SOUTHERN CALIFORNIA EDISON
An EDISON INTERNATIONAL® Company

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ADVICE 3628-E
(Southern California Edison Company U 338-E)

ADVICE 5110-E / 3864-G
(Pacific Gas and Electric Company U 39-E)

ADVICE 3097-E / 2591-G
(San Diego Gas & Electric Company U 902-E)

ADVICE 5160-G
(Southern California Gas Company U 904-G)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Southern California Edison Company, Pacific Gas and Electric Company, San Diego Gas & Electric Company, and Southern California Gas Company's 2016 Energy Efficiency Incentive Award Earnings Rates and Award Caps

I. PURPOSE

Pursuant to Resolution E-4807 (Resolution), issued on December 16, 2016, the Investor-Owned Utilities (IOUs), Pacific Gas and Electric Company (PG&E), San Diego Gas & Electric Company (SDG&E), Southern California Gas Company (SoCalGas) and Southern California Edison Company (SCE), submit this Tier 1 Advice Letter (AL) calculating the 2016 program year (PY) Efficiency Savings and Performance Incentive (ESPI) Mechanism earning rates and award caps.[1]

II. BACKGROUND

OP 13 of the Resolution directs the IOUs to file a Tier 1 AL within 60 days of the issue date of the Resolution calculating the 2016 PY ESPI Mechanism earning rates and award caps. Additionally, Ordering Paragraph (OP) 13 directs the IOUs to include a

[1] Resolution E-4807, Ordering Paragraph 13 at p. 50.

comprehensive list of the IOUs' energy efficiency (EE) programs and budget placements in compliance with the guidelines for the 2017 ESPI ALs.[2]

On February 3, 2017 the IOUs requested an extension of time to comply with OP 13, noting that the IOUs would not receive the 2017 ESPI guidelines in time to incorporate them in this AL. On February 9, 2017 Executive Director Sullivan approved the IOUs' extension request, directing the IOUs to file their Tier 1 AL no later than 30 days after Commission staff published the 2017 ESPI guidelines. On June 6, 2017, the Commission published the 2017 ESPI guidelines.

III. THE 2016 PY ESPI STATEWIDE EARNINGS RATES

Table 1 shows the 2016 PY ESPI Statewide Earnings Rates, as calculated in the template presented in Attachment 1. The budgets are allocated by savings type according to estimated relative contribution to portfolio net benefits within each IOU's budget, then summed to calculate the total allocated statewide budget. PG&E's and SDG&E's budget allocations are 56.7%, 28.3%, and 15% for electricity, peak, and gas savings, respectively. SCE's budget allocation is 67% to electricity savings and 33% to peak savings. SoCalGas' budget is allocated 100% to gas savings.

Table 1 - 2016 Portfolio Earning Rate

	Allocated Budget	÷	Lifecycle Goals	=	Statewide Earnings Coefficients
Electricity Savings (GWh/year)	$34,261,608		14,208		$2,411
Peak Savings (MW)	$17,008,146		2,218		$7,670
Gas Savings (MMT/year)	$10,252,372		394		$26,048

IV. THE 2016 PY ESPI INCENTIVE EARNINGS CAPS

The IOUs calculated the incentive earnings caps for each IOU, based on the resource/non-resource program delineation as presented in Attachment 2. Table 2 shows the 2016 ESPI Award cap, as calculated in the template presented in Attachment 1.

[2] Resolution at p. 50.

Table 2 - 2016 ESPI Award Cap by Component

	Energy Efficiency Savings	Ex-Ante Review	Codes & Standards	Non-Resource	Total
	9% of Resource Program Budget	3% of Resource Program Budget	12% of C&S Program Budget	3% of Non-Resource Program Budget	
PG&E	$27,457,245	$9,152,415	$1,752,163	$709,323	$39,071,147
SCE	$20,966,541	$6,988,847	$581,031	$788,930	$29,325,349
SDG&E	$8,193,593	$2,731,198	$110,875	$288,590	$11,324,256
SoCalGas	$4,904,746	$1,634,915	$91,293	$392,899	$7,023,853

V. FINANCE PILOTS ARE CATEGORIZED AS RESOURCE PROGRAMS

The ESPI Program Expenditures tab in Attachment 1 presents the IOUs' Finance Pilots as Resource Programs per footnote 25 of D.13-09-023, which states:

> Financing programs for the 2013-2014 cycle (on-bill repayment and credit enhancement) possess unique characteristics (use of revolving funds; "park" funds in escrow to help secure loans which are not used if loans are repaid in full; etc.) that likely require different incentive structures than traditional resource programs to promote optimal management. However, since these programs are in their nascent stages or still under development, funds associated with financing programs are included in the resource program cap calculation for the 2013-2014 cycle. For future cycles, we anticipate that incentives would include a uniquely designed component for utility finance programs.[3]

Additionally, on July 30, 2015, Energy Division (ED) reaffirmed this classification for the 2015 PY in its Resolution approving the IOUs joint AL updating the 2015 ESPI earnings rates and award caps,[4] which stated:

> Additionally, in reviewing the resource versus non-resource program categorization, Commission staff re-categorized PG&E and SDG&E's finance programs to be resource rather than non-resource, consistent with the 2013-2014 ESPI cap setting.[5]

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[3] D.13-09-023 at p. 32.

[4] On February 23, 2015, PG&E filed on behalf of the IOUs PG&E AL 3566-G/4591-E, SDG&E AL 2709-E/2363-E, SCG AL 4764 and SCE AL 3181-E.

[5] Resolution at p. 1.

Until the Commission creates incentives that include uniquely designed components for utility finance programs, the IOU finance programs should continue to be categorized as Resource programs.

VI. ATTACHMENT

Attachment 1 contains the template used to calculate the ESPI award rate and earnings cap and presents the 2016 ESPI Program Expenditure data. The calculations for the ESPI award rate and earnings cap are included in the worksheet labeled 2016 Earning Rates & Caps. The Program Expenditure data for PG&E, SDG&E, SoCalGas, and SCE is presented in the in the worksheets labeled ESPI Programs Expenditures PG&E, SDG&E, SoCalGas and SCE, respectively.

VII. AUTHORIZATION

This Advice Letter is filed by the Southern California Edison Company on behalf of, and with the authorization from, Pacific Gas and Electric Company, San Diego Gas & Electric, Southern California Gas Company and Southern California Edison Company.

VIII. TIER DESIGNATION

Pursuant to Resolution E-4807, OP 13, this AL is submitted with a Tier 1 designation.

IX. EFFECTIVE DATE

Pursuant to Resolution E-4807, OP 13, this AL is submitted with a Tier 1 designation and the IOUs request that it be made effective on July 6, 2017, the date filed.

X. NOTICE

Anyone wishing to protest this filing may do so by letter sent via U.S. mail, facsimile or E-mail, no later than July 26, 2017, which is 20 calendar days after the date of this filing. Protests must be submitted to:

CPUC Energy Division
ED Tariff Unit
505 Van Ness Avenue, 4th Floor
San Francisco, California 94102
Facsimile: (415) 703-2200
E-mail: EDTariffUnit@cpuc.ca.gov

Copies of protests also should be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).