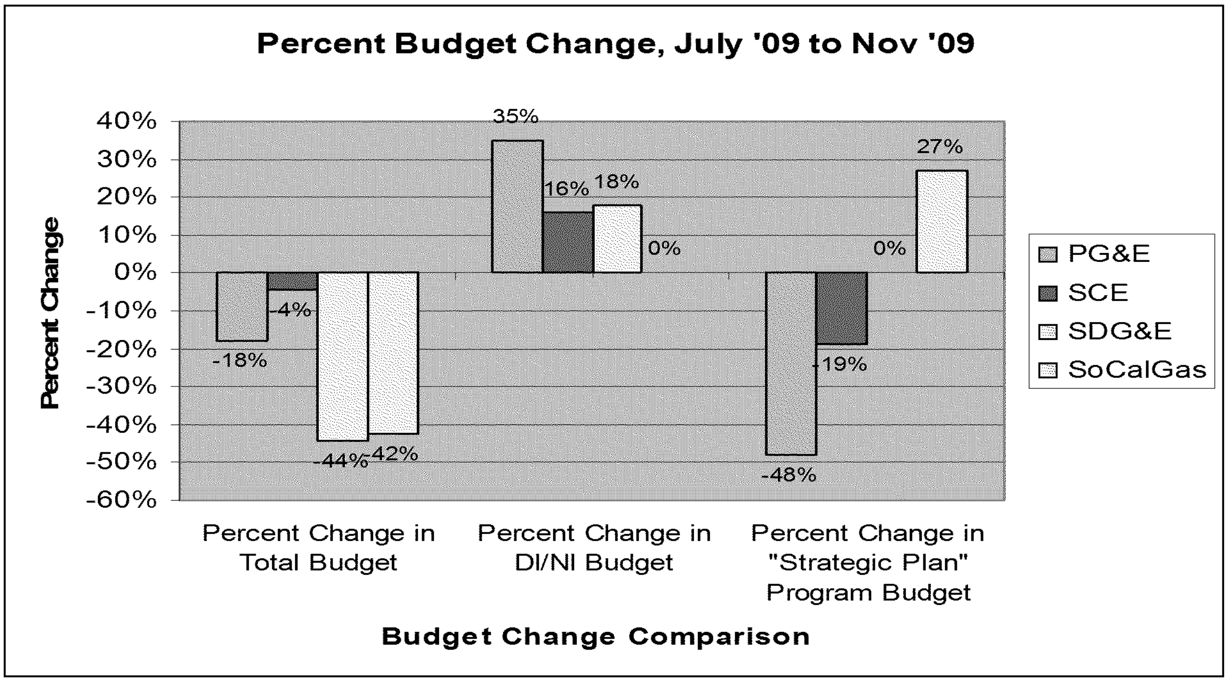
[3] and 3- Added b y PG&E to July 2009 Table 2b-1 Strategic Plan budget for comparison with November 2009

Table 2: Percent Change in Strategic Plan Programs

PG&E Budget Comparison for Strategic Plan Programs: July 2009 to Compliance Filing (Nov, 2009)				
	Jul-09	**Nov-09**	**% Change**	**Budget Change**
WE&T (Excluding Energy Centers)	11,660,000	7,096,002	-39%	-4,563,998
Emerging Technologies	47,226,006	23,199,866	-51%	-24,026,140
HVAC WE&T	1,843,379	1,745,544	-5%	-97,834
Residential New Construction	27,082,900	13,521,688	-50%	-13,561,212
Partnerships (Innovator Pilots)	17,338,798	4,326,248	-75%	-13,012,550
Individual Partnership Budgets - Strategic Plan Spending Set-aside	$7,666,315	$3,862,025	-50%	-3,804,290
ZNE Pilots	25,000,000	7,612,643	-70%	-17,387,357
Lighting Market Transformation	449,187	462,565	3%	13,379
Total Strategic Plan Program Budget	**138,266,584**	**61,826,582**	**-55%**	**-76,440,002**
Average % change			**-42%***	

* SoCalEdison's Sustainable Communities Program funded at $7.9 million

Table 3: Percent Change in IOU budget categories



1.2 On the IOUs statewide Emerging Technologies Program, D. 09-09-047 states:

"The Strategic Plan strives to create market pull and deployment of emerging technologies ***at a desired scale,*** engaging utilities, private entities, national labs, local governments and consumers is essential. In addition, the Strategic Plan (at 84) establishes the following goals for the utilities' emerging technologies programs:

- Refocus utility and Energy Commission energy efficiency research and technology support to ***create both demand pull and set the research agenda for both incremental and game-changing energy efficiency technology innovations***....

- Conduct target emerging technologies R&D to support the Big, Bold Energy Efficiency Strategies and integrated energy solutions goals. This goal should result in profound improvement in equipment efficiency as well as new building materials and designs aimed at achieving more efficiency form new buildings than technically feasible today, and necessary to achieve Zero Net Energy and hot/dry climate HVAC outcomes. " (p. 243).

The proposed ETP is composed of [several] core program elements:

- Scaled Field Placements – new element. This program element will be used to place a number of measures at customer sites as a key step to gain market understanding and traction. The measures will typically have already undergone an assessment or similar evaluation to reduce risk of failure.

Demonstration Showcases – new element. ***These possibly large-scale projects will expose measures to various stakeholders utilizing in situ, real-world applications and installations.***

Technology Development Support – new element. The ETP will look for opportunities to benefit energy efficiency product development. Although in most cases, product development is best performed by private industry, the ETP under unique opportunities will be able to undertake very targeted, cost-effective activities which provide value in support of private industry product development efforts.

Business Incubation Support – new element. TRIO (Technology Resource Incubator Outreach) is a statewide program that is focused on ***providing training and networking for developers of energy saving technologies.*** TRIO is an incubation program designed to accelerate the successful development of technologies through an array of engineering support, resources and services, developed and orchestrated by TRIO management and offered both in the incubator and through its network of contacts. TRIO acts as a diffusion process by which an innovation is communicated through certain channels over time among the members of a social system. (p. 244-245).

Table 4: Virtual Elimination of Four Emerging Technology Subprograms.

Spending for the four sub-programs (Scaled Field Placements, Demonstration/Showcasing, Technology Supply Side Efforts and Incubation) declined from $13 to $1.3 million. Sub-programs were based on priorities identified in Strategic Plan.

Emerging Technology Programs	**Emerging Technologies Program**		July Budget	November	Difference	**Percent budget remaining**
	PGE2108	**Total ET Program**				
	PGE21081	Assessments	$30,731,085	$ 19,106,905	$ (11,624,180)	62.2%
	PGE21082	Scaled Field Placement	$4,977,958	**$ 296,220**	$ (4,681,738)	6.0%
	PGE21083	Demonstration / Showcasing	$5,048,541	**$ 396,131**	$ (4,652,409)	7.8%
	PGE21084	Market and Behavioral Studies	$2,804,656	$ 2,807,096	$ 2,440	100.1%
	PGE21085	Technology Supply Side Efforts	$1,592,902	**$ 296,220**	$ (1,296,682)	18.6%
	PGE21086	Incubation	$1,432,016	**$ 297,294**	$ (1,134,722)	20.8%
	PGE2112	Zero Net Pilots (was CC)	$30,697,168	$ 7,612,643	$ (23,084,525)	**24.8%**
		TOTAL EMERGING TECHNOLOGIES PROGRAM	**$ 77,923,174**	**$ 30,812,510**	**$ (47,110,665)**	**39.5%**

1.3 On PG&E's ZNE Pilot Programs, D. 09-09-047 states:

"PG&E's proposed ZNE Pilot Program subprograms directly address needs identified within the Strategic Plan for accelerating California's progress towards the 2020/2030 ZNE goals... Therefore, **we conditionally approve PG&E's ZNE Pilot Project at the level of $25 million on a pilot project basis only**, a $6 million decrease from the requested budget. As a pilot project, we require PG&E to submit via advice letter additional information on the ZNE Pilot Program as outlined in Section 4.3 above." (p. 178).

Table 5. ZNE Pilot program budget reduced 75% and critical program elements approved in D. 09-09-047 were eliminated.

ED Finding: -   The ZNE Pilot Project as proposed in the Compliance Filing (November 2009): ***- Eliminated targets for execution <u>of agreements for design assistance and technical support for five to fifteen teams.</u>*** ***- <u>Reduced targeted number of near-ZNE pilot homes and near- ZNE commercial case studies to receive design, technical and financial assistance</u> from 8-12 near-ZNE pilot homes to 3, and from 2-6 pilot near-ZNE commercial buildings from 2-6 to 3.*** ***- <u>Eliminated plan to publish report on ZNE performance case studies</u> after two years of normal occupancy.*** ***- <u>Eliminated key studies</u> "Assessment of the Technical Potential for Achieving Net Zero Buildings in the Commercial Sector" and a report "Lessons Learned from Field Evaluation of Six High Performance Buildings"*** ***- <u>Reduced the number of ZNE technology assessment</u> reviews from between 5-15 to 3-6 <u>Eliminated commitment to creating and maintaining a ZNE resource website</u>, and plans for press releases, journal, trade publication and other website articles.*** ***- <u>Eliminated commitment to create a statewide roadmap</u> to achieve ZNE goals, including strategies to include customer behavior into product development by the end of 2010, as well as other customer behavior study recommendations.*** ***- <u>Eliminated an annual design competition</u> to encourage architecture and engineering firms to create ZNE developments and buildings.*** ***- <u>Dropped commitment to 2-4 forums</u> to encourage and support interactions between developers, production builders, architects, engineers, city and regional planners and funders to address ZNE development.*** ***- <u>Eliminated commitment to present between ten and twenty workshops annually</u> on ZNE design through the existing education and training network, public meetings, conferences and trade shows.***

2. On- Bill Financing - CPUC Expectations of Loan Program Implementation

D.09-09-047 (OP 2, p. 365) ordered all programs to begin January 1, 2010.

Ordering Paragraph 2 (p. 365): "The energy efficiency program cycle for Pacific Gas and Electric Company, Southern California Edison Company, Southern California Gas Company, and San Diego Gas & Electric Company shall start on January 1, 2010. All approved energy efficiency programs should begin January 1, 2010. The energy efficiency portfolios approved today will be in effect for 2010 through the end of 2012.

ED Finding and Recommendations: ***- SCE will have all components of its loan program for both commercial and institutional customers fully operational by June 2010.*** ***- That no later than July 2010 PG&E will offer energy efficiency financing to commercial and institutional customers so that they can make use of building retrofit programs before the 2010-12 cycle is too far underway.*** ***- That all aspects of the On-Bill Financing Program except the capability to bill installments on the monthly energy bill be fully established and operating by this date. That includes marketing and outreach, contractor engagement, and other internal processes.***

- *In the interim, that PG&E may use an off-bill financing mechanism that has proven to be successful and should be explained in a supplemental filing to be acceptable to the Energy Division and major stakeholders. A description of this option should be included in a OBF Advice Letter with an updated OBF PIP. PG&E should also include targets by year for lending based on number of customers and amount loaned across institutional and commercial sectors, and by geography.*

3. Increase in Resource Program Direct Implementation Non-Incentive (DINI) Budgets from 21% to 28% of total portfolio budget.

On the DINI 20% soft target, D. 09-09-09-047 states:

OP 13c. "Non-resource costs (excluding non-resource [program] direct implementation costs0 are set at 20% of the total adopted energy efficiency budgets" (p. 369).

We find compelling the evidence provided by TURN in its April 2009 comments that shows national trends for administrative costs, EM&V levels, ME&O budgets and other areas… (p. 72)

We also set a budget target of 20% on the non-incentives and rebates budgets for program delivery, consistent with the national average in Table 5 below (excluding Vermont as an outlier). ***Of the four utilities, this measure impacts only PG&E's budget. PG&E's proposed program delivery budget includes non-incentives and non-rebate costs of 35%. With the 20% budget target we set, more of the program costs will be available for incentives and rebates, thus bringing PG&E's costs in line with the other utilities as well as the national average (p. 74).***

… we seek to streamline PG&E's budget consistent with the caps and targets discussed above… (p. 77)

PG&E's budget shows $534 million for 'Direct Implementation (Non-incentives and Rebates).'… These activities are generally consistent with a broad-based energy efficiency program. However, some of these activities are peripheral to the direct delivery of energy efficiency services and may not contribute to the cost-effectiveness of PG&E's portfolio… ***We reduce resource program indirect and support activities to 20% of the total portfolio.*** This is the national average of program delivery costs (excluding incentives and rebates) shown in Table 5 above, and is consistent with or higher than the level of costs for SCE, SDG&E and SoCalGas. ***By reducing these costs to approximately 20% of the adopted budget level, PG&E's indirect and support costs for resource programs are reduced from $336 million to $275 million, a reduction of $61 million" (p. 78-79).***

ED Finding:

- ***All other IOUs met this soft target with Resource Program DINI budgets at between 9-19% of total portfolio budgets.***

Table 6- Summary of PG&E Resource Program DI/NI Budget Changes (July-Nov, '09).

Line No.	Direct Implementation	From Appendix C - Budget Workbook JUL. 2009 (in millions)	Pct of Portfolio	From Compliance AL - Appendix C - Budget Workbook NOV. 2009 (in millions)	Pct of Portfolio
1	Resource Prorams Direct Implementation Non-incentives***	$ 335.670	20.6%	$ 372.973	27.9%
2	Whole House Performance Program Direct Implementation	$ 1.166		$ 40.638	-
3	Total Resource DI Non-Incentive w/o Whole House	$ 334.504	20.5%	$ 332.334	24.8%
	Budget Reduction to move towards soft target	**$ 27.**		**$ 305.334**	**22.8%**

*** **The primary driver for the change is the $39.5 million increase in direct implementation NI costs for the Residential Whole House Program mandated in D.09-09-047.** Total includes third party and government partnership direct implementation budgets. (bold added by Energy Division). **This ED analysis assumes that most Whole House DINI budgets will be transferred to incentive budgets once specific measures and incentive levels have been finalized.**

Table 7: Summary of PG&E Resource Programs with large DINI budget increases between July (2009) and November (2009)

Appendix C: PG&E 2010 - 2012 Program Budget Workbook (revised 11/23/09)

Note: Data indicated as "estimated" represent forecasts of budgets. Data indicated as "Actual" represents accurate budget totals.

Program #	Main Program Name / Sub-Programs	DINI Budget Change (July '09 to – Nov '09)	Percent DI/NI Budget Increase (July '09 to Nov '09)	Program Overall Budget Change (July '09 to Nov '09)
PGE2182	Boiler Energy Efficiency Program	6,072,953	738%	23% increase
PGE2186	Enhanced Automation Initiative	156,483	236%	**1% decrease**
PGE2200	Furniture Store Energy Efficiency	1,409,756	258%	71% increase
PGE2201	High Performance Office Lighting	2,876,182	232%	57% increase
PGE2203	Monitoring-Based Commissioning	1,916,453	232%	21% increase
PGE2204	SmartVent for Energy-Efficient Kitchens	1,759,680	319%	43% increase
PGE2212	California Preschool Energy Efficiency Program	390,631	187%	no budget change
PGE2214	EE Entertainment Centers	986,013	543%	68% increase
PGE2222	Energy Efficiency Services for Oil Production	4,041,295	121%	11% increase
PGE2225	Refinery Energy Efficiency Program	4,676,415	390%	**4% decrease**
PGE2227	Cement Production and Distribution Energy Efficiency	1,816,488	224%	43% increase
PGE21031	Calculated Incentives	15,944,517	3037%	**35% decrease**
PGE21032	Deemed Incentives	2,363,943	203%	4% increase
	Process Wastewater Treatment EM Pgm for Ag Food Processing	918,700	272%	77% increase
PGE21041	Residential New Construction	3,392,259	545%	**50% decrease**
PGE21042	Savings By Design	9,373,792	667%	1% increase
PGE21071	C&S Advocacy & CASE Studies: Building Codes	6,767,150	820%	3% increase
PGE21072	C&S Advocacy & CASE Studies: Appliance Standards	5,718,830	680%	3% increase
PGE21073	C&S Compliance Enhancements Training	934,843	719%	3% increase
	Total	65,443,431		