

# PG&E's 2021 ABAL Overview

Presentation to the California Energy Efficiency Coordinating Council  
August 5, 2020





# Presentation Overview

- **PG&E's 2021 ABAL Approach**
- **COVID Considerations**
- **2021 Budget, Savings, and Cost-Effectiveness**
- **Proposed Portfolio/Program Changes**
- **Cost-Effectiveness Challenges and Tactics**
- **Portfolio Transition Plan**
- **Statewide Funding and Budgets**



# PG&E's 2021 ABAL Approach



## New Local Programs

### Resource Programs:

- New local programs across all five sectors (IND, AG, PUB, COM, RES); first three sectors fully addressed
- Wave 2 placeholders for remaining COM & RES coverage

### Local Government Partnerships (LGP):

- New non-resource programs to support resource acquisition programs



## New Statewide Programs

### PG&E-Led:

- All PG&E-led Statewide (SW) Programs expected to have launched or launching in 2021

### Non-PG&E-Led:

- Forecasts based on information provided by other IOU leads



## Existing Programs

### 3P-Qualified:

- Several existing contracts qualify under new 3P definition

### Non-3P-Qualified:

- Minimal budget provided to existing non-3P qualified programs, both PG&E-implemented and 3P-implemented programs

- PG&E is actively transitioning its portfolio to new local and statewide programs
- Few existing non-3P-qualified programs will remain in 2021 to bridge transition to new 3P-qualified programs & in support of customer segments particularly impacted by COVID



# Addressing uncertainty from COVID impacts



## Residential

### Positive Trends:

- Residential customers want tips on how to save energy, info on home energy usage, high bill alerts, and Energy Efficiency programs

### Neutral Trends

- Majority of Res sector savings are coming from Behavior programs (HER and HEC) which have largely remained flat since beginning of pandemic

### Negative Trends:

- HTR and DAC Direct Install Programs have installation challenges when Shelter in Place is in effect (customer and contractors have to be safe and follow local/state guidelines)



## Non-Residential

### Positive/Neutral Trends:

- Some industries such as grocery, laboratory, high tech, data centers, and communications have been flat or positively impacted

### Negative Trends:

- Many commercial industries negatively impacted (e.g. restaurants, hospitality, retail, etc.)
- Banking industry forecasts reflect a reduced pool of lending capital available for EE project investment, credit-worthy customers, and construction/development of projects
- Reduced tax revenues and diversion of funds to support public health may result in federal and state funding reductions that trickle down to local governments, schools, & education, particularly for EE investments

- PG&E proactively increasing communication and marketing to meet Residential customers' demands for more energy saving information
- PG&E will actively monitor performance across portfolio to meet customer needs; may result in increased budget for the same/similar levels of savings
- Opportunity to address planning and forecast adjustments in upcoming negotiations for Commercial & Residential sectors



# 2021 Budget, Savings, and Cost-Effectiveness

Sector	Program Year (PY) Budget	PY FORECAST ENERGY SAVINGS (Net)		
		kWh	kW	MMtherms
Residential	\$59,532,720	183,152,396	45,482	7.0
Commercial	\$53,957,537	82,570,351	12,591	4.0
Industrial	\$25,874,042	45,781,942	3,905	3.3
Agricultural	\$11,563,312	17,782,872	3,962	0.1
Emerging Tech	\$6,410,433	0	0	0.0
Public	\$18,841,875	14,861,160	1,653	0.2
WE&T	\$8,797,280	0	0	0.0
Finance	\$4,801,794	46,651,867	7,931	0.1
OBF Loan Pool	\$13,500,000	0	0	0.0
<b>PG&amp;E Total Program Savings (w/out C&amp;S)</b>	<b>\$203,278,993</b>	<b>390,800,588</b>	<b>75,524</b>	<b>14.6</b>
<b>CPUC Program Savings Goal</b>		<b>358,000,000</b>	<b>73,000</b>	<b>14.0</b>
<b>Forecast savings as % of CPUC Program Savings Goal</b>		<b>109%</b>	<b>103%</b>	<b>105%</b>
Codes and Standards	\$24,877,494	976,402,091	212,619	14.5
<b>PG&amp;E EM&amp;V</b>	<b>\$9,506,520</b>			
<b>PG&amp;E PY Spending Budget Request</b>	<b>\$237,663,007</b>			
<b>(LESS) PG&amp;E Estimated Uncommitted and Unspent Carryover Balance</b>	<b>\$10,000,000</b>			
<b>PG&amp;E PY Budget Recovery Request</b>	<b>\$237,663,007</b>			
<b>PG&amp;E Authorized PY Budget Cap (D.18-05-041)</b>	<b>\$374,399,466</b>			
<b>Total PA (IOU+CCAs+RENS) Recovery Budget</b>	<b>TBD</b>			
PG&E Forecast PY TRC	0.93			
PG&E Forecast PY PAC	1.25			
PG&E Forecast PY RIM	0.55			

PG&E total 2021 budget (excluding RENS and CCA):

**\$237.7M**

Savings forecast relative to goal, excluding market effects:

**GWh: 109%**

**MW: 103%**

**Therms: 105%**

PG&E portfolio TRC excluding C&S and market effects:

**0.93**

TRC with C&S, excluding market effects: 1.92

PAC with C&S, excluding market effects: 6.35



# Proposed Portfolio/Program Changes for 2021



## Portfolio-Wide

**Net Benefits Increase of  
~\$72.5M (based on  
implementer forecasts)**

**Majority of portfolio  
transitioning to new  
local or SW programs**



## Budget

**~\$68M shifting from existing  
to new programs**

**PG&E Portfolio  
Administrator costs  
reduced by \$8M (12%)**

**Portfolio will comply  
with 40% outsourcing  
target**



## Program Closures

**Majority of programs that do  
not qualify for new 3P  
definition will be **ramping  
down/closing****

**Closely monitoring COVID  
impact and may need to  
adjust to ensure customers  
are served**

# Portfolio Balancing for Decision Making

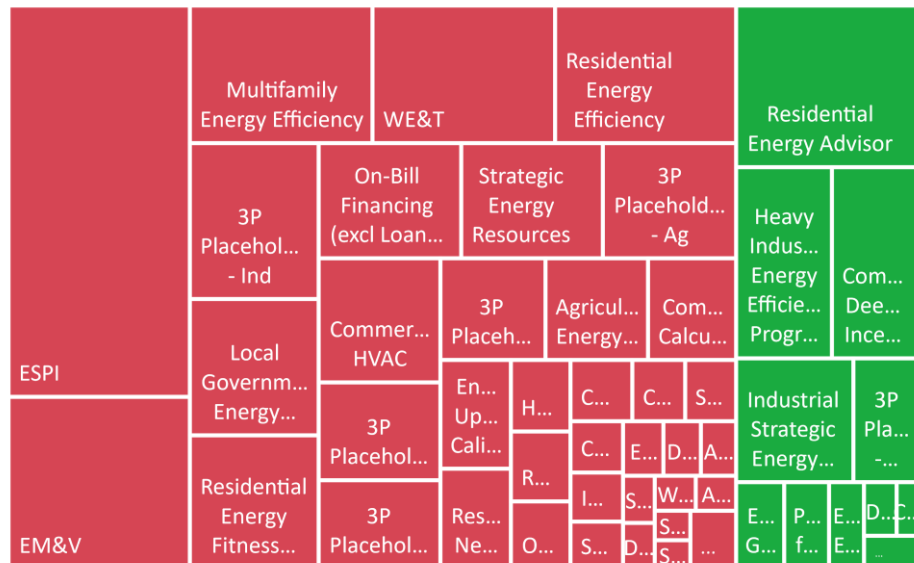
**PG&E must take into consideration criteria from several key areas when balancing its portfolio**





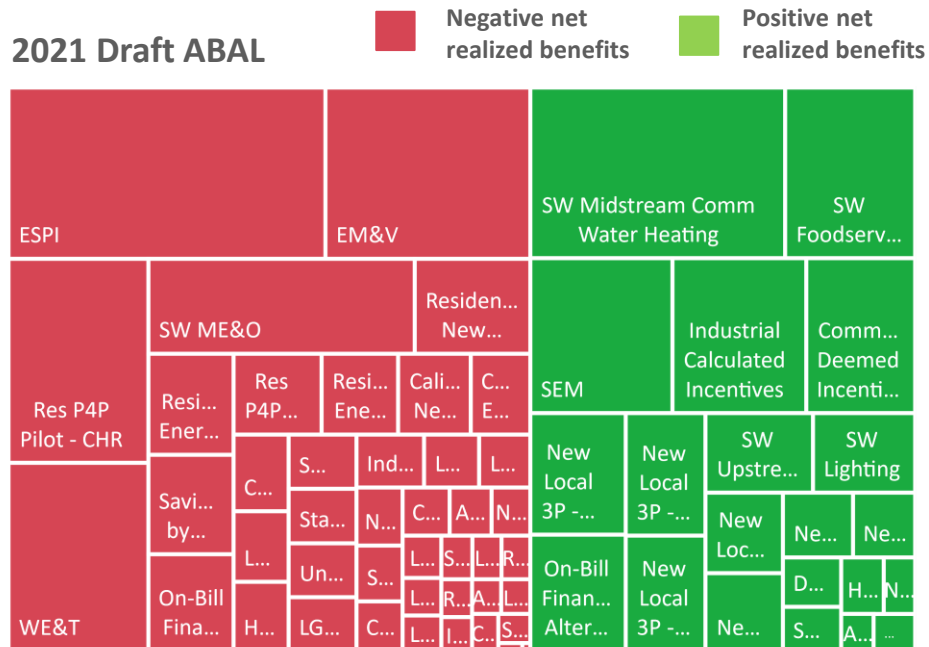
# Transitioning Portfolio + Increased Net Benefits

## 2020 Supplemental ABAL



Net Benefits: **-\$93.5M**, TRC = **0.71**

## 2021 Draft ABAL



Net Benefits: **-\$21M**, TRC = **0.93**

- Portfolio Net Benefits expected to increase by ~\$72.5M from 2020 ABAL (-\$93.5M) to 2021 ABAL (-\$21M)
- A portfolio TRC of 1.0 would have equal parts red and green net benefits



# Cost Effectiveness Challenges & Tactics



## Challenges

### Diminished Availability of High-Volume and Positive Net Benefits Measures

- Historical portfolios relied on Primary Lighting for high-volume positive net benefits. These savings have been absorbed by C&S. No alternatives are currently as promising for future portfolios.

### Downward Trend of Avoided Costs

- Directional change in benefits have been difficult to predict year-year and have trended downward since 2017 despite recent increase
- Final avoided costs adopted at late stage in portfolio planning

### Non-Resource/“Policy-Driven” Programs

- Non-resource or “policy-driven” programs do not contribute TRC benefits to portfolio



## Management Tactics

### Portfolio Management & Balancing

- Prioritizing new 3P programs & ramp down of existing programs
- Continue to manage Portfolio Administrator costs
- Managing budget for non-resource-acquisition programs
- Monitor SW program impacts on portfolio

### Responding to Changing Market & Regulatory Conditions

- Support and inform regulatory proceedings on C-E
- Annual program review and realignment as needed
- Leverage financing to smooth economic uncertainty

### Portfolio Administrator Activities

- QA/QC program performance and ex ante /ex post alignment
- Incorporating cost effectiveness into performance payment terms

- Although PG&E’s portfolio cost effectiveness is forecasted to improve relative to its 2020 forecast, there are still significant cost-effectiveness challenges to forecasting and delivering a cost-effective portfolio
- PG&E will continue to actively manage its portfolio to foster the success of the new third-party programs and its portfolio

# Portfolio Transition Plan



## Ramp Down Plans

- Initiated for most existing programs
- Created a ramp down guide that required vendors to provide plans for ramp down, stakeholder and customer communication, and meeting contract deliverables
- Some programs extended into 2021



## Ramp Up Plans

- For new programs & implementers
- Created a ramp up guide & trainings for program managers
- Kickoff meetings & Implementation plan reviews
- System enhancements to facilitate implementation of new program designs

**Actively transitioning programs:** Initiated ramp down for most contracts in the portfolio to ensure a smooth transition between existing program activities and new 3P programs coming onboard



# PG&E-Led Statewide (SW) Funding and Budgets

Statewide (SW) Programs	Estimated or Actual Launch Date	Maximum Annual Total SW Budget (Complete Year)	PG&E Share of Total SW Budget	2021 Forecasted SW Program Budget	
				2021 Total SW Budget	PG&E Share of 2021 SW Budget
C&S Advocacy	Jan 2020	\$13,155,000	45.6%	\$13,155,000	\$5,998,680
Residential New Construction	Apr 2021	\$12,000,000	45.6%	\$5,292,000	\$2,413,152
Non-Res New Construction	Apr 2021	\$20,000,000	45.6%	\$2,572,000	\$1,172,832
Institutional Partnerships – State of CA	Aug 2021	\$2,500,000	45.6%	\$416,667	\$190,000
WE&T Career & Workforce Readiness	May 2021	\$2,112,569	45.6%	\$1,232,332	\$561,943
WE&T K-12 Connections	May 2021	\$1,000,000	45.6%	\$583,333	\$266,000

- All PG&E-led Statewide Programs are expected to have launched by 2021 or will launch in 2021
- Estimated launch dates dependent on CPUC Advice Letter Approval for contracts exceeding 3 years or \$5M
- 2021 budgets reflect the estimated launch dates in 2021
- Maximum Annual Total SW Budgets can change with consensus across IOUs



# Questions