A.17-01-016
SoCalGas 2018-2025 EE Rolling Portfolio Business Plan

TURN Data Request TURN-SCG-01

To: Johnny Pong, Southern California Gas Company (SCG)
From: Hayley Goodson, The Utility Reform Network (TURN)
Date Sent: March 1, 2017
Response Due: March 15, 2017

Please provide electronic responses to the following questions which pertain to SCG's Application 17-01-016, requesting approval of SCG's 2018-2025 Energy Efficiency Rolling Portfolio Business Plan.

If partial responses are available prior to the requested due date, please forward them as soon as they become available. If any of these requests are unclear or otherwise objectionable, please contact me as soon as possible so that we may attempt to resolve any problems.

Responses should be provided to the following people:

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Energy Efficiency Policy Requests

1. On page 10 of SCG's application and in Appendix F (Policy Considerations) of SCG's Business Plan, pp. 541-542, SCG requests that the Commission "confirm" that "a cost-effectiveness threshold of 1.0" applies to the Business Plan, meaning that portfolios (without codes and standards) with TRC and PAC estimates that exceed 1.0 on an annual prospective basis will be deemed cost-effective for the years covered by the plan. To support this request, SCG points to changes from a multi-year program cycle to an annual prospective cost-effectiveness showing as part of the new rolling portfolio, which reduces the risk of inaccurate forecasts by allowing for "continues updates to measure assumptions based on Commission-adopted load impact studies"; lower 2017 avoided costs; changes in Codes and Standards which "will significantly reduce the reportable energy savings by non-C&S programs in 2018, thereby reducing forecasted energy savings benefits"; and the fact that "specific program designs, budgets and savings are still unknown" given the new bidding requirements for statewide programs and increase to third party programs required by the Commission. Regarding this request:

a. Please explain SCG's understanding of why the Commission previously required SCG to meet a 1.25 cost-effectiveness level on an ex ante forecast basis (without Codes and Standards (C&S) advocacy savings and spillover effects, thus leaving C&S and spillover to serve as a "bonus" or "hedge" against the possibility that the portfolio as implemented would underperform relative to SCG's forecast and drop below a 1.0 cost-effectiveness level), including why SCG believes that the Commission's prior caution is unnecessary to protect ratepayers in the current context.

b. Please identify the specific vintage of the changes in C&S that SCG has in mind.

    i. Explain whether these changes are reflected either in the potentials study underlying the current EE goals adopted in D.15-10-028 or in the 2017 update to the potentials study, or both.

    ii. Does SCG contend that these C&S updates are particularly unusual in their impact on potential EE savings, such that the current circumstances should be distinguished from those at issue when the Commission required a 1.25 cost-effectiveness threshold in D.12-11-015?

c. Is it SCG's understanding that the new code becomes the baseline for calculating savings for new equipment across its portfolio in 2018? If not, please explain SCG's assumptions regarding the rough percentage of forecasted 2018 portfolio savings that will fall under a "code baseline," and thus be directly impacted by changes in C&S, as opposed to the rough proportion that will be subject to an "existing conditions baseline," pursuant to D.16-08-019. By forecasted portfolio savings, TURN refers to the savings assumptions reflected in SCG's cost-effectiveness calculations provided in support of its Business Plan application.

Statewide Program Administration

2. On pages 23-24 (Business Plan, Executive Summary), 49-50 (Business Plan, Executive Summary, Appendix A) and 545-546 (Business Plan, Appendix F) of SCG's Business Plan, SCG discusses its proposal to serve as lead statewide administrator of the statewide "Residential New Construction Program." Regarding this proposal:

    a. SCG states on p. 49, "SoCalGas has demonstrated that it has been the most cost-effective administrator of the Residential New Construction program, on a $/therm basis. SoCal Gas's demonstrated experience of successfully managing dual-fuel energy efficiency programs to customers, coupled with the discipline on cost-effective implementation, well-positions SoCalGas to assume statewide leadership of the Residential New Construction program." Please provide the following information related to SCG's assertion:

- Provide \$/therm values for each administrator of the Residential New Construction program used to compare cost-effectiveness, as well as the \$/kWh and \$/MW values for each administrator.

- Provide \$/kWh and \$/MW values for SCG to the extent that the PAs considered SCG's experience managing a dual-fuel program in the comparison between administrators.

- Provide cost-effectiveness values for each administrator using a metric that captures both natural gas and electricity savings, such as \$/BTU.

b. Please describe SCG's experiences, if any, with energy efficiency projects in all electric homes, whether retrofit or new construction. Include in your response a description of the role(s) played by SCG in supporting increased efficiency in all electric homes, and identify any available evaluations of SCG's performance.

c. Please discuss SCG's proposal for the statewide Residential New Construction relative to SCE's discussion of intervention strategies for residential new construction builders and developers, which appears on pages 69-70 of its Business Plan (A.17-01-013, SCE-01, pp. 69-71). Does SCG view SCE's proposal as complementary to or duplicative of SCG's proposed statewide program? Please explain.

3. On pages 26-27 (Business Plan, Executive Summary), 51 (Business Plan, Executive Summary, Appendix A) and 547 (Business Plan, Appendix F) of SCG's Business Plan, SCG discusses its proposal to serve as lead statewide administrator of the statewide "Foodservice Point-of-Sale (POS) Rebate Program." SCG explains that this program will engage midstream market actors to stock and actively market high efficiency commercial foodservice equipment, and "will deliver energy savings by providing end-use customers equipment rebates for high efficiency commercial kitchen equipment purchased at the point-of-sale." (SCG Business Plan, p. 26). Regarding this proposal:

   a. Will this program promote both gas and electric foodservice equipment? Why or why not?

   b. Please clarify whether this program will target distributors, contractors, and/or retailers to promote stocking of energy efficiency commercial foodservice equipment, and whether the program will provide incentives to the targeted "midstream market actors." As part of your answer, explain whether the Foodservice POS Rebate Program will use the "Midstream Energy Efficiency" intervention strategy described on pp. 139-140 for the Commercial Sector.

   c. SCG warns that "retailers have expressed their disinterest in participating in point-of-sale tactics promoting energy efficiency equipment due to the rising retailer cost to support such transactions," when discussing Residential and Agricultural Sector strategies on p. 64 and p. 231, respectively. Please explain whether the Foodservice POS Rebate Program will provide customers with a rebate at the point of sale from a retailer, from a distributor/contractor, or both. If your answer indicates that retailer POS rebates will be provided, please explain why the barrier of retailer disinterest in POS will not impact the Foodservice POS Rebate Program, or how SCG intends to overcome this barrier.

d. Please explain how the statewide Foodservice POS Rebate Program will differ from the statewide "Midstream Water Heating Program" (Business Plan, pp. 27-28), other than by providing different equipment. (SCG explains on p. 27 that the Midstream Water Heating Program includes only storage and tankless water heaters at this time, but it may explore adding additional measures in the future.) In addition to any other information SCG deems responsive to this question, please address similarities and differences in the market actors to be targeted and the customers to be targeted.

e. Please explain whether, and if so, how, SCG's proposed administration of both the statewide Foodservice POS Rebate Program and Midstream Water Heating Program creates potential synergetic opportunities. For instance, might SCG invite potential bidders to propose to implement both programs, so that midstream market actors working with commercial foodservice and water heating products might be targeted by the same implementer? Why or why not?

f. Did SCG consider combining the Foodservice POS Rebate Program and the Midstream Water Heating Program into a single statewide midstream program? If so, why did SCG determine to keep the two programs separate as they transition to statewide administration?

g. Has SCG explored the possibility of combining its Foodservice POS Rebate Program with any other statewide program proposed by another PA, as discussed in Appendix F to SCG's Business Plan, or jointly bidding out implementation of the programs so as to capture any synergetic opportunities that a common implementer might offer? Why or why not?

    i. If so, please explain the status of any such discussions and indicate whether you expect the forthcoming "bottom-up review" (as described in the PA presentation to CAEECC on 12/7/16 and in the IOUs' joint response to Question 4 of TURN's Nov. 9, 2016 Data Request in R.13-11-005) to inform such bidding strategies.

4. On pages 27-28 (Business Plan, Executive Summary), 51 (Business Plan, Executive Summary, Appendix A) and 547 (Business Plan, Appendix F) of SCG's Business Plan, SCG discusses its proposal to serve as lead statewide administrator of the statewide "Midstream Water Heating Program." Regarding this proposal:

    a. Will this program promote both gas and electric water heating equipment? Why or why not?

    b. Has SCG explored the possibility of combining its Midstream Water Heating Program with any other statewide program proposed by another PA, as discussed in Appendix F to SCG's Business Plan, such as the statewide HVAC Upstream/Midstream Program that SDG&E proposes to administer[1], or jointly bidding out implementation of the programs so as to capture any synergetic opportunities that a common implementer might offer? Why or why not?

c. Please explain the status of any such discussions and indicate whether you expect the forthcoming "bottom-up review" (as described in the PA presentation to CAEECC on 12/7/16 and in the IOUs' joint response to Question 4 of TURN's Nov. 9, 2016 Data Request in R.13-11-005) to inform such bidding strategies.

5. The following questions pertain to the "Statewide Administration Approach" proposed jointly by PG&E, SCE, SCG, and SDG&E, which appears as Appendix A to the Executive Summary of SCG's Business Plan.

   a. On page 2, the Joint IOUs point to the Commission's desire to prioritize "lower transaction costs for PAs and implementers," among other anticipated benefits of the new statewide program requirements. Does SCG's Business Plan budget request reflect a projection of lower transaction costs resulting from the proposed "Statewide Administration Approach"? If so, please quantify the cost reductions SCG projects and explain where specifically in SCG's budget those reductions are captured in Table 2 (Portfolio Budget Forecast) in the Executive Summary of SCG's Business Plan, p. 17.

   b. On page 4, the Joint IOUs indicate that they considered specific factors in the marketplace in determining "natural bundling" of statewide programs, such as whether "different end uses or technologies require different skillsets, a different set of manufacturers, trade organizations, and distributors to engage." Please provide all research and analysis used by the Joint IOUs in assessing "natural bundling" opportunities related to the statewide programs that SCG proposes to administer.

   c. On page 4, the Joint IOUs' mention their consideration of the historic cost-effectiveness of each PA in delivering each statewide program. Please clarify what year(s) of data were used by the Joint IOUs in this assessment and whether savings were IOU-reported gross savings or Energy Division's *ex post* net savings.

<u>Portfolio Budgets, Energy Savings, and Cost-Effectiveness</u>

6. Regarding Table 2 and Table 3 on pages 17 and 18, respectively, of SCG's Business Plan, please confirm that SCG forecasts declining costs per MM Therm at the "Market Sector Subtotal" level in each year from 2016 through 2025. If this is correct, please answer the following questions:

[1] *See* A.17-01-014, Exhibit 1 (SDG&E Business Plan), pp. 18-19.

a. To what factor(s) does SCG attribute its forecast of decreasing costs per MM Therm during the 2018-2020 period?

b. Please reconcile SCG's projection of annual decreases in $/MM Therm at the "Market Sector Subtotal" level with the following statement on p. 19: "As the transition to more third-party implementers takes effect from 2018-2020, SoCalGas expects cost-effectiveness to remain relatively unchanged throughout the near-term period, as existing programs are either revised or phased out." *See also* p. 20: "It will take some time for new third-party programs to ramp-up and mature for the portfolio to see the impacts on cost-effectiveness."

c. Does SCG's budget forecast for any of the years covered by its Business Plan reflect anticipated cost savings from the incorporation of new third-party programs per D.16-08-019? Why or why not?

7. In discussing "Mid and Long-Term Cost-Effectiveness" on page 20 of its Business Plan, SCG states that it anticipates that "Residential, commercial, and public direct install and bundling programs" will contribute heavily to its portfolio. SCG similarly indicates elsewhere on page 20 that "strategies such as the residential behavioral, commercial, and public direct install [programs]," among others, "will have positive impacts to maintain cost-effectiveness" during the near-term period. Regarding these statements:

   a. Please distinguish "direct install" and "bundling" as these terms are used on page 20. Indicate in your response whether "comprehensive direct install" (*See* Business Plan, p. 94) is a "bundling" strategy because it appears to combine "standard direct install" with co-pays and on-bill financing.

   b. For each of the following intervention strategies, please confirm that SCG plans to increase its reliance on that strategy in 2018-2020 relative to the 2016-2017 portfolio and indicate whether (and why or why not) SCG expects that strategy to positively impact portfolio cost-effectiveness in 2018-2020, all else being equal:

      - residential direct install,
      - residential bundling,
      - commercial direct install,
      - commercial bundling,
      - public direct install,
      - public bundling.

      Clarify whether SCG's response refers to "standard direct install" and/or "comprehensive direct install", as those strategies are defined on p. 94 of its Business Plan.

   c. Please provide data, analysis, studies, or best practices from California or other jurisdictions relied on by SCG in determining that it should expand its use of "standard direct install" and "comprehensive direct install" to support portfolio cost-effectiveness during the 2018-2020 period. Please address each customer sector to be targeted increasingly through direct install.

Please note that Question 11 below also asks about SCG's proposed expansion in the use of Direct Install.

8. Please provide the same information underlying SCG's energy savings forecast as provided by SCE in "Appendix C – EE Portfolio Savings Forecast" attached to its Business Plan, specifically the information in Tab 1 (Portfolio Budget) and Tab 3 (2018 Subprograms Est), which present savings on an aggregate basis by budget categories (Tab 1) and subprograms (Tab 3). TURN is attaching the original version of SCE's Appendix C to this Data Request for SCG's convenience, though we note that SCE has amended this document as part of its amended application filed Feb. 10, 2017, and the revised version has different tabs.

Portfolio Measure Composition and Intervention Strategies

9. SoCalGas reports that major retailers, including the Home Depot and Lowe's hardware store chains, "are withdrawing from point-of-sale (POS) programs due to rising transactional costs associated with their participation in the program." (Business Plan, p. 64). Are there program design modifications that could be made to remove such barriers to retailer support for POS programs? If so, what are they?

10. SCG identifies as a challenge to residential sector EE the fact that "Whole House retrofits are too costly for customers and the current program design is cost-ineffective." (Business Plan, p. 62.) Similarly, SCG explains, "For example, to date, the Home Upgrade program has seen an increase in customer participation, however, the program costs far outweighs the ratepayer benefit. SoCalGas will be searching for a more cost-effective program design to address the comprehensive whole home approach." (Business Plan, p. 31). Regarding these challenges, please address the following:

    a. Please explain which specific program design elements cause the Home Upgrade Program to be "cost-ineffective" in SCG's experience and offer any suggestions you have for program design modifications that would help to reduce or remove the barriers created by current program design. To the extent SCG offers ideas for program modification, please note whether such changes would be consistent with the CPUC's current EE policy rules or would require rule modifications.

    b. On page 22 of PG&E's Business Plan Application, A.17-01-015, PG&E requests that "the Commission order the exclusion of non-energy related costs from net participant costs in its decision approving the Application and provide for the selection of reasonable cost proxies in an open, transparent process in advance of the program administrators' ABAL [Annual Budget Advice Letter] filings in September, 2017." If the Commission were to grant PG&E's request, would excluding non-energy related costs from net participant costs in the Home

Upgrade Program address SCG's concerns about program cost-effectiveness? Why or why not?

11. Table 1 on page 14 of SCG's Business Plan indicates that the "Standard Direct Install" intervention strategy is an existing strategy for the Residential and Commercial sectors and will be newly applied to the Industrial, Agricultural and Public sectors. Similarly, this table shows that a new intervention strategy called "Comprehensive Direct Install" will be applied in all five customer sectors. SCG states on page 93 (Residential Sector) that "Comprehensive DI will rely, in part, on ratepayer funds and, in part, on customer co-fund contributions and/or customer financing" to "achieve deeper, more comprehensive energy efficiency equipment retrofits." *See also,* p. 139 (Commercial Sector); p. 184 (Industrial Sector); p. 231 (Agricultural); and p. 278 (Public Sector). Regarding this expansion in the use of Direct Install:

    a. For each of the five customer sectors, please provide the measures that SCG envisions offering through Standard Direct Install (SDI) and Comprehensive Direct Install (CDI).

    b. For each measure identified in response to part (a), please indicate whether the SDI or CDI strategy will be used for early retirement, replace-on-burnout, or both. To the extent that SDI or CDI will be used for replace-on-burnout conditions, please explain whether SCG will require that installed measures exceed code, as opposed to being "to code".

    c. For each measure identified in response to part (a), describe any strategies SCG will encourage or require to promote above-code measures (such as lower co-pays for CDI, higher tiered incentives, etc.).

12. The IOUs' joint response to Question 10 of TURN's Nov. 9, 2016 Data Request in R.13-11-005 (addressing the draft business plans of all four IOU PAs) included SCG's top 10 measure groupings expected to drive portfolio savings in 2016 and 2017, with that ranking determined by percentage of portfolio therm savings provided by each measure grouping (gross and net).

    a. Please clarify whether SCG's Nov. 9, 2016 response providing top 10 measure groupings by the "DEER UseSubCategory" includes all measures in the portfolio, DEER or otherwise, that can be categorized into the key measure categories.

    b. Please update your Nov. 2016 response to include the top 10 measure groupings, on a gross and net basis, underlying SCG's forecast of savings and portfolio cost-effectiveness for 2018-2020, as reflected in Table 8 on p. 20 of the Business Plan. In preparing your response, please consider "behavior" or "behavior programs" as a measure category.

    c. For each of the top 10 measure groups underlying your 2018-2020 savings forecast, as identified in your response to part (b) above, please specify the percentage of savings assumed in your cost-effectiveness calculations to come from each of the following intervention/delivery strategies:

upstream/manufacturer, midstream/distribution, midstream/retail, downstream direct install, other downstream, and custom. If your forecast of cost-effectiveness does not reflect any assumptions regarding intervention/delivery strategies, please explain the basis for the "implementation" and "incentives" cost projections embedded in the sector budgets and cost-effectiveness values presented on p. 17 in Table 2 (budgets) and on p. 20 in Table 8 (cost-effectiveness) in your Business Plan.

d. For each of the top 10 measure groups underlying your 2018-2020 savings forecast, as identified in your response to part (b) above, please specify whether your savings and cost-effectiveness projections reflect the assumption that the key measure grouping will be targeted in whole or in part through early retirement interventions. If your forecast of cost-effectiveness does not reflect any assumptions regarding early retirement vs. replace-on-burnout interventions, please explain the basis for your "implementation" and "incentives" cost projections embedded in the sector budgets and cost-effectiveness values presented on p. 17 in Table 2 (budgets) and on p. 20 in Table 8 (cost-effectiveness) in your Business Plan.

13. Following up on the IOUs' joint response to Question 11 of TURN's Nov. 9, 2016 Data Request in R.13-11-005 (addressing the draft business plans of all four IOU PAs), as it pertains to SCG:

a. Please update your response, if appropriate in light of your Business Plan, to indicate whether you intend to require or encourage, as a general matter, either higher tiered incentives for greater degree of energy efficiency above code requirements or variation in incentive levels by geography through your implementation plans and solicitations. If you do not expect to require or encourage implementers to offer either, please include in your response an explanation of why you believe this is reasonable given the possibility of stranding achievable, above-code, savings over the life of the new measure.

b. Please specify all instances in your 2016 and 2017 portfolios in which incentives for replace-on-burnout interventions are either tiered higher for greater degree of energy efficiency above code requirements or vary by geography.

c. Please specify all instances in your 2016 and 2017 portfolios in which incentives for early retirement interventions are either tiered higher for greater degree of energy efficiency above code requirements or vary by geography.

14. Following up on the IOUs' joint response to Questions 13 and 14 of TURN's Nov. 9, 2016 Data Request in R.13-11-005 (addressing the draft business plans of all four IOU PAs), as it pertains to SCG:

a. Please specify all instances in your 2016 and 2017 portfolios in which direct install has been/will be used to promote <u>early retirement</u>, and indicate whether programs using this strategy permit "to code" installation, require above-code installation, or use higher tiered incentives to distinguish among to-code and above-code levels of efficiency. If "to code" installation is allowed, please include in your response an explanation of why you believe this is reasonable given the possibility of stranding achievable, above-code, savings over the life of the new measure.

b. Please specify all instances in your 2016 and 2017 portfolios in which direct install has been/will be used to promote replace-on-burnout measure interventions, and indicate whether programs using this strategy permit "to code" installation, require above-code installation, or use higher tiered incentives to distinguish among to-code and above-code levels of efficiency. If "to code" installation is allowed, please include in your response an explanation of why you believe this is reasonable given the possibility of stranding achievable, above-code, savings over the life of the new measure.