SDG&E Business Plan (BP) Budget and Cost-Effectiveness Methodology

SDG&E's BP Forecast is intended to be represent the time period of 2018 through 2020, understanding that budget and savings assumptions will be updated at least on annual basis to bring savings assumptions up-to date. Significant uncertainty exists around the long-term allocation of budget, making long term budgeting of limited value. For instance, statewide consensus of roles and responsibilities for statewide programs, has yet to be concluded. Thus, it is not possible to accurately forecast large portions of the portfolio. Additionally, it is currently unclear how moving to 60% third party implementation will impact programmatic budgets. SDG&E believes labor costs will remain relatively constant despite the shift to additional third-party implementation, due to the significant labor intensity of running solicitations, although efficiencies maybe achieved if more savings are delivered.

SDG&E's Business Plan (BP) Forecast was based on its September 1, 2016 Advice Letter 2951-E Energy Efficiency (EE) budget forecast for 2017. There were changes to both the measure assumptions and non-measure cost assumptions from the 2017 Forecast to the Business Plan Forecast. The budgets by sector were not changed from the values listed in "Appendix B.1 – Budget by Budget Category". The measure level data that was organized by program in the cost-effectiveness tool (CET) were aggregated to the sector level (residential, commercial, industrial and agricultural).

The changes from the 2017 Forecast to the Business Plan Forecast are summarized below:

1) Reduce the ESPI forecast to $3million consistent with recent activity.
2) Remove the following Measures: a) High-Performance Heat Pump Water Heater 50gal, b) High-Performance Heat Pump Water Heater 75gal, c) Duct Test and Seal 1976-1994, and d) Duct Test and Seal 1995-2005 – due to high negative net benefits (benefits – costs).
3) Align the cost of "Water Saving Kits" to expected future costs at $20/kit.
4) Reduce the incremental cost for pool pumps from $600 to $286 consistent with work paper updates.
5) Based on cost trends and contracted values reduce the incremental measure costs of LED lamps and fixtures by 50%. Note that much of the LED cost data was very dated ~ 2012.
6) Increase the upstream lighting measure quantities to levels consistent on a percentage of savings with 2016 activity, but approximately 25% higher than the 2017 Forecast in terms of kWh savings.
7) Decrease the upstream LED lamp rebate level by 25% to account for anticipated lower product costs.
8) Increase activity in SDG&E's nonresidential custom/calculated incentive programs by 25%.
9) Adjust the incremental measure costs for RCx HOPPs downward by 50% as projected costs were inconsistent with recent analysis.
10) Increase the anticipated savings from behavioral program efforts to account for expected future participation and measurement and verification (M&V) studies.

Budget and Savings Development for Public Sector

Once the cost-effectiveness analysis was completed, SDG&E extracted the CET results to perform additional segmentation. SDG&E analyzed its 2014-2016 EE claim data to determine savings by customer type classification from its customer master file. Based on that analysis, spread factors were developed and used to estimate the savings and budget to the new Public Sector.

Reallocation of SW Lighting to Residential and Commercial Sectors

The SW upstream lighting impacts were distributed to Residential and Commercial sectors consistent with EE claims reporting using the approved 94%/6% residential/commercial sector splits.

The Excel workbook that includes the analysis and back-up calculations is included in a file entitled "SDGE 2018 Budget and Savings Methodology.xls"