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Energy Division Tariff Unit
California Public Utilities Commission
Energy Division
505 Van Ness Avenue
San Francisco, CA 94102

RE: Pacific Gas and Electric Company's Reply to Comments on Draft Resolution E-4663 Approving the Utilities' Energy Efficiency Finance Pilot Program Implementation Plans with Modifications

Dear Energy Division Tariff Unit:

I. INTRODUCTION

Pursuant to Rule 14.5 of the California Public Utilities Commission's (CPUC's or Commission's) Rules of Practice and Procedure, Pacific Gas and Electric Company (PG&E) replies to Opening Comments on Draft Resolution E-4663 modifying the draft program implementation plans (PIPs) for the investor-owned utilities' (IOUs') energy efficiency financing pilots.

PG&E replies to Opening Comments of the California Center for Sustainable Energy (CCSE), San Diego Gas & Electric Company (SDG&E), Southern California Edison Company (SCE), Southern California Gas Company (SoCalGas), and the Office of Ratepayer Advocates (ORA).

1. Marketing, Education and Outreach

CCSE states that the investor-owned utilities' (IOUs') PIPs are "not in compliance with previous Commission Decisions" and supports the Draft Resolution, which would provide up to \$10 million of additional funding to CCSE in addition to the \$ 43.5 million in funding approved by the Commission in D.13-12-038 (SW ME&O Decision). (CCSE, pp. 1-2.) PG&E disagrees that the PIPs are out of compliance with Decision 13-09-044 (the Decision). As PG&E and the other IOUs discussed in Opening Comments, and will not be repeated in full here, neither the Statewide Marketing, Education & Outreach Decision, D.13-12-038, nor Decision 13-09-044 requires the IOUs to turn over administration of these funds to CCSE or allow CCSE to supervise the local marketing. These decisions require coordination between statewide and local marketing. (See PG&E, pp. 2-3; SoCalGas, pp. 2-3; SDG&E, p. 2; SCE, p. 2-3.)

As SCE notes, moreover, the SW ME&O Decision already approved a budget for CCSE that includes financing. (SCE, p. 2.) The Resolution would simply provide these additional funds to CCSE without any record or explanation why the previously-approved budget is insufficient.

PG&E recently discussed with CCSE a more collaborative process to establish both a marketing plan and the necessary funding amounts for statewide and local marketing; this collaborative approach should occur **instead of** the process in the Draft Resolution. (PG&E, p. 3.) CCSE's Opening Comments note the value that the IOUs bring in local marketing and support a collaborative stakeholder process by which budgets, roles, and responsibilities are determined. However, CCSE also supports the process described in the Draft Resolution – which would provide CCSE discretionary authority over the funds and an ability to direct the IOUs – as "collaborative" and requests that the process in the Resolution be approved. (CCSE, p. 2.) PG&E does not agree that providing CCSE -- a contractor to the IOUs -- authority over the budget allocations among CCSE and the IOUs and marketing plans is a collaborative process.

PG&E requests that the Final Resolution include a collaborative stakeholder process to establish the marketing plans and final budgets, rather than provide to CCSE the broad authority included in the Draft Resolution to determine its own budget and that of the IOUs and assign roles to the IOUs according to the plan CCSE develops. (PG&E, pp. 2-3.) Since the Draft Resolution would grant to CCSE authority over issues involving the exercise of judgment and discretion, the proposal in the Draft Resolution is unlawful and requires modification. (PG&E, p. 3; See D.13-04-030, pp. 12-13, citing *California School Employees Assn. v. Personnel Com.* (1970) 3 Cal.3d 139, 144.) PG&E also requests that an initial budget of \$824,000 be established in the Resolution for PG&E's local marketing, with the final budget established through the collaborative process. (PG&E, p. 3.)

2. Changes to the Program Implementation Plans

As discussed by SoCalGas, the IOUs, after filing the original PIPs with their respective advice letters, received requests from Commission Staff to further edit the PIPs. (SoCalGas, p. 5.) Following several conversations with Commission Staff, the IOUs provided the revised PIPs to Commission Staff on May 21, 2014. SoCalGas attached copies of the revised statewide PIPs to its Opening Comments. The revised PIPs, rather than the PIPs originally filed with the IOUs' ALs, should be approved as part of the Final Resolution as they contain helpful clarifying edits.

On May 21, 2014, PG&E also provided Commission Staff with a copy of its revised EFLIC PIP and tariffs¹ incorporating Staff recommendations consistent with the discussion in Section 4.2

¹ On May 21, 2014, PG&E provided Commission Staff revisions to PG&E's EFLIC Gas and Electric Rate Schedules - *Energy Financing Line Item Charge (EFLIC) Pilot* and Gas and Electric Sample Form 79-1156 - *Authorization To Add Loan Charges To Utility Bill (Residential)*; PG&E also provided a copy of Electric and Gas Rule 9, *Rendering and Payment of Bills*, as originally filed in PG&E Advice 3441-G/4328-E.

of the Draft Resolution. PG&E suggests the following revisions to the Ordering Paragraphs to assure that the revised documents are implemented and approved as soon as possible.

PG&E suggests that Ordering Paragraph 3 be revised as shown in bold text: 3. The finance pilots that are the subject of the three ALs and seven PIPs are approved, **as revised and submitted to Staff on May 21, 2014**, to begin operation under the CHEEF while the Joint Utilities amend the PIPs.

PG&E also requests that a new Ordering Paragraph be added, as follows: **PG&E shall file a Tier 1 advice letter within 15 days of the effective date of this order to update its EFLIC tariffs as described in this Resolution.**

PG&E also agrees with SoCalGas that Ordering Paragraph 2 of the Draft Resolution, which appears to change the PIP addendum process approved by the Commission so as to preclude its use for the financing pilots only, should be revised to delete that portion in favor of the statewide PIP addendum process as described in the Energy Efficiency Policy Manual, Version 5 (p. 26).

3. Demand Response and Distributed Generation

CCSE suggests two material changes to the pilots approved in D.13-09-044. CCSE does not claim that the PIPs do not comply with the Decision, notably, it just seeks to change the pilots approved in the Decision. A petition for modification of the Decision would be required to make either change.

First CCSE requests to include demand response (DR) and distributed generation (DG) in any of the pilots, as long as the credit enhancement is not used. The Decision only authorized DR and DG to be included in the On Bill Repayment without Credit Enhancement (OBR w/o CE) for Non-residential Customers pilot. (Decision, pp. 64-65, Section 5.5.) As the Draft Resolution notes, there is no authority in the Decision to allow DR and DG to be included in the pilots other than the OBR w/o CE pilot. (Draft Resolution, p. 7.) The request should be denied.

Second, CCSE suggests the EFLIC pilot be revised to allow DG and DR projects, rather than just energy efficiency projects as the Decision requires. (CCSE, p. 2.) The EFLIC sub-pilot is linked to the Single Family Loan Program (Decision, p. 37), which is only approved as a vehicle to finance energy efficiency improvements. (Decision, FOF 19.) CCSE's request to amend D.13-09-044 should be denied.

4. Definition of Eligible Energy Efficiency Measures (EEEMs) and Related Issues

The Draft Resolution determines that "costs directly associated with the EEEM can be financed in the minimum of 70% portion of the loan." (Draft Resolution, p. 8.) As SDG&E notes in its comments, the Draft Resolution authorizes Staff to determine unilaterally which types of costs

can be included in the 70% of the loan proceeds that are reserved for EEEMs through the issuance of a Guidance Document, which will provide guidance to all the parties, including CAEATFA. (SDG&E, p. 4; Resolution, p. 8.) As SDG&E states, this determination "could have a significant impact on the pilots." (SDG&E, p. 4.) It is also unclear that Commission Staff has authority to issue documents that will bind CAEATFA in its administration of the pilots. PG&E supports SDG&E's request to allow a public comment period on this document, so that all involved parties, including CAEATFA, will have the opportunity to comment on this issue. In the alternative, the Commission should approve the IOUs' definition of eligible costs included in the draft PIPs.

CCSE requests that the Commission require the IOUs to include, in the list of EEEMs, the specifications for each measure. (CCSE, p. 4.) The Commission does not need to add a requirement to this effect because PG&E's current practice meets this request. The specifications documented in PG&E's rebate catalogues are the same specifications documented in the technical work papers submitted to Commission Staff for approval. PG&E matches the specifications in the technical documentation to be consistent with communications to customers and ensure compliance with the measure definition approved by Commission Staff. Most of PG&E's catalogues add even more language with term definitions and general requirements.,

SCE's comments explain why the IOUs' proposed data collection requirements and post installation activities for savings verification should be authorized rather than omitted from the PIPs. (SCE, p. 4.) PG&E agrees with SCE that there should be some standards to determine the benefits relating to installation of EEEMs that are installed outside of the IOUs' energy efficiency programs. The PIPs include reasonable requirements for such verification and should be approved.

CCSE recommends that the Commission further clarify that the eligibility of an EEEM for an EE loan without the use of a rebate or incentive should not be dependent on whether the customer previously received a rebate or incentive for that EEEM. (CCSE p. 4.) PG&E supports this recommendation as a means to streamline project processing times and reduce administrative burden, with the following additions: the CAEATFA regulations should include provisions to protect vulnerable homeowners from contractors recommending uneconomical equipment replacements, and the Commission should clarify that the incremental energy savings related to these projects can count towards the IOUs' savings goals for the pilots.

5. Compliance with the Decision

PG&E supports SCE's request for the Draft Resolution to be revised to exclude statements that the PIPs are not in compliance with the Decision. (SCE, p. 5.) As described in the IOUs' Opening Comments, the IOUs had to determine many details regarding the financing pilots on which the Decision was vague or silent, in order to prepare full PIPs for each of the pilots. The PIPs were developed in accordance with the Decision's requirements for stakeholder input,

were subject to a public comment process and were served to all parties in the proceeding. In this process, the IOUs, in consultation with CAEATFA, certainly made their best efforts to comply with the Decision. That the Resolution ultimately does not agree with some of the details should not indicate a compliance failure by the IOUs. For the reasons described by SCE, the statements in the Draft Resolution that the PIPs did not comply with the Decision should be omitted.

II. CONCLUSION

PG&E requests the Commission revise Draft Resolution E-4663 as stated herein and in PG&E's Opening Comments.

Sincerely,

Handwritten signature of Brian Cherry in cursive script.

Vice President, Regulatory Relations

cc: President Michael R. Peevey
Commissioner Michel P. Florio
Commissioner Carla J. Peterman
Commissioner Michael Picker
Commissioner Catherine J.K. Sandoval
Karen V. Clopton – Acting General Counsel
Timothy J. Sullivan – Acting Chief Administrative Law Judge
Edward Randolph – Director, Energy Division
Jean Lamming – Energy Division
Service Lists: A.12-07-001, et al and R.13-11-005