



PG&E BUSINESS FORUM with CEDMC MARCH 21, 2022 TRANSCRIPT

Introduction, Welcome

Greg Wikler, Executive Director, CEDMC:

Welcome, today's Business Forum is with PG&E, thank you. This is an opportunity for Council members to hear about the Business Plan filings in more detail than the 6 minutes that we heard from the CAECC meeting. We will be talking with:

- **Caroline Francis Massad, PG&E**
- **Mananya Chansanchai, PG&E**
- **David Poster, PG&E,**
- **Michael Burger, PG&E**
- **Ben Brown, PG&E**

Caroline Francis Massad, PG&E

Safety

We start off every presentation with a safety message, there are a lot of ways we can be safe in our lives. Think about the hazards around you and be conscientious while driving and please don't look at your phone.

David Poster, PG&E

David Poster, Director of PG&E's EE team. We are still recovering from the application process. It was a long process, what we filed is a vision we feel excited about for the future that leans into what we've been talking about with you over the years. We are excited to hearing the response from stakeholders. Better stewardship and support of home towns. We want the conversation to be free flowing, and these 2 teams are going to create success in California and we also lead the nation. We need you to deliver on our objectives and hold up the commitments. We are excited about the dialogue today. I will quickly show our organizational overview charts.

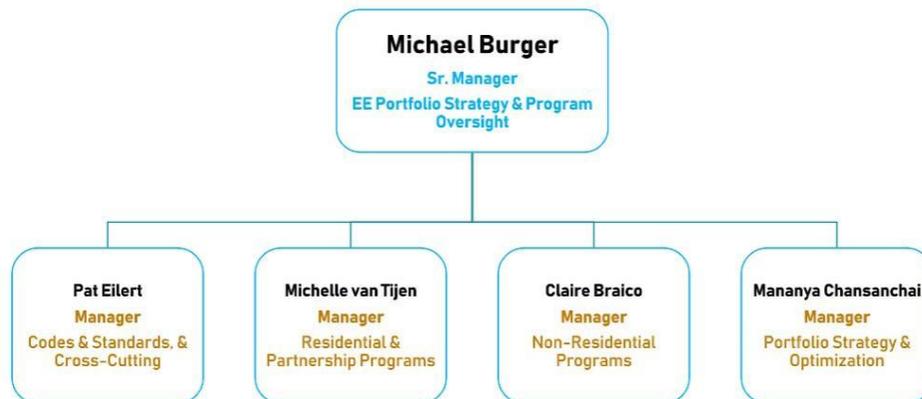
Organizational Chart



Energy Efficiency Organizational Structure



EE Portfolio Strategy & Program Oversight Org Structure



Question

Greg: In this chart, where does EM&V sit?

David: EM&V sits under Caroline. It shifted over the years. Some folks from EM&V sit on the program teams as well, so programs have EM&V is embedded into the programs. It is under Caroline to make sure we work with the CPUC as well.

Michael Burger, PG&E

I am a senior manager, within my scope I have residential, non-residential programs, local and statewide, codes and standards and the strategy team that oversees the business plan process.

This partnership with you is critical to our portfolio success as we move forward. While we are talking about the business plans today, I also don't want us to take our eyes off this year and next year. 2021 was a challenging year for us and a lot of you as we transitioned our EE portfolio to the 60% outsourced model. We had 13 new programs and 7 statewide programs. We knew 2021 was a ramp-up year to build the relationships and the pipeline. When we look at 2021 performance, we see areas we want to improve over time. We had legacy programs that helped us get to compliance. As we move into 2022, we are highly dependent on our 3rd party programs delivering for us. We want to bring in cost effective energy savings and building the energy pipeline for the future.

Forecasting accuracy, we tried to help our partners understand the importance of forecasting accuracy. It is how we make decisions on funding. We need you to give us realistic assumptions and views of what you can deliver for us so we can appropriately manage our portfolio to make sure we have the funding available and improve this year and beyond.

Question

Greg: Do you have a place in the plan where you list which programs are new and which are being discontinued? Which are changing significantly in terms of focus, forecast, and budget?

Mananya: Yes, we do have them in the application, we can send you the page numbers where they are in the application. The forecasts are what we received from the implementers, so there aren't many that indicate changes of percentages of budget. They might be in the tables. I encourage you to go to CEDARS and you can see all the program budgets there.

Ben Brown, PG&E

Business Plan Highlights

We filed the business plan on Feb. 15. I am a strategic analyst on our portfolio strategy team. Starting with the overall vision for EE in California. Key themes in critical services for customers and in policy. These were not always key focal points, but now it is vital to embrace EE for the future. We set aggressive objectives in the portfolio. These outcomes are to achieve our TSB goals, economy-wide carbon neutrality, affordable and safe clean energy supply, and using EE to support our customers' energy resiliency needs.

PG&E EE Portfolio 2024-2027

We forecast to achieve all our portfolio targets. Providing new ways to serve customers and grow the EE market for long term success. Guiding principles guiding our portfolio:

- 1- Excellent customer experience. Increase customer participation and satisfaction and optimize for TSB.
- 2- Environmental stewardship. EE plays more of a role in the transition to a carbon neutral system. Focus on electrification readiness, and support a managed gas transition system.

We have new programs to support this. We are developing a cross-functional team and need your support.

- 3- Serve our home towns. To provide EE access for underserved customers and to support them.

PG&E Segmentation Strategy

Resource acquisition is our biggest segment. Most of the portfolio funding to achieve short-term cost-effective TSB. It has a requirement for a TSB at 1.0. It does encompass a variety of strategies.

Next is the Equity Segment. It has new programs to serve underserved customers. We propose 4 new programs: small and micro business programs, equity, zonal and workforce education, and training programs for disadvantaged customers.

Finally is the market support segment, we've proposed several new programs for residential electrification, whole building load management, and to support the energy resiliency needs of our customers. Plus, all of our other existing programs we show on this slide. The opportunities occur in the new segments. We look to you to help these programs to succeed.

Caroline Francis Massad, PG&E

Policy Proposals

In the CAECC meeting, we proposed the new proposals, and today we highlighted some that could be of interest to CEDMC members.

- 1- PG&E would like to seek consideration to capture more granular energy system benefits in the TSB calculation. Things like localized distribution system benefits, resiliency support benefits, retrofit building electrification benefits.
- 2- We would like to see more progress toward integrated demand side management programs. To allow administrators to propose new programs in advice letters, even if they cross proceedings. Exceptions needed could be considered by CPUC staff from the advice letter. There are other IDSM proposals from IOUs as well.
- 3- Expand meter-based programs, Permit NMEC for industrial projects. Count the design guide as 3rd party. Permit NMEC for adjacent projects, for example, lighting for parking lots.
- 4- Better support with funding CEDARS and the CET. We have a lot of info available in CEDARS so we want to see it adequately funded. With the TSB benefit, it becomes a more and more important tool and that there's a process for continuous improvement, and there's a governmental system in place to figure out the best improvements.
- 5- Using different kinds of procurement models. Single stage as well as 2-stage solicitation models. Also, there could be other situations (e.g., Market Access Program) where all

source solicitations might be appropriate. There are cases for all of these modes of procurement and we would like to be able to find the most appropriate one.

Question

Greg: On the CET, we are supportive of more funding and governance for these databases. With more granularity for CET. CET doesn't have the functionality to drill down cost effectiveness on an hourly basis. It seems that the CET is in urgent need of some enhancement to meet the analytical needs that are necessary in terms of temporal granularity.

Caroline: There's a lot of interest to be able to use a wider range of load shapes in the CET and that might be one early pathway. There is also interest in examining doing customized load shapes for a project, the current CET doesn't allow that. The broader issue is there are a number of things people would like the CET to do and we want there to be a forum to continuously improve what the CET can do and make sure it is the tool we use as energy efficiency evolves.

Greg: We will dive into that issue in our comments.

Caroline: If we can build a system that considers future needs, that would be great.

Question

Luther Kopf: There is interest in 1 and 2 stage solicitations, can you tell me the conditions that would warrant a 1 vs 2 stage process?

Caroline: There are different use cases for each. For a broad and less defined solicitation, a 2-stage would be appropriate to narrow down the broad range of possibilities. When it's clearer what it needs to yield, it might be more efficient to use a 1-stage solicitation.

Greg: To follow up Luther's question, on the point about in some cases 2-stage makes sense, I would agree with that generally, at least initially. A is abstract. This process that played out was the RFA was a request for lots of detailed information. It delayed the process for the solicitations in general to an unreasonable 18-month period. We are struggling with the viability of the 2-stage process, given how it's been interpreted by the IOUs in practice.

Caroline: Thanks for the feedback, I can't comment specifically, but it seems since we've been through a round of 3rd party solicitations. In the amended scoping ruling late in 2021, it did mention reconsidering the process is something ED staff and the commission is interested in.

Mananya Chansanchai, PG&E

I manage the energy efficiency portfolio strategy and optimization team. I am here to talk about TSB readiness. As we know, our EE portfolio goals will be changing to TSB starting in 2024. In 2022 and 2023, we have forecasted in our BBAL and will be reporting TSB as well, starting this year. As we move to TSB, we want to work together with you to transition. There will be a learning curve on how to best optimize for TSB in the future. At the beginning of Q2, we will

start requesting quarterly YSB forecasts to review TSB, it is not to assess your performance on TSB, it is to get us and you in the cadence in the practice of reviewing TSB and what your programs can deliver for TSB. It is for us to learn and prepare. Most of our programs do have cost effective performance goals, so it will be helpful to look at that. We want to highlight this; you will be hearing this from your program managers soon. A reminder that TSB is an output, so it is not an additional requirement.

Question

Greg: The TSB monetary goal, I was wondering, is that pre-set by the CPUC, how does that shake out?

Mananya: How the articles are set as the input. TSB for 2024 and beyond was set in last year's potential and goals study. There will be another one in the middle of 2023 that will be used for the goals of 2024 and beyond. We have what was in the last study as our current set of goals, but those will likely change.

Greg: Do you have a table that indicates what the TSB value is in a percent of the goal?

Mananya: Yes, we are trying to achieve 122%. The decision that came out last May, all of the EE portfolios will be done on a cumulative basis, no longer annual across the 4-year period of 2024-2027. The goals and cost effectiveness, and budget.

David: We all had different goals... Why did they overshoot their goals and why is PG&E closer to the goals? (yes) You would have to ask them, we put together a thoughtful program that supports our customers meeting revenue obligations and supports affordability. We want to meet the value of grid needs, meet the customers' needs, and support our customers wallets.

Ben: The equity placeholder programs; we didn't put in any benefits from TSB because we are not sure what they will look like. We went conservative.

Mananya: We were conservative with our forecasts with placeholder programs. We also optimized for the delivery, plus the number of other things we had to balance in the portfolio.

Greg: It helps, it does have interpretation in the market support, especially equity we don't know how they will get counted.

Chat Question

Are codes and standards included?

David: No, it doesn't, it is just the non-codes and standards programs.

END OF PRESENTATION

Greg: Thank you everyone for helping us understand your plan with such a detailed walk through. It is time for Q&A.

Q&A

Jeff, Enovity: The TSB sounds like everything is getting oriented around it. Are there any general changes in how PG&E is going to use that as a metric over net energy savings? Are you excited? Where's the opportunity?

David: In general, we are excited about TSB, it demonstrates all the value EE brings to the marketplace. At the policy level, we supported the proposal because of the variety of benefits TSB provides. It is a better representation of EE as a whole. We will have to reorient our portfolio, and we are thinking about it. That's where we need our partners to articulate the benefits and how to maximize TSB.

Michael: It gets back to what we call TSB readiness. It's new for everyone, so we have a lot of education that we have to pursue with program acquisition teams and engineers about what TSB means. That's why we want quarterly meetings on TSB with partners and starting TSB in quarterly reviews now. We will start to have conversations with vendors on how to start changing contract terms as we get into 2024. We will be working with the solicitations team with what that process looks like and engage with implementers.

Question

Jeff: It is nice to focus on value, I am trying to remember previous business plans. How frequently did it happen that PAs target well beyond their goal? Is it because things are more cost effective in general? Is TSB changing how you think about goals fundamentally?

David: When we go beyond our goal, is it because we forecast beyond 100? (yes) We know things change, so we want a cushion to manage and have flexibility to meet the goals. I wouldn't say 120% is extra high. It is a thoughtful balance of our expectations of regulators and the grid and also balancing customers and their bills.

Mananya: A significant amount of our forecast was based on what implementers provided to us what they can deliver. As we learn about TSB, the resulting output yielded this amount of TSB. It's not necessarily that we are aiming to exceed it by a certain amount. We wanted to ensure we would deliver our goal, though.

Question

Luther, TRC: About the statewide programs and PG&E's thought process. There have been successes and challenges. Can you talk about how you view statewide programs and how they will evolve? Some other IOUs have proposed a number of changes, dropping programs, changing statewide to local and midstream or upstream. Is that something PG&E is looking at?

Mananya: Generally, about statewide programs, PG&E is supportive of them. We didn't specifically include programs to change PAs or statewide structure, but we are interested to see

how it evolves. We don't lead technology-based programs, which is what SCE is looking at. We recognize the importance of doing things at scale, and statewide can impact our strategies.

Michael: On statewide programs, it is a component of the portfolio that is evolving. Statewide has had a slower ramp than local. We are still going through a learning process. We meet with the other IOUs to discuss various issues with statewide programs. A lot of the resource acquisition statewide programs are being run by the other IOUs, as a non-lead, we are supposed to take a back seat. It is on the other IOUs to work with their 3rd parties to design and deliver those programs. We hear from them on performance and what changes need to be made.

Mananya: We are in regular conversations on how to improve and streamline statewide programs. There are challenges the statewide team has been working through, and we are committed to working through those.

Question

Greg: PG&E is the statewide PA for new construction programs. There was an interest to transition away from gas incentives. Could you articulate that perspective a bit more specifically? The theme is consistent with statewide decarb policies, but I am wondering how it works to incentivize gas appliances in statewide projects in general?

Caroline: In our comments in the public record from Sierra Club, we support having a conversation about gas appliance incentives, but we want it in the context of applications and to include all stakeholders. Give everyone an opportunity to comment. Generally, with statewide programs, they were designed, the PA is the leader of the program, so it may mean that different PAs run programs in different ways to optimize things.

Mananya: With statewide programs, the obligations for the non-leads to continue to fund statewide programs. With gas incentives, that certainly is possible.

Greg: This is new territory. The Sierra Club did raise the stakes of the question more. Another question: PG&E holds steady on the percent of the budget going to 3rd parties. Were there any programs that were run by PG&E that are shifting to 3rd parties and vice versa?

Mananya: Any specific programs that are PG&E led, we have certain programs that are 3rd party implemented, but not 3rd party qualified. We will consider 3rd party implemented to be 3rd party qualified. I can't think of any PG&E core programs that will transition. We have OBF and our calculated and deemed programs. We don't have anything else in our portfolio beyond SEM programs.

Question

Jeff, Enovity: Caroline, in your policy proposal slides. Are these proposed in the business plans? The first one is about the location and intervention specific. And championed through another proceeding. These interest me, the benefits of TSB is to be able to cross these streams.

Caroline: We feel strongly that avoided cost benefits discussions are best in the IDER proceeding. There is a whole chapter, Chapter 3, Exhibit 1 talks thorough our policy proposals. If you want more information, that is the best place to look.

Jeff: For NMEC and having it potentially apply to industrial processes was the main one that hasn't been considered by anybody. When is the timeline for trying to make that happen?

Caroline: The policy recommendation chapter was us to raise issues to start discussion. It is up to the CPUC to take up any issues they want to take up. We have seen each other in NMEC working groups. PG&E would love to see the commission take it up, but it is their decision. If other parties want to support policy proposals to be in scope, it may be one way to make that point.

Greg: We are interested and have raised it a number of times with the CPUC and we will raise it again. We feel strongly. There is a misinterpretation, a missed opportunity to realize the intent of NMEC in AB802. More broadly defined than the way the CPUC constrained it to be buildings only.

Chat Question

Siva, Cascade Energy: Increasing net to gross on programs does help increase the TRC and TSB. Is PG&E satisfied with the current net to gross levels?

Greg: Is it up to the CPUC or do you see a path for improving net to gross over time?

Caroline: You are right, NTG impacts TSB and first year energy savings. EM&V would be a great form to have NTG updated.

Greg: My opinion, we've been attempting to comment on things that the CPUC doesn't want to hear about, including updating methods on calculating free ridership levels. Best practices. The CPUC wants to rely on more dated methods that keep up behind the rest of the country on free riderships.

No further questions

Greg: Thank you to the PG&E team for spending the time with us. It has been helpful and valuable time well spent. We look forward to a productive next few weeks to get comments pulled together, We want to offer productive suggestions in our comments. We are excited about the planning for the next cycle. We are breaking new ground and going to new levels in energy efficiency. We appreciate your time today.

Thank you all.

END OF CEDMC BUSINESS FORUM WITH PG&E