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September 3, 2019

**ADVICE LETTER xxx-E/xxx/G**

(San Diego Gas & Electric Company - U902 M)

Public Utilities Commission of the State of California

**SUBJECT**: **SAN DIEGO GAS AND ELECTRIC COMPANY’S 2020 ANNUAL ENERGY EFFICIENCY PROGRAM AND PORTFOLIO BUDGET REQUEST**

San Diego Gas & Electric (SDG&E) hereby submits its 2020 annual energy efficiency (EE) program and portfolio budget advice letter (ABAL) as directed by the California Public Utilities Commission (Commission) Decisions (D.)15-10-028[[1]](#footnote-2) and D.18-05-041[[2]](#footnote-3). All necessary supporting documentation to support the funding request, revenue requirements, and rate impacts, as prescribed by the Energy Division, is incorporated as Appendix A and has been uploaded to CEDARS.[[3]](#footnote-4)

SDG&E makes available all Excel appendices to this ABAL at <https://www.sdge.com/rates-and-regulations/regulatory-filing/914/energy-efficiency-filings>.

# BACKGROUND

D.15-10-028 established the Rolling Portfolio process for regularly reviewing and updating EE portfolios following the approval of the Business Plan application. Specifically, D.15.10-028 Ordering Paragraph (OP) 4 states:

Each energy efficiency program administrator must file a Tier 2 advice letter containing a budget for the next calendar year’s energy efficiency portfolio by the first business day in September. The Tier 2 advice letter shall contain a portfolio cost effectiveness statement and application summary tables with forecast budgets and savings by sector and program/intervention filed in paper, with an electronic query output available in an online tool. Additionally, the Tier 2 advice letter shall provide a report on portfolio changes, annual spending, and fund shifting.

SDG&E filed its Business Plan on January 17, 2017 (A.17-01-014) which was approved by the Commission on May 31, 2018. D.18-05-041 provided further detailed guidance on the requirements for the ABAL. D.18-05-041 requires the following:

1. Cost Effectiveness: The forecasted TRC during the “ramp” or transition years (i.e., 2018 – 2022) should meet or exceed a TRC of 1.00.[[4]](#footnote-5) If the forecasted TRC does not meet or exceed 1.25, the Program Administrator (PA) must submit to an additional process.[[5]](#footnote-6)
2. Savings Goals: The portfolio must meet or exceed Commission adopted net goals as adopted in D.17-09-025.
3. Proposed Budget: The forecasted annual funding levels must not exceed the overall funding amount in the PA’s 2018-2025 business plan.[[6]](#footnote-7)

In addition to these requirements, D.18-05-041 requires the PA to provide information on the above criteria based on Commission staff developed templates. These templates are provided in Appendix B, as prescribed by Energy Division. Further, the ABAL should include certain program and portfolio descriptive information:[[7]](#footnote-8)

1. Discussion of proposed program changes.
2. Discussion of proposed portfolio changes.
3. Any ABAL that includes a forecasted portfolio TRC between 1.0 and 1.25 during the 2019-2022 ramp years should include:

* An explanation of why the PA is not proposing a portfolio that meets a 1.25 TRC;
* Why the PA is confident that it will meet the evaluated 1.0 TRC for that year; and
* How the PA intends to lower costs or increase savings going forward.

1. Any ABAL that includes forecasted energy savings that are lower than Commission established annual savings goals should include:
   * Discussion or explanation of how the PA will ensure achievement of the overall savings goals, within the overall budget, during the business plan period (i.e., through 2025).

## Portfolio Program Budgets

SDG&E’s approved annual portfolio budget in D.18-05-041 reflected in Table 1 provides the authorized 2019 Rolling Portfolio budget as approved in D.15-01-023 and confirmed by D.18-05-041. Table 1 also includes the authorized Integrated Demand Side Management (IDSM) Demand Response (DR) budget.

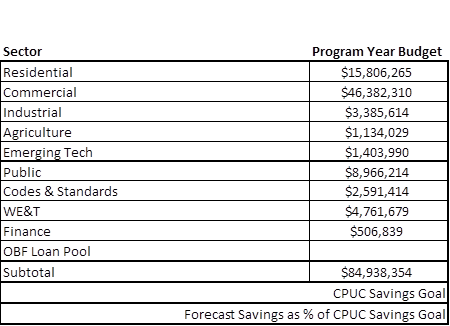
### Table 1: Approved Rolling Portfolio Annual EE and DR Program Budgets ($000)



### A. 2020 Energy Efficiency Program Budgets

Table 2 shows the 2020 SDG&E business sector budgets.

### Table 2: SDG&E 2020 EE Program Budgets by Business Sector



Notes:

1 SDG&E notes that program funding related to the Financial Pilots originally approved in D.13-09-044 that has not been fully expensed due to implementation delays is considered “committed” funding and will be carried over into 2019. In addition, these funds are not included in the 2019 EE Portfolio as directed by D.17-03-026[[8]](#footnote-9).

2 SDG&E's On-Bill Financing (OBF) Loan Pool is not included in the EE Portfolio budget. It is collected and tracked separately through its electric and gas OBF Balancing Accounts. SDG&E’s authorized budget for its OBF loan pool is of $26,003,565.

### B. 2020 Integrated Demand Side Management (IDSM) Programs and Budgets

Table 3 shows the specific programs and budgets associated with the 2019 Demand Response Program approved budget. These strategies are in response to directions provided by D.18-05-041.

### Table 3: SDG&E 2020 IDSM Program Budgets

TBD

**C. Revenue Requirements**

SDG&E provides its estimated 2020 electric and gas proposed average rate changes and revenue requirement changes Table 4 and 5 respectively.

### Table 4: SDG&E Estimated Electric Rate impacts

TBD

### Table 5: SDG&E Estimated Natural Gas Rate impacts

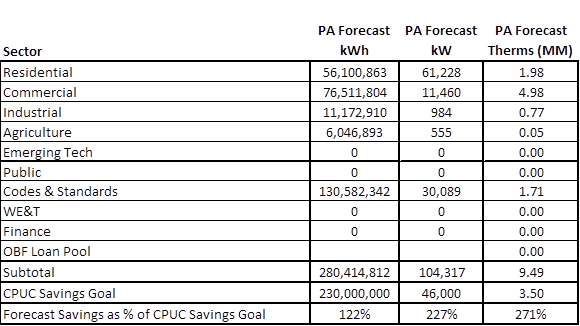
TBD

The final gas and electric EE revenue requirements will be incorporated in SDG&E’s annual Electric and Public Purpose Programs Rates advice letter and the Public Purpose Program Gas Surcharge Rates advice letter, which will be filed in the last quarter of 2019.

# SDG&E Requested Portfolio Energy Savings Goals and Cost Effectiveness

SDG&E provides in the following tables its forecasted energy savings goals/targets and portfolio cost effectiveness.

**Table 6: 2020 EE Portfolio Energy Savings Goals & Targets**



Note: D.19-08-xxx updated 2020 on beyond CPUC savings goals.

**Table 7: 2020 EE Portfolio Cost Effectiveness**

|  |  |  |
| --- | --- | --- |
|  | TRC Ratio | PAC Ratio |
| Without Codes & Standards (C&S) | 1.26 | 1.54 |
| With Codes & Standards (C&S) | 1.29 | 2.86 |

SDG&E’s 2020 TRC and PAC results reflect the following inputs:

1. Updated 2020 avoided costs and Greenhouse Gas adder consistent with Resolution E-xxxx;
2. Excludes Emerging Technology, On-Bill Financing (OBF) revolving loan pool, and credit enhancements;
3. Excludes Market Effects (ME) based on D.xx-xx-xxx, which eliminated the 5% spillover for resource programs;
4. Uses workpapers that are approved by staff as of July 12, 2019, or workpapers that Staff has indicated will be approved by September 1, 2019;
5. For third-party program forecasts pending from solicitations, SDG&E used the same forecasting methods used for custom projects (in terms of measures and measure mix being “unknown” prior to a program year);
6. Includes estimated Energy Savings Performance Incentive payments of $3.5 million;
7. Includes indirect labor loaders adopted in SDG&E’s 2016 GRC D.16-06-054;
8. Includes savings estimates for potential third-party programs; and
9. Updated C&S savings.

SDG&E’s 2020 portfolio forecast meets the Commission’s threshold of a TRC greater than 1.25 and therefore does not include any discussion on the following:

* An explanation of why the PA is not proposing a portfolio that meets a 1.25 TRC;
* Why the PA is confident that it will meet the evaluated 1.0 TRC for that year; and
* How the PA intends to lower costs or increase savings going forward.

SDG&E provides its 2016 through 2025 forecast, recorded and evaluated energy savings (kWh, kW, and Therms) in Appendix B.[[9]](#footnote-10)

## SDG&E Historical Cost Effectiveness Information

D.18-05-041 requires claimed and evaluated TRC and Program Administrator Cost (PAC) of each program and of each sector for the two most recent years for which data is available. As evaluation activity did not occur in 2016 and 2017 and evaluations commenced in late 2018, this information is not available to be included in this advice letter. Claimed TRC and PAC for 2016 and 2017 are available on CEDARS. D.18-05-041 also requires a showing of forecasted, claimed and evaluated TRC and PAC at the portfolio going back to the beginning of the Rolling Portfolio (2016). SDG&E provides this information in Table 8 below.

**Table 8: SDG&E Historical Cost Effectiveness Data**



Notes:

(1) Source: *Energy Efficiency Portfolio Report*, California Public Utility Commission, May 2018, figures exclude Codes and Standards, p.20.

(2) Source: *Portfolio Report*, California Public Utility Commission, May 2018, figures exclude Codes and Standards.

(3) SDG&E includes its GRC overheads that are required by D.12-11-015 OP 39 in its Forecast and Reported cost effectiveness results. The cost effectiveness results do not include market effects.

# 2019 Portfolio Buget Caps and Targets

Table 9 provides a summary of SDG&E’s compliance with the caps and targets required by D.09-09-047.

**Table 9: 2019 EE Portfolio Budget and Budget Caps/Targets**



Notes:

(1) Total Budget for percentage basis calculation includes authorized EE budget, OBF Loan Pool and GRC loaders associated with EE FTEs.

(2) FTE loaders were adopted in SDG&E 2016 GRC D.16-06-054

(3) ICP, Workman's Comp and PLPD Loaders follows labor, therefore are associated with the Admin, ME&O and DI Labor

(4) Administrative budget does not include EM&V.

(5) EM&V is 4% of authorized EE Budget.

(6) Total EE budget does not include Statewide ME&O.

(7) The loan pool is part of the Incentives.

SDG&E will report the status of its budget caps and targets based on actual expenditures in its quarterly reports submitted through the Commission’s EESTATS website.[[10]](#footnote-11)

# 2020 PORTFOLIO AND Business Sector CHANGES

SDG&E optimized its EE portfolio to the extent possible to meet the minimum cost effectiveness criteria and authorized budget level. The following are the general Portfolio changes:

1. SDG&E’s Budget request for 2020 is less than the authorized annual budget and is less that the 2019 budget. This is primarily a result of program funding changes made to optimize the portfolio.
2. SDG&E will be transitioning portions of its portfolio from SDG&E implementation to Third Party implementation. This will be accomplished by consolidating some programs, reducing SDG&E-implemented program budgets with the anticipation of new Third Party programs will be coming on-line later in 2020.
3. Underperforming programs will be closed to improve cost-effectiveness.
4. SDG&E updated the measure savings assumptions based on DEER 2020, and all applicable deemed measure work paper dispositions.
5. SDG&E removed measures due to low cost effectiveness, changes in Codes & Standards, Lighting Dispositions, or lack of customer demand.
6. SDG&E updated incentive levels to address changes, e.g., changes in measure savings, measure costs, etc. SDG&E will incorporate Commission guidance regarding determination of incentive levels and Pay for Performance options into the solicitation process.[[11]](#footnote-12)
7. SDG&E will focus on improving reporting measure costs to improve the accuracy of the TRC.
8. SDG&E will continue to investigate transitioning “custom/calculated” measures to “deemed” measures.
9. SDG&E will increase focus on the application of the Normalized Metered Energy Consumption (NMEC) verification methodology to improve reported savings.
10. SDG&E will continue its solicitations that began in the last quarter of 2018[[12]](#footnote-13) to meet the Commission’s requirement that 40 percent of each IOU PA’s portfolio must be under contract to a third-party by the definition in D.16-08-019 by December 31, 2020.[[13]](#footnote-14)
11. SDG&E classifies Independent Evaluator costs as part of the implementation costs. These costs are part of the program design wherein third-party proposals for new program design are evaluated. Under the Commission’s definition program design costs are considered implementation costs. The EE Policy Manual categorizes the following under implementation costs:

* Project management activities (i.e. Planning Scope of Work, working with contractors and customers, setting goals, reviewing goals, reacting to market conditions, and responding to customer inquiries (i.e. calls, emails, letters).
* Program planning, development and design.[[14]](#footnote-15)

The following discussion provides the major program changes under each of the program sectors.

## A. Residential Sector

### 1. Single Family Subsector

#### a. HVAC- Residential Programs

The HVAC programs have been non-cost-effective. Therefore, in anticipation of the upcoming Statewide Upstream/Midstream program, SDG&E will close these programs.

#### b. Upstream Lighting Programs

Due to the changes in lighting codes & standards and the significantly reductions in savings assumptions, SDG&E will be closing its lighting programs. It is anticipated that with the solicitation for Statewide Lighting third party program, a new lighting program will be in place to continue to serve customers.

#### c. Plug Load and Appliances Programs

SDG&E will continue its Plug Load and Appliances (PLA) programs. SDG&E’s Marketplace will continue under this program as directed by the Commission in Resolution E-4820, OP 1b. SDG&E will also be focusing on the more cost-effective measures in the program. SDG&E has begun its solicitation for the Statewide PLA program that will replace SDG&E’s local PLA programs.

### d. Middle Income Direct Install (MIDI) Program

Due to lack of uptake in the program over the past few years and a continual downward trend in cost effectiveness, SDG&E's MIDI program will not renew this program for 2020.

### 2. Multi Family Programs

SDG&E has analyzed the different measures offered in the Multi-Family Energy Efficiency Rebates (MFEER) and has limited program offerings to the most cost -effective measures such as T8 LED fixture as reflected in the new updated statewide workpapers. This has improved the cost effectiveness of the program significantly. SDG&E is concurrently conducting its Multi-Family solicitation. SDG&E will ramp down its current multi-family programs in anticipation of the new Third Party Multi-Family Program expected to be operational in 2020 Q3.

## B. Commercial Sector

### 1. Large Commercial Subsector

Program offerings for large commercial customers will continue as status quo for most of 2020. Per the solicitation schedule SDG&E anticipates a new Third Party implementer contract(s) for this market by the end Q1 2020.

### 2. Small Commercial Subsector

Program offerings for small commercial customers will continue as status quo with an increased focus on the most cost effective measures for most of 2020. Per the solicitation schedule, SDG&E anticipates a new Third Party implementer contract(s) for this market by the end of Q1 2020.

SDG&E will address Commission direction to incorporate IDSM strategies by adding $4 million. The additional funding will not result in any immediate savings benefits, thus resulting in a TRC below 1.0 for this subsector.

### 3. Other Commercial Programs

SDG&E will close the following programs at the end of 2019: HVAC deemed program, Customer Services Pump Test Services program, Energy Advantage Program, Benchmarking.

## C. Industrial Sector

Program offerings for Industrial customers will continue as status quo for 2020. The following programs will end in 2019: Industrial Pump Test program and Benchmarking. Per the solicitation schedule, SDG&E anticipates signing a contract for this market in the middle of 2021.

## D. Agricultural Sector

Most Program offerings for the customers will continue as status quo for 2020 and possibly through 2021 to ensure customers in this sector continue to be served during the ramp down period. The Agricultural Pump Test and Benchmarking programs will be close at the end of 2019.

Per the solicitation schedule, SDG&E anticipates signing a contract in early 2021 with a third-party implementer for this market.

## E. Public Sector

Incentive program offerings originally classified as Commercial programs will continue to serve Public Sector customers as status quo for 2020. Local Government Partnerships are expected to continue under their current partnership contracts. Per the solicitation schedule, SDG&E anticipates signing a contract(s) at the end of 2020 with implementer(s) for federal, K-12 and local government markets.

SDG&E will participate in the statewide procurement and deployment of the Energy Atlas as directed by D.18-05-041, OP 32. This solicitation is administered by Southern California Edison Company.

## F. Workforce Education & Training (WE&T)

SDG&E will continue to manage the Integrated Energy Education & Training program components of WE&T, including Technical Upskill and the newly developed Core Energy Education program, through collaboration with local organizations that support different aspects of the program. In addition, staff will continue to support the statewide efforts of Career Connections and Career & Workforce Readiness programs.

## G. Financing Programs

### 1. On-Bill Financing Program

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OBF is a local program run by SDG&E.  SDG&E will continue to increase program awareness with third-party implementers and make OBF available to qualified program participants.

### 2. Statewide Financing Pilots

These Financing Pilots remain within the 2013-2014 EE program cycle. These pilots are budgeted and tracked accordingly and therefore no 2019 budget allocation for these pilots is required at this time. These pilots will be promoted within SDG&E’s portfolio and with new third-party implementers as applicable.

## H. Integrated Demand Side Management (IDSM) Programs

SDG&E’s IDSM program is funded through the IDSM Demand Response and EE portfolio. SDG&E’s approved IDSM DR budget is $4.640 million. D.18-05-041 requires the following for IDSM efforts:

* For the residential sector, the energy efficiency and demand response integration efforts should be focused, initially, on HVAC technologies and facilitating automatic response to new time-varying rates, possibly involving customer education on the rates and thermostats. Each IOU shall budget a minimum of $1,000,000 annually from its IDSM budget, to test and deploy such strategies in the residential sector.
* For the non-residential sector, including small commercial customers, the energy efficiency and demand response integration efforts should be focused initially on HVAC and lighting controls. At least $20 million annually in IDSM funds shall be divided among the IOU PAs.
* Ensure participating customers are enrolled in a DR program.

These IDSM requirements will be incorporated within the Residential and Commercial sectors and have been included in all active solicitations for these sectors in 2020.

Integrated energy efficiency and demand response outreach and education activities funded by IDSM and supported by SDG&E’s local Outreach teams will continue in 2020 through community events, presentations, workshops, and energy solutions partnerships with local community organizations. In addition to these activities, outreach and education will also be provided in support of the Commission requirements for IDSM, along with the residential IDSM-TOU optimization discussed above.

SDG&E will also continue its IDSM residential behavior program and Nonresidential Audit programs that identify both EE and DR opportunities.

Program closures are provided below in Table 10.

**Table 10: San Diego Gas & Electric Program Closures**

|  |  |
| --- | --- |
| **Sector** | **Program** |
| Residential | Local-CALS - Middle Income Direct Install (MIDI) |
| Residential | SW-Lighting-Lighting Market Transformation |
| Residential | SW-CALS - CAHP/ESMH-CA Advanced Homes |
| Residential | SW-Lighting-Lighting Innovation-ETPC MD |
| Residential | SW-Lighting-Primary Lighting |
| Residential | SW-CALS – Residential HVAC-HVAC Core |
| Residential | SW-CALS - RESIDENTIAL HVAC UPSTREAM |
| Commercial | SW-COM-Customer Services-Benchmarking |
| Commercial | SW-COM-Deemed Incentives-HVAC Commercial |
| Commercial | SW-COM-Deemed Incentives-HVAC Core |
| Commercial | SW-Com-Customer Services-Pump Test Services |
| Commercial | 3P - Energy Advantage Program EAP |
| Industrial | SW-IND-Customer Services-Benchmarking |
| Industrial | SW-Ind-Customer Services-Pump Test Services |
| Agricultural | SW-AG-Customer Services-Benchmarking |
| Agricultural | SW-AG-Customer Services-Pump Test Services |

## I. SDG&E Status of Statewide Programs

Statewide program solicitations began in 2019 most of which are not expected to be in implementation phase until 2020. [[15]](#footnote-16) Until then SDG&E will continue to implement the current SW programs with no substantive program changes.

# 2018 Metrics Results

SDG&E submitted its 2018 metrics results in its 2018 Energy Efficiency Annual Report.[[16]](#footnote-17) SDG&E provides the 2018 metric results in Appendix D.

**EFFECTIVE DATE**

This filing is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B and D.15-10-028 OP4. SDG&E respectfully requests that this filing become effective on January 1, 2021, which is more than 30 days from the date filed.

In the event that this advice letter is not approved in time for January 1, 2021 implementation, D.15-10-028 OP 5 provides for 2019 program continuation until such time as the advice letter is approved.

**PROTEST**

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received no later than September 24, 2019 which is 20 days of the date this Advice Letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division

Attention: Tariff Unit

505 Van Ness Avenue

San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division at EDTariffUnit@cpuc.ca.gov. A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Megan Caulson

Regulatory Tariff Manager

E-mail: [mcaulson@semprautilities.com](mailto:mcaulson@semprautilities.com)

**NOTICE**

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in A.17-01-014 and R.13-11-005, by providing them a copy hereof either electronically or via the U.S. mail, properly stamped and addressed. Address changes should be directed to the emails or facsimile numbers above.

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CLAY FABER

Director – California & Federal Regulatory

1. OIR13-11-005. [↑](#footnote-ref-2)
2. Application 17-01-014. [↑](#footnote-ref-3)
3. CEDARS is available at <https://cedars.sound-data.com/>. [↑](#footnote-ref-4)
4. D.18-05-041, p. 71. [↑](#footnote-ref-5)
5. *Id*., pp. 135-137. [↑](#footnote-ref-6)
6. *Id*., OP 45, p. 192. [↑](#footnote-ref-7)
7. *Id*., pp. 128-129. [↑](#footnote-ref-8)
8. OIR13-11-005. [↑](#footnote-ref-9)
9. D.18-05-041, p. 126-127. [↑](#footnote-ref-10)
10. See http://eestats.cpuc.ca.gov/Views/Documents.aspx. [↑](#footnote-ref-11)
11. D.18-05-041, p. 18. [↑](#footnote-ref-12)
12. Refer to most current solicitation schedule available at <https://www.sdge.com/documents/consolidated-iou-solicitation-timeline>. [↑](#footnote-ref-13)
13. D.18-05-041, pp. 92-93. [↑](#footnote-ref-14)
14. *Energy Efficiency Policy Manual Version 5*, July 2013, p. 91. [↑](#footnote-ref-15)
15. See footnote 11. [↑](#footnote-ref-16)
16. *San Diego Gas & Electric Company’s (U 902-M) Updated Set of Final Metrics*, August 6, 2018. [↑](#footnote-ref-17)