



Memorandum

Date: September 19, 2013

To: Michelle Cook
Deputy Executive Director, Operations and Budget

From: Public Utilities Commission—
San Francisco

Kayode Kajopaiye, Branch Chief
Division of Water and Audits

Subject: Energy Efficiency Program (EE) Financial Compliance Examination Report of Pacific Gas and Electric Company (PG&E) For the Period January 1 through December 31, 2011

Except for the issues discussed below, PG&E demonstrated to a reasonable degree compliance with respect to accounting, recording, and reporting of its 2011 EE portfolio transactions examined by the Utility Audit, Finance and Compliance Branch (UAFCB) when it conducted a Financial Compliance Examination of PG&E's EE portfolio expenditures. For the limited transactions UAFCB reviewed, UAFCB found one reported cost that PG&E should not have its incentives calculated on. In determining the 2011 incentive amount, the Commission should first remove the On-Bill Financing (OBF) revolving loan pool receivables of \$664,287 from PG&E's direct implementation expenses before calculating the incentive.

UAFCB conducted this examination pursuant to Decision (D.) 12-12-032.¹ UAFCB's examination was limited in scope and included PG&E's, Third Party (TP), and Local Government Partnership (LGP) Administrative Costs related to the programs, Contracts, On-Bill Financing (OBF), and Multi-Family Energy Efficiency Rebates (MFEER).

This memorandum only addresses observations that pertain to reporting misstatements or inaccuracies. UAFCB excludes any management or regulatory compliance issues for program year 2011 that did not directly result in misstatements or inaccuracies in the program expenditures as reported by PG&E. UAFCB will address other management or regulatory compliance issues pertaining to 2011 in its subsequent report, covering program years 2011-2012.

A. Summary of Examination, Observations, and Recommendations

The following is a brief summary of UAFCB's observations and recommendations resulting from its examination. A detailed description of UAFCB's analysis and observations is included in Appendix A.

Observation 1: PG&E failed to demonstrate compliance with Public Utility Code §§ 581 and 584.² PG&E under-reported its EE IOU administrative expenses in its 2011 Annual Report by

¹ In D.12-12-039, on page 40, the Commission discussed that it anticipates relying on public versions of UAFCB's examination reports when determining the amount of each utility's incentives. In Conclusion of Law (COL) No. 9, the Commission indicated that upon completion, UAFCB shall serve a notice of availability of its report on the service list in R.12-01-005, or its successor.

² All statutory references are to the Public Utilities Code unless stated otherwise.

\$6,955,917, with corresponding over-reporting of its TP and LGP administrative expenses by \$4,456,323 and \$2,499,594, respectively.

Recommendation: PG&E's administrative expenses in connection with TP and LGP EE activities should be grouped and reported under the IOU delivery channel. However, if PG&E needs to report such administrative expenses under the respective TP and LGP delivery channels, then it should be reported as a separate line item under each delivery channel.

Observation 2: PG&E failed to demonstrate compliance with Public Utility Code §§ 581 and 584. In its 2011 annual report, PG&E overstated its IOU Direct Implementation expenditures by \$664,297 since it included and reported OBF loan receivables as an expense.

Recommendation: In determining the 2011 incentive amount, the Commission should remove the OBF revolving loan pool receivables of \$664,287 from the direct implementation expenses.

Observation 3: UAFCB did not find any exceptions during its examination of PG&E's administrative costs. PG&E maintained adequate supporting documentation for the payments for transactions selected for substantive testing and these were relevant to the programs.

Recommendation: None.

Observation 4: UAFCB did not find any exceptions during its examination of PG&E's EE contractor payments in program year 2011. PG&E maintained adequate supporting documentation for the payments for transactions selected for substantive testing and these were relevant to the programs.

Recommendation: None.

Observation 5: UAFCB did not find any exceptions during its examination of PG&E's non-residential customers meeting OBF eligibility requirements during program year 2011. Individual customer files selected for substantive testing contained adequate supporting documentation and customers met program eligibility requirements.

Recommendation: None.

Observation 6: UAFCB did not find any exceptions during its examination of PG&E's MFEER rebates in program year 2011. PG&E maintained adequate supporting documentation for the rebates selected for substantive testing.

Recommendation: None.

Observation 7: PG&E failed to demonstrate compliance with Public Utility Code §§ 581 and 584. PG&E was unable to timely provide appropriate supporting documentation for its MFEER administrative labor costs.

Recommendation: For the consolidated financial, management and regulatory compliance examination addressing program years 2011 and 2012, UAFCB recommends that PG&E provide a

detailed explanation of its labor allocation methodology and process so that UAFCB can ascertain its reliability.

B. Examination Process

Based on consultation with the Energy Division, UAFCB's prior experience in examining PG&E's programs, and the results of UAFCB's risk assessment, UAFCB focused its examination on the areas mentioned above and evaluated compliance with accounting, recording, and reporting of program expenses during 2011 and the associated controls and procedures in place to safeguard such activities. Pertinent information about PG&E's EE is found in Appendix B.

UAFCB provided a copy of its analysis, observations and recommendations to PG&E for its comments. UAFCB summarized PG&E's comments, including UAFCB's rebuttal to those comments in Appendix A.

C. Conclusion

Except for the items discussed above, SCG demonstrated compliance with respect to accounting, recording, and reporting EE program expenses for 2011 in the limited areas the UAFCB examined.

If you have any questions on UAFCB's examination, please contact Kayode Kajopaiye.

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Appendix A

Analysis and Findings

A.1 Introduction

Except for the issues discussed below, Pacific Gas and Electric Company (PG&E) demonstrated to a reasonable degree compliance with respect to accounting, recording, documentation maintenance, and reporting of its 2011 Energy Efficiency program (EE) portfolio transactions or expenses examined by the Utility Audit, Finance and Compliance Branch (UAFCB).

UAFCB's examination was limited in scope. UAFCB limited the areas it tested and for those areas it tested, it did not test 100 percent of the recorded costs. UAFCB's examination included the following 2011 EE portfolio cost categories:

1. PG&E Statewide (Investor Owned Utility, IOU), Third Party (TP), and Local Government Partnership (LGP) Administrative Costs;
2. EE Contracts;
3. On-Bill Financing (OBF); and
4. Multi-Family Energy Efficiency Rebates (MFEER).

This report only addresses observations that pertain to reporting misstatements or inaccuracies. The report excludes any management or regulatory compliance issues for program year 2011 that did not directly result in misstatement or inaccuracies in the program expenditures as reported by PG&E. UAFCB will address other management and regulatory compliance issues pertaining to 2011 in its subsequent report, covering programs years 2011-2012.

On September 10, 2013, the UAFCB submitted a copy of its draft report to PG&E for its review and comments. The draft report included UAFCB's observations and recommendations for the specific areas reviewed during the examination. PG&E provided its comments on September 12, 2013. UAFCB includes a summary of PG&E's comments and UAFCB's rebuttal in the following sections.

A.2 Administrative Costs

Observation 1: PG&E failed to demonstrate compliance with Public Utility Code §§ 581 and 584.¹ In its 2011 Annual Report, PG&E under-reported its EE IOU administrative expenses by \$6,955,917, and over-reported its combined TP and LGP administrative expenses by the same amount or by \$4,456,323 and \$2,499,594, respectively.

Criteria: Sections 581 and 584 require that the utility provide complete and accurate data to the Commission.

Condition: PG&E recorded a total of \$21,214,234 for its administrative costs and reported \$14,258,317 in its 2011 EE Annual Report. PG&E misclassified the difference of \$6,955,917 and reported it as TP and LGP administrative costs of \$4,456,323 and \$2,499,594, respectively.

¹ All statutory references are to the Public Utilities Code unless stated otherwise.

Cause: PG&E reported administrative expenses under the TP and LGP channels, to agree with the grouping of the authorized budget.

Effect: The current reporting methodology under each of the three delivery channels does not provide a structure to reflect the true IOU administrative cost information.

PG&E Comments: PG&E asserts that the \$6.9 million administrative costs it incurred were in support of the TP and LGP programs, and not in support of the Core programs. PG&E claims that the \$6.9 million was appropriately reported under the respective TP and LGP delivery channels and that it appropriately included costs for the purpose of determining the 10% cap on the IOU administrative costs. In addition, PG&E points out that the above referenced amounts are inaccurate, in that they should be \$5,070,025 and \$3,046,575 for TP and LGP, respectively. For future data reporting on Table 3 of the annual report, PG&E suggested to include a separate line under TP and LGP, respectively, to accommodate the said cost component.

Rebuttal: The administrative costs that PG&E incurred in support of TP and LGP are combined with, and are not distinguishable from, the administrative costs of the TP and LGP. To enhance the quality of future reporting, the referenced administrative costs should be reported either in two separate lines under the IOU delivery channel or by a separate line under the respective TP and LGP costs. In this way, the IOU costs would be readily discernible. In its EE expense reconciliation, UAFCB relied on PG&E's general ledger (SAP) and its 'SAP Reconciliation to Reported Costs.' PG&E's SAP records are the most reliable source and hence the initial data should remain in its entirety.

Recommendation: Administrative expenses incurred by PG&E's administrative functions in support of TP's and LGP's EE activities should be grouped and reported on either two separate lines under the IOU delivery channel or a separate line under the respective TP and LGP delivery channels.

Observation 2: PG&E failed to demonstrate compliance with Public Utility Code §§ 581 and 584. In its 2011 Annual Report, PG&E overstated its Direct Implementation expenditures by \$664,297.

Criteria: Sections 581 and 584 require that the utility provide complete and accurate data to the Commission.

Condition: Total annual IOU Direct Implementation expenses that PG&E reported in 2011 was overstated by \$664,297. The combined total Incentive/Direct Implementation cost as reported was \$195,482,910 instead of the \$194,818,613 as recorded in its accounting system. Per PG&E's accounting record, a total balance of \$664,297 in OBF loan receivables were reclassified to and reported as Direct Implementation expenses.

Cause: According to PG&E, the OBF loan receivables were reported as Direct Implementation costs because OBF revolving loan pool was part of the authorized budget and that the loan receivables were incurred for purposes of direct implementation.

Effect: Reporting the OBF loan receivables as Direct Implementation expenses misrepresents and overstates Direct Implementation since the loans are to be paid back.

PG&E Comments: Although PG&E agrees that it may be more appropriate to present the OBF loan pool receivable on a separate line in future annual reporting, it disagrees with UAFCB's observation with respect to the term 'inaccurate reporting.' PG&E asserts that the loan pool receivables that it reported in program year 2011 is consistent with the authorized 2010-2012 budget, which approved the loan pool as part of the direct implementation budget. For future annual reporting, PG&E has suggested an alternative reporting of this OBF's component.

Rebuttal: Though PG&E's proposed reporting methodology appears reasonable in terms of segregating the OBF loan pool receivables apart from the direct implementation expenses, UAFCB reiterates its position that the OBF revolving loan pool receivables are not expenses, but rather they are loan receivables and hence cannot be accounted for as expenses.

Recommendation: In determining the 2011 incentive amount, the Commission should remove the OBF revolving loan pool receivable of \$664,297 from PG&E's direct implementation expenses. For future annual reporting purposes, PG&E's suggested methodology could be adopted provided that sufficient detail is included to clearly indicate that the item is 'OBF Revolving Loan Pool Receivables,' and should not to be confused as an item of expenditure.

Observation 3: UAFCB did not find any exception during its examination of the sample of the PG&E (Core), TP and LGP administrative costs. PG&E maintained sufficient documentation for the payments related to the transactions UAFCB selected for substantive testing and the costs were relevant to the programs.

Criteria: The Federal Energy Regulatory Commission (FERC) Uniform System of Accounts (USOA) and General Order (GO) 28 requires that the utilities preserve all records, memoranda and papers supporting each and every entry so that the Commission may readily examine the same at its convenience. Section 451, among other things, requires that all charges demanded or received by a utility be just and reasonable.

Condition: Excluding the exceptions noted in Observations 1 and 2 above, UAFCB found that payments PG&E recorded as administrative expenses were relevant to EE and in agreement with adequate supporting documentation. UAFCB did not find any further exceptions regarding the EE administrative cost transactions that it examined.

PG&E Comments: PG&E asserts that the total administrative cost of \$30,728,485 that the UAFCB refers to is slightly off and should be corrected to reflect PG&E's accurate total of administrative costs of \$30,728,488. PG&E provided information in an Attachment to its comments to show detail regarding this amount.

Rebuttal: According to the UAFCB's analysis, the combined administrative expenses for IOU, TP and LGP is \$30,728,485, resulting in a rounding variance of three dollars when compared to PG&E's data it included with its comments.

Recommendation: None.

A.3 Energy Efficiency Contracts

Observation 4: UAFCB did not find any exception during its examination of the sample of EE contractor payments. The payment transactions that UAFCB selected for substantive testing had adequate supporting documentation and the costs were relevant to the programs.

Criteria: The FERC USOA and GO 28 require that the utilities preserve all records, memoranda and papers supporting each and every entry so that the Commission may readily examine the same at its convenience.

Condition: UAFCB found that the transactions that it tested were in compliance with the set pricing for measure/installations, tasks, product /deliverables, and hourly rates identified in the Compensation Schedules of each approved contract. The amounts were relevant to EE and in agreement with the supporting documentation. In addition, payments were processed and approved in accordance with PG&E's policies and procedures. UAFCB did not find any exceptions regarding EE contractor payments in the sample it reviewed.

PG&E Comments: PG&E did not provide a comment to UAFCB's observation.

Recommendation: None.

A.4 On-Bill Financing (OBF)

Observation 5: UAFCB did not find any exceptions in its examination of the sample of non-residential customers meeting OBF eligibility requirements for program year 2011.

Criteria: General Order (GO) 28 requires that the utilities preserve all records, memoranda and papers supporting each and every entry so that the Commission may readily examine the same at its convenience. In D.09-09-047, OP 40, the Commission established requirements for PG&E's OBF program which included, among other things, the following:

- a) Must be a non-residential customer;
- b) Must be a current PG&E customer receiving service within PG&E's service territory;
- c) Must have been a PG&E customer for the past 24 months with a minimum of 12 months usage at the current meter; and
- d) Must be in good credit standing with PG&E without having a 24 hour disconnection notice, a returned payment, or a payment arrangement or assessed deposit within the last 12 months.

Condition: The customer loan files that the UAFCB tested contained the appropriate supporting documentation, including but not limited to, the customer application, credit check authorization, loan computation supporting documents and corresponding customer loan agreement. UAFCB did not find any exceptions.

PG&E Comments: PG&E did not provide a comment to UAFCB's observation.

Recommendation: None.

A.5 Multi-Family Energy Efficiency Rebate (MFEER)

Observation 6: UAFCB did not find any exception during its examination of the sample of MFEER rebates. PG&E maintained adequate supporting documentation for the rebates selected for substantive testing..

Criteria: PG&E's Enrollment and Incentive Management Policy and Procedure Manual, dated September 14, 2011, specify eligibility requirements that need to be met in order for customers to participate and receive rebates in the Multifamily Energy Efficiency Rebates Program:

- Any measure must be installed, fully operational, and properly commissioned prior to the application submittal phase or the measure may be deemed ineligible by PG&E for rebates.
- Any customer applying for a rebate must provide proof of purchase, supporting documentation and other materials as deemed relevant by PG&E.

Condition: The customers' files that the UAFCB examined contained all the necessary documentation, customers met program eligibility requirements, and rebates were appropriately approved and recorded to PG&E's accounting records. UAFCB did not find any exceptions.

PG&E Comments: PG&E did not provide a comment to UAFCB's observation.

Recommendation: None.

Observation 7: PG&E failed to demonstrate compliance with Public Utility Code §§ 581 and 584. PG&E was unable to timely provide appropriate supporting documentation for its MFEER administrative labor costs.

Criteria: PG&E's 2011 EE administrative costs reported for the MFEER program were sampled to determine its reliability and compliance in general with D.09-09-047, the Commission's reporting guidelines, Advice Letter 3065-G-A&B/3562-E-A&B.²

² The Commission's reporting guidelines are included in ALJ Gottstein's Ruling in R.01-08-028, dated February 21, 2006, which addressed and listed allowable costs and delegated authority to Energy Division to provide further clarification to the reporting requirements and list of costs. ED's memo, dated October 22, 2009, expanded cost definitions and defined how costs should be treated.

Condition: PG&E's administrative labor cost allocation methodology and process pertaining to labor-related benefit burdens could not be completely analyzed as of the date of this report.

Cause: Due to PG&E's inability to respond timely to UAFCB's request for supporting documentation of MFEER labor costs, UAFCB could not complete its evaluation to determine compliance with Commission directives.

Effect: UAFCB is unable to report the validity and accuracy of PG&E's labor-related benefit burdens pertaining to its MFEER labor costs for program year 2011.

PG&E Comments: PG&E respectfully disagrees that it failed to provide supporting documentation in a timely manner for its MFEER labor costs. PG&E asserts that it provided UAFCB with requested documentation in June 2013 and was not asked to provide any subsequent explanation or information until August 15, 2013. Thus, PG&E did not have an opportunity to provide the UAFCB with clarity on its MFEER labor-related benefits burden reclassification process due to time constraints for this examination.

Rebuttal: The documentation provided by PG&E lacked transparency for PG&E's cost allocation methodology and rates for determining allocated overhead costs, including its MFEER labor-related benefit burdens. This limited UAFCB's ability to timely analyze PG&E's labor allocation methodology and process pertaining to UAFCB's determination of labor-related benefit burdens.

Recommendation: UAFCB requests that PG&E provide a detailed explanation of the labor cost allocation methodology and process pertaining to the determination of its labor-related benefit burdens so that UAFCB can review and evaluate these costs during its consolidated 2011-2012 EE examination.

Appendix B Program Compendium

B.1 Introduction

On September 24, 2009, the California Public Utilities Commission (Commission) issued Decision (D.) 09-09-047 which, among other things, authorized a total budget of \$446 million in ratepayer funds to administer and implement its Energy Efficiency (EE) programs for the year 2011. This represents about 33% of the \$1.3 billion in total funds the Commission authorized for PG&E's 2010 - 2012 EE budget cycle. In addition, in this decision, the Commission also set energy savings goals, established cost-effectiveness requirements, placed a cap of 10 percent on utility administrative costs, authorized types of programs, and set targets for certain program administrative costs.

B.2 EE Funding Components

Of the \$446 million authorized budget, \$428.2 million of the funds is to administer and implement PG&E's EE programs and the remaining \$17.8 million is dedicated to fund the Evaluation, Measurement and Verification (EM&V) portion of the program portfolio. For the year 2011, excluding EM&V expenditures, PG&E spent \$379.6 million, or 28% of its total authorized budget for the 2010 -2012 budget cycle. In the following table, the UAFCB provides a summary of the EE fund balance as of December 31, 2011.

**Table B-1
Summary of Ratepayer Funded EE Programs, Excluding EM&V
For the Period Ending: December 31, 2011**

Description	Amount
Carried Forward from 2010 ¹	\$ 57,788,677
2011 Authorized Budget per D.09-09-047	<u>428,160,000</u>
Available for Spending	485,948,677
2011 Actual EE Expenditures	<u>379,612,542</u>
Amounts Carried Forward to 2012	<u>\$106,336,135</u>

B.3 Administrative Costs

PG&E identifies and captures its EE program administrative costs in its SAP Enterprise Resource Planning (ERP) system or general ledger. Specifically, administrative costs can be accounted for in three different ways applied consistently across the three delivery channels of Investor-Owned Utility (IOU or Core), Third Party (TP), and Local Government Partnership (LGP). Some administrative costs can be charged directly to the administrative cost target, while others flow through an allocation process by going through an 'Allocation Order' before reaching the administrative cost target. Still in other cases, overheads can be directly charged or

¹ Per UAFCB's 2010 EE program interim examination report, dated June 4, 2012, page C-1, 2010 actual expense was \$370,371,323, and deducting said amount from the authorized budget of \$428,160,000 (or one-third of the total budget for the three-year cycle) arrives at an unspent balance of \$57,788,677.

allocated to specific cost categories, such as marketing and implementation target orders, with subsequent reclassification to the administrative cost category for reporting purposes.

Currently, EE portfolio expenses are reported on Table 3 of the Annual Report. In its present form, the Annual Report captures and classifies all EE portfolio costs under the three general delivery channels – IOU (Core), TP and LGP. Under each delivery channel there are various cost categories, administrative costs being one. In the Annual Report, expenses associated with Evaluation, Measurement, and Validation (or EM&V) are also reported.

Per the general ledger, PG&E groups administrative costs under each delivery channel as Core under IOU and as 'PG&E description' and 'Vendor description' under both TP and LGP respectively. Under TP and LGP, administrative costs recorded as 'PG&E description' represent administrative costs that PG&E incurred in connection to TP's and LGP's EE activities. For the purpose of the proper grouping of PG&E's administrative costs, the TP and LGP administrative costs are part of the 10% cap calculation.

In the following table, UFACB provides a summary of ratepayer funded expenses by delivery channel and cost category in a format relatively consistent with that of the Annual Report.

Table B-2
2011 Actual Ratepayer Expenses
For the Period Ending: December 31, 2011

Expense Type	Reported	%
IPG&E(Core):		
Administrative	\$ 21,214,233	5.6
Marketing & Outreach	10,241,460	2.7
Rebates/Incentives/Implementation	<u>194,818,613</u>	<u>51.3</u>
Sub-Total CORE	226,274,306	59.6
TP:		
Administrative	6,934,618	1.8
Marketing & Outreach	4,698,166	1.2
Rebates/Incentives/Implementation	<u>86,418,381</u>	<u>22.8</u>
Sub-Total TP	98,051,165	25.8
LGP:		
Administrative	2,579,634	0.7
Marketing & Outreach	1,485,544	0.4
Rebates/Incentives/Implementation	<u>51,221,893</u>	<u>13.5</u>
Sub-Total LGP	<u>55,287,071</u>	<u>14.6</u>
Total	<u>\$379,612,542</u>	<u>100.0</u>

B.4 Energy Efficiency Contracts

PG&E utilizes contracts with TP contractors to assist in administering and implementing various EE programs. PG&E enters into agreements with contractors who provide various services and products in support of PG&E's in-house managed EE programs. Services or products provided by core contractors include, but is not limited to, supply of computer/parts, consulting services, electrical equipment, postage, employee training, and software licenses, etc. PG&E also enters into LGP agreements to help develop and implement energy efficient management plans.

In 2011, PG&E entered into agreements with over 330 contractors that amounted to approximately \$120 million. A few of these contractors may have participated in multiple programs. There were about 50 contractors that provided services to the TP programs that were paid a total of \$42.2 million and about 280 contractors who provided services and products to PG&E's in-house EE programs that were paid a total of \$57.5 million. In addition, PG&E also contracted with about 60 contractors who provided services for the LGPs that were paid a total of \$21.2 million in program year 2011.

A summary of PG&E's EE contractor costs for program year 2011 by contractor type and cost category is provided in the following table.

Table B-3
Contractor Costs
January 1, 2011 through December 31, 2011

Description	TP	Core	GP	Total	%
Direct Implementation	\$31,785,698	\$47,489,836	\$17,803,493	\$ 97,079,026	80%
Marketing	4,278,323	7,206,010	1,421,368	12,905,701	11%
Administration	6,166,553	1,980,356	1,947,740	10,094,648	8%
EM&V	-	819,170	-	819,170	1%
Total	<u>\$42,230,574</u>	<u>\$57,495,371</u>	<u>\$21,172,601</u>	<u>\$120,898,545</u>	<u>100%</u>

B.5 On Bill Financing

PG&E's OBF program offers zero-interest financing to facilitate the purchase and installation of qualified energy efficiency retrofit measures to non-residential customers who might not otherwise be able to act given the various constraints which include capital, administration, time burdens and other deterrents involved in obtaining traditional project financing. Eligible entities include Institution and Non-Institution customers such as commercial, industrial, and agricultural and tax-payer funded customers. Only energy efficiency measures which qualify for rebates and/or incentives in PG&E's portfolio qualify for the OBF program.

PG&E's OBF budget for the 2010-2012 EE program cycle is \$27.845 million with adjustments set forth in Commission D.09-09-047. The budget provides for operating expenses of \$9.3 million and a revolving fund loan pool of \$18.5 million funded through EE electric procurement and public goods charge revenues and gas Public Purpose Program (PPP) surcharges per the Commission's approval of Advice Letter No 3065-G-A/3652-E-A.

PG&E's OBF underwriting guidelines include verification of customer's project cost; project eligibility for other EE rebate/ incentive program(s); and customer's utility bill payment history. The OBF loan process includes calculation of project's energy savings; post-installation inspection and project cost adjustments; calculation of loan term, loan amount (net of rebate/incentives), and monthly loan payment.

In D.09-09-047, OP 40, the Commission sets a loan cap of \$100,000 for commercial loans with loan terms of up to five years, or may extend beyond five, but not to exceed the Expected Useful Life (EUL) of the bundle efficiency measures proposed, whichever is lower. Institutional customers may be granted loans of up to a total of \$1 million with a maximum term of 10 years per facility to capture large savings and when all other terms are met. As for the treatment of

delinquent OBF loans, the OBF billing is tied to PG&E'S utility billing system wherein an outstanding bill which remains unpaid for more than 145 days will be considered in default and will be written off to Bad Debt. However, according to PG&E, similar procedures as those used in pursuing regular defaulted energy bills will be used to pursue any defaulting OBF loan customers.

B.6 Multi-Family Energy Efficiency Rebates

The Multi-Family Energy Efficiency Rebate Program (MFEER) encourages the adoption of energy-efficient choices when purchasing and installing qualified household appliances. PG&E promotes energy efficiency to residential customers using educational materials about energy efficiency options and by providing incentives in the form of rebates. For its MFEER program, PG&E targets residential customers who are either owners or renters of multi-family homes, townhomes, condominiums and mobile homes.

Residential customers who purchase EE qualified household appliances in PG&E's service territory can claim rebates from PG&E through a mail-in rebate application process.

PG&E reported \$3.9 million for its MFEER program expenditures during program year 2011. Of this amount, \$3.2 million or 80.4% was for rebates recorded in the Direct Implementation cost category. A detailed summary of PG&E's 2011 MFEER expenses and summary of rebate payments is provided in the tables below.

Table B-4
MFEER Expenses

Expenditures	Amount	% of Total MFEER Costs
Admin		
Admin-Labor	\$ 292,941	
Admin-Non Labor	<u>89,402</u>	
Sub-Total Admin	\$ 382,343	9.8%
Marketing		
Marketing-Labor	\$ 44,786	
Marketing-Non Labor	<u>18,833</u>	
Sub-Total Marketing	\$ 63,619	1.6%
Direct Implementation (DI)		
DI-Labor	\$ 313,196	
DI-Non Labor	13,028	
DI Incentives (Rebates)	<u>3,168,339</u>	
Subtotal DI	<u>\$3,494,563</u>	<u>88.6%</u>
Total Expenditures – 2011	<u>\$3,940,525</u>	<u>100%</u>

In the following table, UAFCB provides a summary of PG&E's 2011 MFEER rebate by type of appliances and measures.

Table B-5
MFEER Rebate Payments²

Measure/Appliance Description	Rebate Amount Paid
Hi Efficient Windows – New Tech – U-FAC	\$ 85,534
Wall Insulation Vintage to R-13	27,680
Hi Efficiency Clothes Washer – Coin-Op Laundry	12,450
Cool Roof Low Slope	5,152
Hi Efficiency Dishwashers	37,530
Shower Heads – Low Flow	466,770
Commercial Pool Heaters	1,032
Central Sys. NG Water Heaters/Space Heating	11,500
Hi Efficient Water Heater – Electric	930
Room A/C – Energy Star	2,100
Ducted Evap. Cooler with PR Damper	600
Central Sys. NG Boilers	22,500
Central Sys. Space Heating	4,500
Hi Efficient Water Heater – NG	3,040
Ceiling (Attic) Insulation Vintage to R-38	18,219
Gas Furnaces	23,250
Photocell Lighting	40
Occupancy Sensor	380
LED Exit Signs	38,219
Reflectors	28,135
MF – T-12 Delamping	2,034
MF – Interior Pin-Based Hardwire Fixtures	794,650
MF – Outdoor Pin-Based Hardwire Fixtures	484,640
MF – T-5 or T-8 Interior Lamps w/Electric Ballasts	1,096,054
Efficient Variable Speed Pool Pump & Motor	1,400
Total MFEER Rebates	<u>\$3,168,339</u>

² Per PG&E's response to Data Request # DWA_AUD001-Q01-39, Attachment 28.