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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 Comments to 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) 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 has several concerns with the Draft Resolution. For the reasons discussed below, PG&E requests the Draft Resolution to be revised or clarified as follows:

- The Marketing, Education and Outreach (ME&O) discussion should be modified as follows:
  1. The final resolution should approve a budget for PG&E's and the other IOUs' local marketing efforts for the pilots and a collaborative process among the California Center for Sustainable Energy (CCSE) and IOUs to establish a comprehensive and coordinated ME&O plan for the financing pilots, with CCSE continuing to lead on statewide outreach and the IOUs continuing to lead on local and regional marketing;
  2. The delegation of the CPUC's authority to establish the IOUs' marketing budget and supervise the IOUs' local marketing should be removed;
- The Draft Resolution should approve the On Bill Repayment for Non-residential Customers without Credit Enhancement PIP's reasonable definition of the types of distributed generation (DG) and demand response (DR) that can be included in the pilot;
- The proposed standards in the PIPs to review energy efficiency installations that are conducted outside of the IOUs' energy efficiency programs to ensure actual energy savings are achieved are reasonable and should be approved; and
- The proposed language that supports the CPUC's integrated demand side management policy should be retained, rather than deleted from the PIPs.

PG&E's proposed revisions and clarifications to the Draft Resolution are discussed in detail below.

II. The PIPs Comply with D.13-09-044 and include Reasonable Terms to Implement the Pilots.

The IOUs filed the PIPs as required by Energy Efficiency Financing Pilot Decision 13-09-044 (the Decision) in November and December 2013.[1] Drafts of the PIPs were provided to CPUC Staff prior to their submission and ultimately incorporated Staff's feedback. As discussed in further detail below, the PIPs comply with the Decision language.

The IOUs found certain portions of the Decision ambiguous and/or omitted key details required to implement the pilots. In those areas, the IOUs endeavored to include reasonable program requirements based on expertise in administering the current energy efficiency programs. The Draft Resolution should be modified to clearly state where the Draft Resolution proposes an alternative implementation plan or clarifies the Decision, rather than suggest that the IOUs' PIPs were not compliant with the Decision.

A. The Marketing, Education and Outreach Discussion Should Be Modified.

The Draft Resolution should be revised explicitly to provide funding for the IOUs' local and regional marketing for the financing pilots, coordinated with CCSE's statewide marketing efforts. Neither the Decision, nor the Statewide Marketing, Education and Outreach Decision, D.13-12-038 (ME&O Decision), require the IOUs to turn over authority for the entire marketing budget for the financing pilots to CCSE, as the Draft Resolution requires. (Draft Resolution, pp. 11-12.)[2] The Draft Resolution should include the Decision's direction to the IOUs to coordinate statewide and local marketing efforts.[3] PG&E appreciates the value of statewide and local education for residential and small business customers on available financing options to encourage customers to seek energy efficiency projects through eligible financing programs. Local outreach conducted by PG&E is critical to drive customers' participation by using customer insights to target and connect customers with specific energy management programs available in PG&E's service area and the local financing options. The Resolution should provide funding for the local marketing, as well as the statewide efforts.

The Draft Resolution's delegation to CCSE of the CPUC's obligations to supervise the IOUs and establish their marketing budgets is inconsistent with the relationship established in the Statewide ME&O Decision,

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1 Joint IOU "Fast Track PIPs" AL (PG&E AL 3433-G/4320-E, et al.), dated Nov. 19, 2013; Joint "IOU 90-Day PIPs" AL (PG&E AL 3439-G/4327-E, et al.), filed Dec. 19, 2013); and PG&E "EFLIC" AL 3441-G/4328-E, filed Dec. 19, 2013.

2 The Draft Resolution should be revised to delete statements that the IOUs are out of compliance with the Decision because they did not allocate the entire marketing budget to CCSE. The Decision, which requires coordination with CCSE, did not instruct the IOUs to allocate the entire marketing budget to CCSE and then take direction on local marketing from CCSE. See Decision, p. 85 ("The Commission is currently considering statewide ME&O budgets and plans for 'Energy Upgrade California' in A.12-08-007 et al. Although the outcome of those proceedings in currently unknown, we think it makes sense to coordinate marketing efforts discussed in this proceeding with the larger umbrella platform the Commission is expected to adopt therein."); p. 86 ("The IOU's shall coordinate this marketing with the statewide ME&O effort, under review in a separate proceeding, to ensure maximized outreach and to avoid duplication.").

3 See Decision, p. 85 ("The Commission is currently considering statewide ME&O budgets and plans for 'Energy Upgrade California' in A.12-08-007 et al. Although the outcome of those proceedings in currently unknown, we think it makes sense to coordinate marketing efforts discussed in this proceeding with the larger umbrella platform the Commission is expected to adopt therein."); p. 86 ("The IOU's shall coordinate this marketing with the statewide ME&O effort, under review in a separate proceeding, to ensure maximized outreach and to avoid duplication.").

where PG&E was required to contract with CCSE and serve as its "fiscal manager."[4] The Draft Resolution requires CCSE to supervise the IOUs and requires the IOUs to "work under CCSE's direction." (Draft Resolution p. 12; OP 8.) CCSE would determine, of the $10 million allocated to it, how much to retain and how much to award the IOUs—thus approving its own funding levels and those of the IOUs. (Draft Resolution, p. 12.) This delegation of the CPUC's obligation to make funding and programmatic decisions is inconsistent with prior CPUC decisions. As the CPUC has recently held: "[T]he Commission cannot delegate its authority and responsibility to determine recoverable costs, program rules, regulations and policies…"[5] PG&E requests the Draft Resolution be revised to delete the statements that CCSE will establish its budget and those of the IOUs, and that CCSE will supervise the IOUs.

Rather than provide direction to CCSE to supervise the IOUs and establish the IOUs' budgets, the Draft Resolution should recognize that the IOUs local marketing efforts should be funded at appropriate levels, and require the overall coordination of Statewide and local marketing to be addressed cooperatively among the IOUs and CCSE. PG&E suggests that the Resolution approve a collaborative process where the IOUs and CCSE have joint responsibility to develop a comprehensive marketing plan and coordinate marketing strategies,[6] PG&E and CCSE have discussed the Draft Resolution and agree that successful marketing of the financing pilots requires a multi-faceted approach that includes both statewide and local components. A collaborative approach should be followed to benefit from the knowledge and skills of both the statewide and local teams for the planning and implementation of financing outreach. CCSE should convene and lead a stakeholder group to drive coordination of plans and coordination of complimentary implementation schedules. CCSE and the IOUs should be jointly responsible for the development of the "go to market" strategy, determine the roles and plans for statewide and local outreach, and have responsibility for the outcomes of the outreach efforts. PG&E recommends the final resolution authorize immediate use of the $750,000 initially allocated to CCSE, and $824,000 initially allocated to PG&E, or 20% of its approved marketing budget for its local finance outreach in the near term to ensure early adoption of the pilots[7] This will ensure that funds are available to support launching the financing pilots this fall, including PG&E's EFLIC pilot launch and the off-bill pilots, with the remaining budget allocated in the collaborative process. PG&E also recognizes that the other IOUs have included in their comments estimations of their budget needs to support local marketing, which should be taken into account in the final resolution.

Once the roles and responsibilities, statewide and local marketing plans, and associated budgets are developed, documentation of these agreements should be included as an amendment to the existing Statewide ME&O contract by a date certain. The stakeholder group should establish and use a formal voting process for decisions to ensure that the financing pilots plan moves efficiently towards implementation. The resolution should adopt this collaborative approach for CCSE and the IOUs to develop the outreach plans and associated budgets once all remaining aspects of the financing pilots have been determined.

The Draft Resolution includes a timeline of activities for developing a marketing plan that is not workable because it requires an amendment to PG&E's and CCSE's Statewide ME&O contract, with payments to be

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4 ME&O Decision, FOF 11; COLs 27(vii) and 45.

5 D.13-04-030, p. 13.

6 PG&E supports SoCal Gas' request that the final resolution clarify, consistent with D.10-12-054, Ordering Paragraph 7, that the required consultations among the IOUs and CCSE regarding budgets and marketing plans are pursuant to CPUC supervision and direction.

7 D.13-09-044, p. 95. PG&E was allocated $4,119,879. A 20% upfront allocation would allocate $823,976 to PG&E and leave PG&E's remaining amount to be determined within the collaborative process.

released beginning July 10, 2014. This schedule would only allow 8 business days to fully execute an amendment to the contract after the CPUC meeting regarding the Draft Resolution. PG&E requests this time be increased to 15 business days after the final resolution is issued.

B. Demand Response and Distributed Generation Should Be Defined in the PIPs.

The Draft Resolution states that the Decision does not set limits on the types of technologies that can be financed for the On-Bill Repayment (OBR) without Credit Enhancement (CE) pilot. The Draft Resolution should be amended to clarify that it is appropriate initially to use existing CPUC approved measures for demand response (DR) and distributed generation (DG) included in the OBR without CE pilot.

The Decision allows both DR and DG to be included on the IOUs' bills in the non-credit enhanced commercial pilot. (Decision, pp. 31, 64-65.) While the Decision requires a list of eligible energy efficiency measures (EEEMs), it does not define the DR or DG measures that could be included in a loan. This omission is particularly problematic for DG, which has variously been defined as any generation connected at distribution level (up to 20 MW for PG&E's distribution system), and thus potentially could include wholesale generation, gas-fired generation, and diesel-fueled back-up generators.[8] The IOUs included reasonable definitions of DG in the PIPs, which would utilize existing customer DG programs eligibility criteria, and a stakeholder process to consider other measures for inclusion. (AL 3439-G/4327-E, Attach. E, p. 15.) The Draft Resolution rejects any limitation of the types of generation that could be financed and paid through the customer's energy bill. (Draft Resolution, pp. 6-7.) The Draft Resolution should be modified to approve the DG definitions included in the PIPs so that loans for wholesale generators, diesel back-up generators, and gas-fueled generators other than those approved for the IOUs' customer DG programs, are not allowed to be repaid on the customers' utility bills. While this was not expressly stated in the Decision, it is a reasonable interpretation of the CPUC's intent to allow only approved DG program measures to be included in the EE funded finance programs, subject to later modification through a stakeholder process.

C. Retrofits Financed without Rebates or Incentives Should Use Existing CPUC-Approved Verification and Quality Control Procedures.

The Draft Resolution restates the Decision requirement that a pilot participant does not need to use an IOU rebate or incentive for a measure to be eligible for the pilot, and suggests that the IOUs' PIPs contain requirements that are inconsistent with this direction. (Draft Resolution, pp. 12-13.) However, the PIPs state clearly that the customer does not need to receive an IOU incentive or rebate to qualify for a loan. [9] The PIPs include requirements that any project funded with a loan offered through an IOU financing pilot program follow requirements based on existing, CPUC-approved verification and quality control procedures for EE programs, many of which are in place to ensure customer safety, verification of savings, and protection of ratepayer dollars. Project verification and quality control procedures for the pilots should align

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8 See e.g. *Order Institution Rulemaking*, R.04-03-017, pp. 6-7 (Mar. 16, 2004) ("Distributed Generation (DG) is a parallel or stand-alone electric generation unit generally located within the electric distribution system at or near the point of consumption…DG definitions also vary with respect to the maximum allowable size of the generating unit. The industry broadly characterizes units that are 20 MW or smaller (and otherwise consistent with the definition above) as DG, in part because 20 MW is the maximum capacity size that most utility distribution systems can accommodate…Further, we are aware that the above definition would potentially encompass larger generation units and Qualifying Facilities, and may therefore be too broad.")

9 See, e.g., MMMFP, p 23 Small Business Loan Pilot, p 18-19.

with existing program rules to ensure actual energy savings are achieved in projects that are not conducted through the IOUs' energy efficiency programs.

D. The Draft Resolution Does Not Support the CPUC's Integrated Demand-Side Management (IDSM) Policy.

Section 3.3 of the Draft Resolution indicates that "[I]ntegration of resource types is not an objective of D.13-09-044," primarily because the words "IDSM" and "integration" are not used in the Decision. This is not accurate. IDSM is a key CPUC policy.[10] Integration across resources is a key goal of the 2013-2014 energy efficiency portfolios. The Guidance Decision (which was cited often to support other aspects of the Resolution) clearly articulated this goal. (D.12-05-015, p. 317.) The portions of the PIP that the Draft Resolution requires to be removed support broader CPUC IDSM policy and should instead be retained.

II. CONCLUSION

The CPUC should approve the Draft Resolution after making the proposed changes and revisions recommended in these comments. Once adopted, the IOUs will revise the financing program PIPs, as needed, to comply with the final resolution. Given that these are new, untested pilots, PG&E anticipates that further modifications may be needed to the PIPs once the pilots are being implemented. The Final Resolution should allow the IOUs to continue to make necessary changes using the PIP addendum process or through an advice letter, as appropriate.

Sincerely,

Brian Cherry /sw

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

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[10] CPUC, California Energy Efficiency Strategic Plan, January 2011 Update, p. 67.