

PACIFIC GAS AND ELECTRIC COMPANY
Energy Efficiency 2018-2025 Rolling Portfolio Business Plan
Application 17-01-015
Data Response

PG&E Data Request No.:	ORA_01-Q29		
PG&E File Name:	EnergyEfficiency2018-2025-RollingPortfolioBusinessPlan_DR_ORA_01-Q29		
Request Date:	March 1, 2017	Requester DR No.:	PGE001
Date Sent:	March 15, 2017	Requesting Party:	ORA (Office of Ratepayer Advocates)
PG&E Witness:	Michael Burger	Requester:	Daniel Buch

SUBJECT: DATA REQUEST NO. ORA BUSINESS PLAN A1701013-PGE001. (ORA_01).

ADMINISTRATIVE COSTS

QUESTION 29

Describe how your proposed administrative costs are consistent with the requirements in D.09-09-047 OP 13, that administrative costs for utility energy efficiency programs (excluding third party and/or local government partnership budgets) be limited to 10% of total energy efficiency budgets? If not, explain why.

ANSWER 29

PG&E's accounting practices conform to the rules, cost categories, and cost caps/targets outlined in D.09-09-047¹ and further explained in the Energy Efficiency Policy Manual, Version 5 (see excerpt below).

PG&E's 2018-2025 total administrative budgets are planned to gradually decrease from its 2017 proposed administrative budget in PG&E's 2017 Annual Budget Advice Letter Appendix B.1. The IOU portion of PG&E's 2017 proposed budget was already within the 10% cap as shown in Attachment 4 of PG&E Advice Letter 3753-G-B/4901-E-B:

¹ P. 49-64.

2017 PG&E Energy Efficiency Cap And Target Expenditure Projections							
Line	Budget Category	Expenditures			Cap & Target Performance		
		IOU	Third Party + Partnership	Total Portfolio	Percent of Budget	Cap %	Target %
1	Administrative Costs	\$ 19,840,484	\$ 18,159,198	\$ 37,999,682			
2	IOU ¹	\$ 17,235,299	\$ 12,143,116	\$ 29,378,415	7.0%	10.0%	
3	Third Party & Partnership	\$ -	\$ 5,563,487	\$ 5,563,487	3.4%		10.0%
4	Target Exempt IOU Programs ²	\$ 2,605,185	\$ 452,595	\$ 3,057,780			
5	Marketing and Outreach Costs ³	\$ 23,046,619	\$ 7,828,571	\$ 30,875,191			
6	Marketing & Outreach	\$ 18,335,678	\$ 7,828,571	\$ 24,164,250	5.8%		6.0%
7	Statewide Marketing & Outreach ⁴	\$ 6,710,941	\$ -	\$ 6,710,941			
8	Direct Implementation Costs	\$ 196,056,298	\$ 136,562,446	\$ 332,618,744			
9	Direct Implementation (Incentives and Rebates)	\$ 107,796,900	\$ 66,909,871	\$ 174,706,770			
10	Direct Implementation (Non Incentives and Non Rebates)	\$ 53,128,060	\$ 60,514,525	\$ 113,642,585	27.1%		20.0%
11	Direct Implementation Target Exempt Programs ²	\$ 35,131,338	\$ 9,138,050	\$ 44,269,388			
12	EM&V Costs (Investor Owned Utilities & Energy Division) ^{5,8}	\$ 17,204,418	\$ -	\$ 17,204,418	4.0%	4.0%	
13	Total ⁷	\$ 256,147,819	\$ 162,550,216	\$ 418,698,035			
14	2017 Proposed Budget ⁸	\$ 267,560,225	\$ 162,550,216	\$ 430,110,441			
15	Third Party Program (3P) and Statewide Competitively Solicited Programs ⁸	\$ 23,660,827	\$ 83,943,558	\$ 107,604,385	25.0%		

Notes:

- 10% cap requirement based on D. 09-09-047 is set for IOU only.
- Target Exempt Programs are Non-Resource Programs which include: Emerging Technologies, Workforce Education & Training, Financing program expenses, Continuous Energy Improvement programs, Strategic Energy Resources (SER) program, Statewide DSM Coordination & Integration Program, Lighting Innovation and Market Transformation programs, Waypoint Commercial Outreach and SEI Energize Schools third-party programs, and Codes & Standards programs excluding Building Codes Advocacy.
- Statewide Marketing & Outreach (SW ME&O) is excluded from the Marketing and Outreach cost target calculation per D.13-12-038, at p. 82.
- The 2016 SW ME&O Bridge Funding budget (D. 15-08-033) is assumed for 2017 budget per D.16-03-029 since the 2017-2019 Statewide implementer and budget have not yet been decided in a separate Commission proceeding (A. 12-08-007 et. al.). The portion of SW ME&O allocated to EE is reflected in PG&E's cost effectiveness calculations.
- EM&V includes the portions allocated for BayREN and MCE which are \$689,042 and \$68,098 respectively.
- Both the EM&V and the Competitively Solicited Programs percentages are based on PG&E's 2017 proposed budget of \$430,110,441.
- As directed in the Energy Efficiency Policy Manual Version 5 July 2013, page 92, this total includes SW ME&O and excludes BayREN and MCE budgets and is the denominator used to calculate the Admin, Marketing, and Direct Implementation Non-Incentives percentages.
- PG&E's 2017 Proposed Budget of \$430,110,441 excludes SWME&O budget of \$6,710,941 and includes BayREN and MCE budgets of \$16,537,000 and \$1,586,347 respectively.

Below is an excerpt of the Energy Efficiency Policy Manual, Version 5, pages 87 – 89:

“The Commission has established various (hard) caps and (soft) targets as summarized in the table below:

Utility Administrative Costs

Administrative costs for utility energy efficiency programs (excluding third party and/or local government partnership budgets) are limited to 10% of total energy efficiency budgets. Administrative costs shall not be shifted into any other costs category.

Administrative costs are necessary to support energy efficiency programs but costs must be reasonable and limited to overhead, labor and other costs discussed below needed to implement quality programs with ratepayer funds.

All IOUs shall reflect all labor-related costs associated with the delivery of energy-efficiency programs, as defined at page 49 of D.09-09-047, in their energy-efficiency portfolio filings, and shall clearly delineate where any expenses or costs have been or will be recovered in proceedings other than energy efficiency applications.

Administrative costs include the following:

1. Overhead (G&A Labor/Materials): administrative labor, accounting support, IT services and support, reporting databases, data request responses, Commission financial audits, regulatory filings support and other ad-hoc support required across all programs.

2. Labor (Managerial & Clerical): This category includes utility labor costs related to either management or clerical positions directly related to program administration. SDG&E and SoCalGas also add payroll taxes.

3. Human Resource Support and Development: This includes payroll taxes, payroll support, as well as pensions.

4. Travel and Conference fees: This includes labor, travel and fees for conferences.118 This category includes utility sponsorships for energy efficiency program-specific events or activities such as including membership-based, issue-specific trade organizations that include as a component of membership benefits entry into conferences. However, utility sponsorship fees for major national energy efficiency conferences that provide company recognition or status are prohibited as energy efficiency allowable costs. Such costs shall not be funded with energy efficiency program funding.

CPUC Division of Water and Audits allows travel costs, such as meeting with customers, can to be charged to the applicable program area (i.e., to DINI or to Marketing and Outreach). Travel costs by IOU staff should be limited, but this will be achieved via the cost targets for marketing. Travel costs to EE conferences and other activities shall be charged to administrative costs with the following exceptions:

Travel costs for DINI activities and marketing can be charged to those respective cost categories

IOU sponsorships of EE conferences (i.e. “platinum” “gold” level donations) be explicitly prohibited from inclusion in energy efficient budgets as administrative costs. IOUs may join membership-benefit issue specific (i.e. HVAC) trade organizations that include as a component of membership benefits entry into conferences. Other staff travel costs to participate in energy efficiency conferences are also allowable administrative costs.

Additional activities charged to the utility administrative cost category include:

- Membership dues (i.e., trade organizations)
- Reporting database (e.g., CRM, Track It Fast, Program Builder, SMART, etc.)
- Facility-related costs
- Supply management function activities to ensure oversight of contractors
- Administering contractor payments for services which are non-incentive related
- Utility administrative cost associated with Local Government Partnerships & Third Party Programs
- Administrative and logistical costs related to workshops on Strategic Planning issues

Utility administrative costs do not include the following:

- Direct implementation (incentive costs and DINI)
- Marketing and outreach
- Evaluation, measurement and verification
- Administrative costs for third party programs / government partnerships
- Program-specific IT costs charged to the DINI and M&O cost categories (e.g., on-line audit tools).”