BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (U338E) for Approval of Energy Efficiency Rolling Portfolio Business Plan.	Application 17-01-013 (Filed January 17, 2017)
And Related Matters.	Application 17-01-014 Application 17-01-015 Application 17-01-016 Application 17-01-017

RESPONSE OF SOUTHERN CALIFORNIA GAS COMPANY (U 904 G) TO THE REQUEST FOR SUPPLEMENTAL INFORMATION

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May 15, 2017

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Pursuant to the Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judges, dated April 14, 2017 (Ruling), Southern California Gas Company (SoCalGas) files its response to the Request for Supplemental Information Requested in Attachment A of the Ruling. Specifically, SoCalGas responds to questions posed in Sections I, II and IX of Ruling's Attachment A, as hereto attached in Appendix 1.

Respectfully submitted on behalf of
SOUTHERN CALIFORNIA GAS COMPANY,

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APPENDIX 1

RESPONSE TO RULING’S ATTACHMENT A

I. QUESTIONS APPLICABLE TO ALL PROSPECTIVE PROGRAM ADMINISTRATORS (PAs)

A. Business plans overall

1. Present a single table summarizing by sector (for the six specified sectors) their energy efficiency market potential, annual savings targets through 2025, and key metrics. This table should enable / facilitate assessment of how (well) the business plans go after efficiency potential, and of progress toward this potential.

Response

Table 1 below provides a summary of SoCalGas' sector level goals and metrics.

Table 1 - SoCalGas Sector Level Goals (MM Therms) and Metrics

		Short			*Mid*			*Long*	
Sector	**Savings**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Residential	**Gross**	4.73	4.73	4.98	5.24	5.49	5.74	5.99	6.25
	Net	2.8	2.79	2.93	3.07	3.22	3.36	3.5	3.64
	Market	4.660	4.954	5.056	4.017	4.166	4.294	4.498	4.498
	Baseline - 2015 Participation Levels	Metric 1- Increase adoption of whole house EE 15% by year 3. Metric 2- Increase EE savings in MF segment 5% by year 3.			Metric 1- Increase to 35% by year 7. Metric 2- Increase to 15% by year 7.			Metric 1- Increase to 50% by year 10. Metric 2- Increase to 15% by year 35.	
	2015 Energy Saving Levels	Metric 3- Increase adoption of energy efficient home gas appliances 5% by year 3. Metric 4- Increase EE from RNC SF 15% by year 3.			Metric 3- Increase to 15% by year 7. Metric 4- Increase EE from RNC SF 15% by year 5.			Metric 3- Increase to 25% by year 10. Metric 4- Increase EE from RNC SF 15% by year 10.	
Commercial	**Gross**	5.13	7.11	7.6	8.1	8.6	9.1	9.6	10.1
	Net	2.81	3.89	4.16	4.44	4.71	4.98	5.26	5.53
	Market	2.75	3.89	4.31	4.54	4.83	5.04	5.27	5.27
	Baseline - 2015 EE levels	Metric 1- Increase EE from all commercial targeted segments 5% by year 3. Metric 2- Increase EE participation by leased property 5% by year 3.			Metric 1- Increase to 15% by year 7. Metric 2- Increase to 15% by year 7.			Metric 1- Increase to 25% by year 10. Metric 2- Increase to 25% by year 10.	
	2015 commercial building stock levels	Metric 3- Increase number of ZNE-ready buildings in most segments 5% by year 3. Metric 4- Increase number of properly installed & maintained HVAC systems 5% by year 3.			Metric 3- Increase to 15% by year 7. Metric 4- Increase to 15% by year 7.			Metric 3- Increase to 25% by year 10. Metric 4- Increase to 25% by year 10.	
Industrial	**Gross**	10.19	10.19	10.19	10.19	10.19	10.19	10.19	10.19
	Net	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15

Table 1 - SoCalGas Sector Level Goals (MM Therms) and Metrics									
		Short			***Mid***			***Long***	
Sector	**Savings**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
	Market	6.14	6.10	6.06	6.02	5.98	5.90	5.83	5.83
	Baseline - 2015 Participation Levels	Metric 1- Increase EE from smaller industrial customers (<50k therms) 5% by year 3. Metric 2- Increase industrial program participants 15% by year 3. Metric 3- Increase EE from process-related projects 5% by year 3. Metric 4- Increase EE from medium (>50K therms) & large customers 5% by year 3.			Metric 1- Increase to 15% by year 7. Metric 2- Increase to 35% by year 7. Metric 3- Increase to 15% by year 7. Metric 4- Increase to 15% by year 7.			Metric 1- Increase to 25% by year 10. Metric 2- Increase to 50% by year 10. Metric 3- Increase to 25% by year 10. Metric 4- Increase to 25% by year 10.	
Agricultural	**Gross**	1.87	2.78	2.8	2.82	2.84	2.86	2.88	2.89
	Net	0.98	1.46	1.47	1.48	1.49	1.5	1.51	1.52
	Market	0.74	0.74	0.75	0.75	0.75	0.76	0.78	0.78
	Baseline - 2015 Savings levels	Metric 1- Increase EE from smaller (<50K therms) agricultural customers 5% by year 3. Metric 2- Increase participation in EE programs from agricultural sector 5% by year 3.			Metric 1- Increase to 15% by year 7. Metric 2- Increase to 15% by year 7.			Metric 1- Increase to 25% by year 10. Metric 2- Increase to 25% by year 10.	
	2015 Participation levels	Metric 3- Increase program participation 5% by year 3.			Metric 3- Increase to 15% by year 7.			Metric 3- Increase to 25% by year 10.	
Public	**Gross**	2.58	2.78	2.93	3.08	3.23	3.39	3.53	3.69
	Net	1.41	1.52	1.61	1.69	1.77	1.85	1.93	2.02
	Market	0.46	0.62	0.67	0.72	0.78	0.82	0.86	0.86
	Baseline - 2015 Participation Levels **Program tracking data**	Metric 1- Increase number of public program participants 15% by year 3. Metric 2- Increase number of customer policies that promote EE 5% by year 3. Metric 3- Increase EE from public customers in RHTR 5% by year 3.			Metric 1- Increase to 35% by year 7. Metric 2- Increase to 20% by year 7. Metric 3- Increase to 15% by year 7.			Metric 1- Increase to 50% by year 10 Metric 2- Increase to 50% by year 10. Metric 2- Increase to 50% by year 10.	
Cross-cutting: C&S	**Net**	12.7	12.6	12.2	10.9	10.3	9.6	9.1	9.1
	Market	12.7	12.6	12.2	10.9	10.3	9.6	9.1	9.1
	Baseline - Average of MM Therms per year 2011-2015	2018 - 19.5 MMTh statewide; 12.7 MMTh SCG2019 - 19.5 MMTh statewide; 12.6 MMTh SCG 2020 - 19.1 MMTh statewide;12MMTh SCG			2021 - 17.5 MMTh statewide, 10.9 MMTh SCG 2022 - 16.6 MMTh statewide, 10.3 MMTh SCG 2023 - 15.8 MMTh statewide9.6 MMTh SCG			2024 - 15.0 MMTh statewide, 9.1 MMTh SCG	

2. What evaluation studies or other research did you rely upon to inform your proposed intervention strategies and tactics for each sector, and how did those studies/research demonstrate the efficacy of the strategies and tactics in delivering the targeted savings?

Response

The evaluation studies and other research relied upon to inform the proposed intervention strategies and tactics for each sector were provided as reference throughout the Business Plan. Within the context of reviewed evaluation studies and other research, study results and/or research demonstrated that the implemented strategies and tactics applicable to their stated goals either achieved, or were likely to achieve, the intended results. Program staff reviewed the applicability of such strategies and tactics to SoCalGas' intended customer target market and the potential for reducing perceived market barriers while contributing towards the achievement of stated sector goals including targeted energy savings during the 2018-2025 timeframe. The strategies and tactics that were most likely to help achieve the intended goals were included as part of the Business Plan.[1]

B. Management and administrative strategies

3. Please justify administrative budgets, and describe primary determinants of budget. What are the drivers of administrative and implementation (non-incentive) cost categories?

Response

The administrative and direct implementation (non-incentive) (DINI) budgets presented in SoCalGas' Business Plan are based on historical portfolio, program, and cost category performance as well as market sector forecasts including the Energy Efficiency Potential and Goals Study for 2015 and Beyond and Assembly Bill (AB) 802 Technical Analysis. The overall energy efficiency portfolio budget is the primary determinant influenced by Commission directed energy efficiency goals and program policy mandates. The drivers of administrative and implementation costs are labor and non-labor costs associated with managing and delivering the energy efficiency portfolio.

4. How are administrative costs and implementation (non-incentive) costs expected to vary over time, either by sector or portfolio-wide?

[1] SoCalGas Business Plan, pp. 413-453, Appendix B.

Response

The administrative and DINI costs are expected to vary over time at the portfolio level since these costs support Commission directed energy efficiency goals and program policy mandates. However, at the sector level, additional time is required to identify the potential increase or decrease to administrative and direct implementation costs based on the final design and implementation of the statewide and the third-party programs.

5. As PAs transition to a role largely composed of administration, what are the best practices in administration the PAs will adopt (in order to maximize budgetary and administrative efficiency)? Describe any other internal approaches, metrics, or strategies that will be implemented by the PAs to ensure budgetary efficiency.

Response

Since the 1970s, SoCalGas has successfully administered energy efficiency programs. Over this time, SoCalGas has refined its administrative practices which contribute to making SoCalGas one of the most efficient and effective administrators in California based on the energy saved relative to portfolio expenditures (i.e., expenditure/therm). Such administrative refinements include: centralized administrative and program support functions (e.g., data analysis, etc.) that assist program activities; inspection optimization; automated reporting; and a dedicated, centralized management structure.

As presented in the Business Plan,[2] to maintain budgetary efficiencies and portfolio effectiveness, various administrative and support functions will continue to be centralized and supported directly by SoCalGas including: rebate processing; IT systems; contract oversight; inspections; reporting; program/portfolio oversight; data analytics and customer targeting; localized outreach; collaboration with PAs and program implementers; and customer engagement, to encourage SoCalGas' larger customers to actively engage with the third-party energy efficiency provider community. SoCalGas will also continue to monitor cost-effectiveness metrics and the expenditures per therm saved ($/therm) in the future. This will serve as the key operational metric to administrative efficiency and effectiveness.

[2] Business Plan at 34-35, Executive Summary.

6. What metrics will PAs use to determine administrative effectiveness and efficiency specifically?

<u>Response</u>

As stated in response to Question 5, cost-effectiveness and the expenditures per therm saved ($/therm) will serve as the key operational metric to administrative efficiency and effectiveness.

7. How often and what information will the PAs report to the Commission reflecting PA administrative spending and efficiency?

<u>Response</u>

SoCalGas will continue its reporting of administrative and cost-category spending and efficiency consistent with Commission's energy efficiency reporting requirements. Currently, PAs are required to report administrative cost on an annual and quarterly basis consistent as prescribed in the Energy Efficiency Policy Manual, version 5 dated July 2013.

C. Proposed budgets

8. Present a single table summarizing energy savings targets, and expenditures by sector (for the six specified sectors). This table should enable / facilitate assessment of relative contributions of the sectors to savings targets, and relative cost-effectiveness.

<u>Response</u>

Table 2 below provides a summary of SoCalGas' energy savings targets and budget forecasts by sector.

Table 2 – Sector Energy Savings Targets (MM Therms) and Budget Forecasts ($000s)											
Sector		**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
Residential 2018-2020 TRC: 0.75 PAC: 1.00	Gross Savings	2.9	3.82	4.73	4.73	4.98	5.24	5.49	5.74	5.99	6.25
	Net Savings	1.75	2.29	2.8	2.79	2.93	3.07	3.22	3.36	3.5	3.64
	Budget Forecast	$29,688	$29,613	$29,613	$29,128	$29,738	$30,354	$30,978	$31,610	$32,249	$32,896
Commercial 2018-2020 TRC: 1.28 PAC: 1.81	Gross Savings	6.00	6.04	5.13	7.11	7.6	8.1	8.6	9.1	9.6	10.1
	Net Savings	2.76	3.41	2.81	3.89	4.16	4.44	4.71	4.98	5.26	5.53
	Budget Forecast	$12,633	$13,438	$13,438	$15,440	$16,121	$16,808	$17,501	$18,201	$18,907	$19,620
Industrial 2018-2020 TRC: 2.54 PAC: 4.25	Gross Savings	8.39	10.19	10.19	10.19	10.19	10.19	10.19	10.19	10.19	10.19
	Net Savings	4.26	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15	5.15
	Budget Forecast	$12,976	$12,373	$12,373	$12,534	$12,700	$12,871	$13,046	$13,225	$13,410	$13,599
Agricultural 2018-2020 TRC: 1.97 PAC: 3.30	Gross Savings	2.06	1.87	1.87	2.78	2.8	2.82	2.84	2.86	2.88	2.89
	Net Savings	1.07	0.98	0.98	1.46	1.47	1.48	1.49	1.5	1.51	1.52
	Budget Forecast	$5,296	$3,618	$3,618	$4,471	$4,539	$4,608	$4,679	$4,751	$4,825	$4,901
Public 2018-2020 TRC: 1.00 PAC: 1.30	Gross Savings	-*	-*	2.58	2.78	2.93	3.08	3.23	3.39	3.53	3.69
	Net Savings	-*	-*	1.41	1.52	1.61	1.69	1.77	1.85	1.93	2.02
	Budget Forecast	$6,675	$8,377	$8,377	$8,706	$8,988	$9,273	$9,561	$9,854	$10,150	$10,450
Cross-cutting: C&S 2018-2020 TRC: 1.90 PAC: 291.65	Gross Savings	17.31	13.87	12.70	12.60	12.20	10.90	10.30	9.60	9.10	9.10
	Net Savings	17.31	13.87	12.70	12.60	12.20	10.90	10.30	9.60	9.10	9.10
	Budget Forecast	$843	$843	$843	$862	$881	$902	$922	$943	$965	$987
Cross-cutting: ET	Budget Forecast	$1,823	$1,748	$1,748	$1,789	$1,831	$1,874	$1,919	$1,964	$2,010	$2,058
Cross-cutting: Finance		$2,264	$2,264	$2,264	$2,316	$2,369	$2,423	$2,478	$2,535	$2,593	$2,652
Cross-cutting: WE&T		$3,819	$3,744	$3,744	$3,839	$3,937	$4,037	$4,140	$4,246	$4,354	$4,466
Totals** 2018-2020 TRC: 1.54 PAC: 4.30	**Gross Savings**	**36.66**	**35.79**	**37.20**	**40.19**	**40.70**	**40.33**	**40.65**	**40.88**	**41.29**	**42.22**
	Net Savings	**27.15**	**25.70**	**25.84**	**27.41**	**27.51**	**26.72**	**26.63**	**26.44**	**26.44**	**26.95**
	Budget Forecast	**$76,017**	**$76,018**	**$76,018**	**$79,085**	**$81,104**	**$83,150**	**$85,224**	**$87,329**	**$89,463**	**$91,629**

* Public sector gross and net savings are included in the Commercial sector in 2016 and 2017.
**2018-2020 Portfolio TRC/PAC including Codes & Standards listed under totals; portfolio TRC/PAC without Codes & Standards are 1.11 & 1.47, respectfully.

9. Using a common budget template developed in consultation with interested stakeholders (hopefully agreed upon at a "meet and confer" session), display how much of each year's budget each PA anticipates spending "in-house" (e.g., for administration, non-outsourced direct implementation, other non-incentive costs, marketing), by sector and by cross-cutting program.

Response

The Investor Owned Utilities (IOUs) and the non-IOU PAs have agreed to a common budget template and additional common narrative budget information approved by The Utility Reform Network (TURN) and the Office of Ratepayer Advocates (ORA), and will submit all budget-related information called for in Attachment A on or before June 12, 2017. Given the scope of the budget and accounting information requested by TURN and ORA, the resources required to compile the requested information, and the need to address regulatory issues, all parties agreed that it was not feasible to submit all of the budget-related questions by May 15, 2017.

10. Present a table akin to PG&E's Figure 1.9 (Portfolio Overview, p 37) or SDG&E's Figure 1.10 (p. 23) that not only shows anticipated solicitation schedule of "statewide programs" by calendar year and quarter, but also expected solicitation schedule of local third-party solicitations, by sector, and program area (latter to extent known, and/or by intervention strategy if that is more applicable). For both tables, and for each program entry on the calendar, give an approximate size of budget likely to be available for each solicitation (can be a range).

Response

SoCalGas will conduct sector level solicitations based upon the intervention strategies addressed in the Business Plan. The timeframes listed in the excel spreadsheet are in development and still open to modification. At this point, they should not be considered full and complete. SoCalGas may stagger the release of solicitations over a time period between releases, but this is still under development. Please see Attachment X for further explanation.

D. Proposed solicitation structure and schedule

11. How long does each PA anticipate the solicitation, contract negotiation, and mobilization period will take for third-party contracts? Describe the timetable for the entire process.

Response

The approximate timetable for a given solicitation is provided in Attachment Y. This process does not include the time and effort required to include other IOUs and/or Publicly Owned Utilities (POUs) as program partners or participants.

II. QUESTIONS APPLICABLE TO ALL INVESTOR OWNED UTILITIES (IOUs)

A. Statewide programs proposal

12. Please provide supporting information/evidence (including a scoring and/or comparison across/among IOUs) for each of the six criteria used to determine that each IOU should be the statewide lead for each program, as proposed in the IOUs' Statewide Administration Approach proposal.[3] In particular, it appears that progress toward the Strategic Plan objective of Residential Zero Net Energy (ZNE) will be pursued through four different statewide programs, under the leads of four different IOUs (Residential New Construction (SoCalGas), Building Codes Advocacy (PG&E), Residential Upstream HVAC (SDG&E), Lighting (SCE)). Provide a rationale for this approach.

Response

The IOUs used the list of statewide programs included in D.16-08-019, Ordering Paragraph (OP) 8,[4] and assigned lead program administrators to each of these programs, as ordered in OP 6.[5] In determining statewide lead assignments, the IOUs followed the Commission's expectation in D.16-08-019 that "natural leads with capacity to handle the statewide programs will either volunteer or be nominated by their peers, with a consensus approach brought forward to the Commission for consideration."[6] The IOUs considered multiple factors in putting forth these "natural leads." The recommendation to separate lighting, HVAC, and PLA is in part an acknowledgement of the vendors behind the manufacturing and distribution of these products. For example, a review of the manufacturers and distributors for HVAC technologies revealed redundant vendors within a technology family. This led IOUs to conclude there may be a "natural bundling" of HVAC (both residential and commercial). IOUs also found that the vendors behind other technologies, such as lighting, operate independently. The recommendations put forth by

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[3] Appendix A in PG&E's business plan.

[4] OP 8 requires the following programs be administered on a statewide basis: "Residential: Plug Load and Appliance Midstream, Heating Ventilation and Air Conditioning (HVAC) Upstream/Midstream, New Construction; Commercial: HVAC Upstream/Midstream, Savings by Design; Lighting: Primary Lighting, Lighting Innovation, Market Transformation; Financing: New Finance Offerings; Codes and Standards: Building Codes Advocacy, Appliance Standards Advocacy; Emerging Technologies: Technology Development Support, Technology Assessments, Technology Introduction Support; Workforce, Education, and Training: Connections; Government Partnerships: California Community Colleges, University of California/California State University, State of California, Department of Corrections and Rehabilitation."

[5] OP 6 requires the IOU PAs to include "…proposals for statewide programs and/or subprograms that comprise at least 25 percent of their portfolio budgets."

[6] D.16-08-019, p. 54.

the IOUs would support a streamlined approach for delivering products to market, taking into consideration the relationships with vendors and expertise in specific technology areas.

A quantitative scoring or analysis to evaluate the statewide leads is challenging due to disparity in statewide program designs. For instance, PAs categorize programs differently (e.g., PG&E's Residential HVAC program includes upstream, midstream, and downstream elements, while SDG&E has a stand-alone Residential HVAC upstream program), which makes it challenging to compare costs and performance. These differences require additional work to normalize for consistent comparison.

As a result, the IOUs did not score against the six criteria listed in the statewide administration white paper. However, PG&E and SCE prepared spreadsheets early in the evaluation that attempted to provide their own respective analyses of IOU statewide programs which showed relative savings, expenditures, cost-effectiveness, and other qualitative information using data provided in the IOUs' 2017 annual budget advice letters (PG&E is submitting the attachments on behalf of the IOUs. Please see PG&E's Response to the Scoping Memo). These documents were shared with all IOUs as the team was determining statewide lead assignments. Although this exercise was useful as a point of reference, it was not sufficient for decision making.

The IOUs recognize opportunities exist to modify many of the existing statewide programs in support of ZNE and are open to managing solicitations that allow for consolidation of statewide programs. The IOUs plan on bidding out the current set of statewide programs. They believe the third party solicitation process will generate innovation from new program proposals and designs.

13. Explain how the following concerns are anticipated to be addressed, and/or what models from California or elsewhere were reviewed to anticipate how to address these, or what next steps might be required to arrive at a clear and cost-efficient method for administering the statewide programs:

    a. Clarify the role of all PAs, and not just IOUs, in the anticipated governance/ oversight/communication structure and processes. How will anticipated cost efficiencies and uniform participation terms be achieved?
    b. Clarify the anticipated participation or input, if any, of external non-PA (e.g., end user and market actor) representatives or participants in statewide governance assigned to the "Statewide Program Council."

c. The Statewide Administration Approach proposal describes informal dispute/concern resolution among the PAs themselves, with resort to formal Commission dispute resolution only if the informal route does not succeed. Specifically, if a non-lead PA objects to the design/implementation of a statewide program, or budgetary obligation, what recourse do they have, if any?

Response

At a Commission workshop on March 24, 2015, Charles Goldman from Lawrence Berkeley National Laboratory presented the general functions and roles that are required for energy efficiency program administration (PG&E is submitting the attachments on behalf of the IOUs. Please see PG&E's Response to the Scoping Memo). The summary of these roles aligns with the approach the IOUs adopted in designing their statewide proposals. Building on the information presented by Mr. Goldman, the IOUs summarize the roles and functions of portfolio administration as follows:

- General Administration and Coordination
    - Contracts with primary contractors; coordination; and reporting to the public, state agencies, legislature, etc.
    - Infrastructure for data management, accounting, payments, IT systems, compliance with confidentiality and privacy laws, etc.
    - Governance and dispute resolution for statewide programs
- Goal Setting, Portfolio and Program Development & Planning, and Budgeting
    - Facilitate goal setting and planning with public input
    - Establish an overall portfolio with definition of and balancing of budgets, cost-effectiveness, goals, caps and targets, and metrics
    - Define the portfolio framework and maintaining long-term stability
- Portfolio and Program Administration and Management
    - Manage budget and sub-contracts for individual programs, provide basics of portfolio design, identify program needs, and provide oversight/guidance to implementers
    - Oversee the solicitation efforts for sector level program proposals and overall vendor and contract management
- Impact, Process, and Market Evaluations
    - Establish the evaluation framework

- Provide for market assessments, potential studies, impact evaluations, and cost-effectiveness assessments (often done by third-party evaluators).

a. *Clarify the role of all PAs, and not just IOUs, in the anticipated governance/ oversight/communication structure and processes. How will anticipated cost efficiencies and uniform participation terms be achieved?*

Response

Each statewide program will have a Program Council that includes a representative from each of the funding PAs.[7] The lead PA[8] for each statewide program will serve as the chair of the Program Council and will be responsible for coordinating and conducting meetings. The Program Council will meet on a quarterly basis, although meetings will likely be held more frequently at first. The Program Council will oversee the following activities:

- The scope of work and solicitation for the program
- Budget, metrics, and other reporting needs (e.g. records retention, audit, etc.)
- Statewide uniformity in program delivery and participation
- Program review, including territory specific performance and overall implementer performance

Furthermore, the lead PA will be responsible for serving as the single point of contact for communications with the third party. The lead PA is responsible for uniform statewide program delivery. Each Program Council can determine the appropriate time for the third party to present updates to the Council or if the lead PA will present on behalf of the third party.

The IOUs hope that the transition to the statewide model may contribute to reducing transaction costs as a result of consolidating operational and administrative aspects of program implementation. However, the IOUs underscore that the connection between statewide administration and cost efficiencies is a hypothesis that has not yet been put to the test. As a result, the IOUs cannot be certain these efficiencies will be achieved, particularly in the early

[7] A funding PA is an energy efficiency program administrator that contributes funding to a statewide program.
[8] A lead PA is the single energy efficiency program administrator that will serve "in the role of lead administrator for each of the statewide programs, with consultation with the other administrators of other key aspects of the portfolio" (D.16-08-019, p. 53). The lead PA will also "…be the final arbiter or decisionmaker with respect to the program" (D. 16-08-019, p. 54).

phase of the transition. Nevertheless, the IOUs plan to continuously search for opportunities to refine the model to reduce transaction costs for all funding PAs.

b. Clarify the anticipated participation or input, if any, of external non- PA (e.g., end user and market actor) representatives or participants in statewide governance assigned to the "Statewide Program Council."

Response

External non-PA representatives will not have a role in the statewide Program Council because the California Energy Efficiency Coordinating Committee (CAEECC) is the existing stakeholder forum for both statewide and local programs. It is anticipated that CAEECC will continue to be the main forum for input from non-PA participants.

c. The Statewide Administration Approach proposal describes informal dispute/concern resolution among the PAs themselves, with resort to formal Commission dispute resolution only if the informal route does not succeed. Specifically, if a non-lead PA objects to the design/implementation of a statewide program, or budgetary obligation, what recourse do they have, if any?

Response

The Program Council will strive for a consensus driven approach. However, if a non-lead PA raises a concern, it will be considered comprehensively for adoption at the programmatic and portfolio levels. If consensus cannot be reached at either of these levels, a convening of the funding PAs' leadership will attempt to resolve any issues before seeking formal Commission assistance with dispute resolution. Note also that the governance process must be flexible in order to allow PAs to adjust as they gain experience with statewide program administration.[9]

14. What are the statewide aggregate budgets for each statewide program?

Response

The IOU will base aggregate budgets for each statewide program on historic levels for solicitation purposes as described in the response to Question 15 below. However, some programs may

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[9] "Appendix A: Statewide Administration Approach" to the Statewide Administration Chapter in PG&E's Business Plan; "Exhibit 2: Statewide Administration Approach," in SDG&E's Business Plan; "Exhibit SCE-03: Statewide Administration Approach" in SCE's Business Plan; and "Appendix to the Executive Summary: Statewide Administration Approach" in SCG's Business Plan.

receive less funding overall, as is the case with the Primary Lighting program due to the effects of Codes & Standards. Final budgets will also depend on the results of the solicitations. In addition, there are several new statewide programs proposed in the business plans, and budgets from those programs are still being developed. The IOUs will also adjust budgets as needed so that a minimum of 25% of the portfolio budget qualifies under the definition of Statewide.[10] The IOUs anticipate including the estimated statewide aggregate budgets for solicitation purposes for these new programs in their supplemental budget information. This information will be provided after the meet and confer sessions with ORA, TURN, and other interested stakeholders.

The IOUs and the non-IOU Program Administrators have agreed to a common budget template and additional common narrative budget information approved by The Utility Reform Network (TURN) and the Office of Ratepayer Advocates (ORA), and will submit all budget-related information called for in Attachment A on or before June 12, 2017. Given the scope of the budget and accounting information requested by TURN and ORA, the resources required to compile the requested information, and the need to address regulatory issues, all parties agreed that it was not feasible to submit all of the budget-related questions by May 15, 2017.

15. How are statewide program budgets determined?

Response

Consistent with the Commission's direction, statewide program budgets will be determined by the funding PAs based on the savings potential in their respective service territories, Commission-approved goals, historical budgets, and their influence on overall portfolio cost-effectiveness.[11] For existing statewide programs, the funding PAs will also use their historic program budget levels to conduct statewide program solicitations. For new statewide programs, the budget will be determined based on each PA's overall portfolio cost-effectiveness analysis and the Commission-approved goals. These budgets will be adjusted and finalized by each PA, based on the results of the solicitations, to arrive at the annual statewide program budgets. Consistent with the Rolling

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[10] D.16-08-019, OP 6.

[11] D.16-08-019, COL 46, p. 103 states, "Statewide programs should be budgeted by each utility, with budgets trued up annually prospectively based on prior year's program participation by service area. The costs by utility area should be factored into each utility's portfolio cost-effectiveness analysis."

Portfolio approach, the statewide program budgets may change over the life of the Business Plan. Any budget updates will be presented in the annual budget advice letter.

The IOUs and the non-IOU Program Administrators have agreed to a common budget template and additional common narrative budget information approved by The Utility Reform Network (TURN) and the Office of Ratepayer Advocates (ORA), and will submit all budget-related information called for in Attachment A on or before June 12, 2017. Given the scope of the budget and accounting information requested by TURN and ORA, the resources required to compile the requested information, and the need to address regulatory issues, all parties agreed that it was not feasible to submit all of the budget-related questions by May 15, 2017.

16. If budgets are not finalized, what is the process for finalizing them?

Response

Please see response to Question 15 regarding the process for finalizing statewide program budgets.

17. Will administrative budgets vary across statewide programs, as a percent of program budget? If so, why?

Response

Yes, administrative budgets will likely vary across statewide programs as a percentage of program budget due to variations among the statewide programs. Variations include differences in program design, delivery channel, program maturity, targeted market size, and complexity. The PAs will manage administrative costs within the Commission's administrative cost cap.[12]

18. Clarify how the statewide budgeting / budget reporting will work with respect to the following:

   a. *Will non-lead IOUs provide the lead IOU with funding?*

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[12] D.09-09-047, OP 13 states, "Administrative costs for utility energy efficiency programs (excluding third party and/or local government partnership budgets) are limited to 10% of total energy efficiency budgets."

Response

Yes, the non-lead IOU PAs will provide the lead IOU with a specified authorized annual program budget for their service territory. Consistent with D.16-08-019, the IOU PAs will true up program expenditures among IOU service territories annually based on customer participation.[13] This process will enable the lead IOU and non-lead IOUs to be reimbursed up to an IOU PA's authorized program budget.

b. How much program budget are the non-lead IOUs required to offer, and how much administrative budget?

Response

Please see responses to Questions 15 and 17 regarding non-lead IOU funding requirements and processes.

19. How will statewide programs support complementary efforts across the PAs?

Response

As part of the guiding principles discussed in the Statewide Administration section of each IOU's Business Plan,[14] the PAs have agreed to several tenets, one of which is "do no harm." This tenet means the lead PA will make decisions that preserve the collective ability of all participating PAs to meet their energy savings goals, maintain a cost effective portfolio, and minimize impacts to existing local and downstream programs. Another tenet is to "take a stand for our customers," which means the PAs will make decisions that take into consideration the customer experience and strive for simplicity, clarity, and ease for all customers. Operationally, each Program Council will be responsible for coordinating and communicating with local programs so that duplication is minimized or eliminated, market and customer needs are being met, and PAs and implementers have the right information to manage their portfolio and program needs.

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[13] D.16-08-019, OP 7 states "Costs for each statewide program and/or subprogram shall be budgeted and trued up annually prospectively based on actual customer participation in each utility service territory."

[14] The guiding principles can be found in "Appendix A: Statewide Administration Approach" to the Statewide Administration Chapter in PG&E's Business Plan; "Exhibit 2: Statewide Administration Approach," in SDG&E's Business Plan; "Exhibit SCE-03: Statewide Administration Approach" in SCE's Business Plan; and "Appendix to the Executive Summary: Statewide Administration Approach" in SCG's Business Plan.

20. How will the PAs reconcile their expectations of savings and costs for shared programs (e.g., Plug Load Appliances)?

Response

The PAs' savings and budget levels will be finalized at the time contracts are executed for implementation. If actual savings and expenditures differ from expectations, the lead PA and implementer(s) will investigate and communicate the root cause with the funding PAs to determine next steps. Outcomes may include fund shifting, rebidding, modifying program design, or other actions.

21. Describe the management and procedural policy/process/strategy for ensuring third party implementation performance, specifically:

a. determining length(s) of initial contracts.
b. Will contract lengths be consistent across all statewide programs? Why or why not?
c. Will PAs have discretion to extend current third party contracts at will?
d. determining whether an expiring contract can be extended and when it must go to bid.
e. determining how many contracts /third parties would be retained for a statewide effort that calls for diverse skill sets not held by a single entity.
f. determining statewide funding and the funding contributed by each PA.
g. determining an administrative budget.
h. monitoring third party performance and ensuring appropriate accountability to stakeholders.
    i) Who will determine whether performance indicators have been met?
    ii) How will these be tracked and vetted by the lead PA and the co-funding PAs?
    iii) What role will stakeholders have in assessing third party performance?
j. ensuring that PAs provide adequate support to third parties and facilitate coordination with other portfolio activities.
k. facilitating communication and coordination across various portfolio activities and third party implementers within and across service territories.

Response

a. Determining length(s) of initial contracts.

The funding PAs intend to set contract term limitations on all agreements with third parties. In addition to this being a procurement best practice, the IOU PAs believe it will be important to review the Terms and Conditions of these new agreements on a regular basis. As these agreements will be part of the initial framework for new third party programs,[15] the IOU PAs will regularly evaluate third party performance against contract requirements and key performance indicators (KPIs) and will consider these factors when reviewing contracts for renewal or extension. Contract terms will be dependent upon program design and requirements.

b. *Will contract lengths be consistent across all statewide programs? Why or why not?*

No, contract lengths may not be consistent across all statewide programs because they will depend on market conditions, type of program, implementer, and the potential for meeting or exceeding metrics and goals.

c. *Will PAs have discretion to extend current third party contracts at will?*

Yes, PAs will have discretion to extend current third party contracts at will in accordance with the Commission policy.

d. *Determining whether an expiring contract can be extended and when it must go to bid.*

The PAs will evaluate third party performance against contract requirements and KPIs. Program evaluation of KPIs, performance, and metrics will inform whether an expiring contract could be extended or whether there is a need for program design changes, which could result in changes to contract lengths and/or termination. Any contract changes will be handled with the intention of providing a seamless transition for customers. Furthermore, the PAs will continually evaluate the need for additional solicitations to address non-performance and/or portfolio gaps.

e. *Determining how many contracts /third parties would be retained for a statewide effort that calls for diverse skill sets not held by a single entity.*

This decision depends on market conditions, program design, implementer proposals, and other factors. All funding PAs will participate in establishing evaluation criteria and subsequently evaluate solicitations against these criteria to determine the right mix of implementers for any given solicitation to meet metrics and goals.

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[15] D.16-08-019, OP 10 defines third party programs as those that are "proposed, designed, implemented, and delivered by non-utility personnel under contract to a utility program administrator."

f. Determining statewide funding and the funding contributed by each PA.

Please see the response to Question 15 regarding the funding of statewide programs.

g. Determining an administrative budget.

Please see the response to Question 17 regarding the determination of administrative budgets.

h. Monitoring third party performance and ensuring appropriate accountability to stakeholders.

i) Who will determine whether performance indicators have been met?

The lead PAs, in consultation with the funding PAs, will be responsible for evaluating implementer performance against KPIs.

ii) How will these be tracked and vetted by the lead PA and the co- funding PAs?

All funding PAs will participate in developing KPIs for inclusion in contracts. These KPIs will be consistent with the metrics proposed in the implementation plans. The lead PA will be responsible for providing regular updates to funding PAs on implementer performance against their KPIs. Each statewide Program Council will determine the cadence by which KPIs are reported.

iii) What role will stakeholders have in assessing third party performance?

Stakeholders will have the opportunity to provide input on overall program performance through the CAEECC process and will have access to publicly available implementation plan metrics and goals.

j. Ensuring that PAs provide adequate support to third parties and facilitate coordination with other portfolio activities.

Please see the response to Question 19 regarding coordination with other portfolio activities.

k. Facilitating communication and coordination across various portfolio activities and third party implementers within and across service territories.

Please see the response to Question 19 regarding coordination with other portfolio activities.

22. How will the Statewide Emerging Technology leads interact with the other IOUs in implementation of the business plans and technology priority maps? Explain in detail.

Response

Consistent with the statewide administration governance process, and assuming the Commission approves the IOUs' statewide program proposals in their business plans, there would be an Electric Emerging Technologies Program Council and a Gas Emerging Technologies Program Council. These two program councils would meet on a quarterly basis to coordinate efforts regarding the implementation of the business plans and the technology priority maps. In addition, these meetings would be conducted in a manner consistent with the structure described in the response to question 13.

B. Proposed solicitation structure and schedule

23. What considerations or factors did the IOUs account for in their strategy for bidding out the various programs / sectors?

Response

Each IOU presented unique transition plans in their Business Plans. Below is a high level overview of various considerations that may have been used in the development of the IOUs' third-party program solicitation strategies:

- Responding to new Commission policies related to statewide programs, the third-party program definition and third-party program minimum thresholds of 60% and 20%.
- Recognizing Commission identified programs earmarked for statewide implementation.
- Identifying pre-existing third-party programs and PA programs that may be continued, while consistent with the Business Plans.
- Identifying sector level needs and desired program strategies as presented in the Business Plans, including the EE potential and goals, regulatory guidance, legislative direction, market changes, and customer needs.
- Prioritizing solicitations for statewide programs and expiring third-party programs.
- Seeking greater cost-effectiveness in program delivery.
- Leveraging existing utility services (e.g., customer account representatives, billing services for financing, billing data for customer analytics, etc.).
- Seeking innovation that will improve the overall program portfolio performance and cost-effectiveness as well as smaller-scaled pilots to test innovative concepts.

- Responding to the Commission requirement for a smooth transition into the new third-party program approach through a set of phased program solicitations.
- Promoting a healthy and vibrant energy efficiency ecosystem in California, for both large and small providers, including a focus on Diverse Business Enterprises (DBE) contracting practices.
- Identifying contract efficiency opportunities, including longer-term contracts and pay-for-performance contracts, with and without the use of normalized metered energy consumption, where practical.

C. Industrial and Agricultural sectors

24. Given decline in market potential in the industrial sector and drop-off in participation, explain whether and how each IOU intends to increase participation.

Response

In the industrial chapter of each Business Plan, the IOUs identified barriers to participating in energy efficiency as well as strategies to increase participation. A discussion of IOU-specific strategies is included below:

SCE

SCE believes a set of new opportunities that may become available in the industrial sector could lead to changes in past customer participation levels. It remains unclear to SCE whether participation changes will result in a net increase from past participation or market potential. Initial observations and results from implementation of these new opportunities would help better answer that question. SCE anticipates the following new opportunities:

- Converting its current non-resource Continuous Energy Improvement program to a savings-eligible Strategic Energy Management program, initially to be piloted with industrial customers with large energy usage profiles;
- Introducing existing condition baselines and behavioral, retrocommissioning, and operational savings claims for non-strategic energy management industrial customers are expected to yield additional eligible activities;

- Implementing a pilot exploring behavioral energy savings claims potential through the use of industrial facility energy management systems; and
- Supporting deeper analysis, if needed, into past and future Industry Standard Practice guidance in order to clarify and provide greater differentiation regarding technology scope and customer applicability.

SCE anticipates working with third-party partners to execute these and other strategies to help determine our potential to successfully increase industrial sector participation. SCE actively participates in statewide improvement processes[16] where approved simplification efforts could help improve industrial sector participation as well.

PG&E

PG&E identifies a variety of approaches in its business plan that will be leveraged to increase participation. In particular, PG&E highlights the introduction of Strategic Energy Management as a key element in our vision to reduce unnecessary energy use in the industrial sector. The initial framework and continued development of the Strategic Energy Management platform will potentially enable PG&E and its partners to reach a broader set of customers, pursue behavioral and operational savings, and see an increase in engagement year after year.

PG&E believes industrial customers' participation will take on many forms, from accessing and reviewing real time energy data to make smarter energy management decisions (e.g., data access and awareness intervention strategy) to working closely with an expert to populate a long-term energy management plan (e.g., technical assistance and tools intervention strategy). PG&E designed its intervention strategies to be multifaceted to address the industrial sector's diverse customer base. Enhanced customer targeting and strategic partnerships, options for financial assistance, new program designs, robust technical services, and leveraging the upstream channel for basic equipment needs will all be necessary for meeting PG&E's participation goals and targets.

[16] D.15-10-028, pp. 95-102 and D.16-08-019, pp. 38-39.

PG&E will look to third parties with expertise in the industrial sector to propose, design, and deliver programs that support the goals it has outlined for this sector in its Business Plan Industrial sector chapter, page 2.

SDG&E

For the limited industrial market in San Diego, SDG&E plans to maximize savings through the use of third parties with expertise in the industrial sector and the Strategic Energy Management intervention strategy.

SoCalGas

SoCalGas industrial customer sector represents nearly 25% of the natural gas consumed by all program-eligible customers. The industrial sector has a unique set of barriers facing the industrial customer. SoCalGas will reduce these barriers by a complimentary, integrated set of program intervention strategies that will actively engage the customer to capture both stranded market and economic energy efficiency potential. Through approaches outlined in the Industrial Sector Chapter, SoCalGas is pursuing high adoption of energy efficiency solutions across all industrial segments with particular emphasis on ensuring high adoption among smaller industrial customers that demonstrate high energy efficiency potential relative to their segment and size. Industrial organizational practices and simple customer engagement with reduced customer transactional costs will facilitate the investment in and the pursuit of energy efficiency solutions. Some specific strategies outlined in the Business Plan include:

- Strategic Energy Management
- Small Industrial Outreach
- Technical Assistance
- Pay-for-Performance

SoCalGas will look to third parties with expertise in the industrial sector to propose, design, and deliver programs that support increased participation in the industrial sector. Additionally, SoCalGas is an active participant in statewide custom project improvement processes to simplify the custom process to help improve industrial sector participation and increase savings.

D. Finance

25. Specify whether each IOU considers finance a resource or a non-resource program, and why.

Response

The IOUs consider energy efficiency financing to be resource programs per D.12-05-015 and D.12-11-015. D.12-05-015 states, "We also clarify that we consider this statewide financing portfolio category as a whole to constitute a set of 'resource' programs designed to deliver additional savings beyond those that would otherwise be achieved by other programs."[17] Additionally, the approved utility energy efficiency budgets for 2013 and 2014 identified in D.12-11-015 include financing as part of "statewide resource programs" along with residential, commercial, industrial, agricultural, lighting, and codes and standards programs.[18]

26. If any IOU considers finance as a resource, how does/will it measure the savings?

Response

On January 24, 2014, Energy Division (ED) issued its disposition for the IOU's statewide workpaper titled "On Bill Repayment Energy Efficiency Financing Pilots." The disposition states energy savings would be determined on an ex post basis in coordination with ongoing EM&V efforts, which will help inform ex ante savings parameters for future program cycles. Based on this direction, the IOUs are awaiting the results of the financing pilots' evaluations before prematurely measuring, forecasting, and reporting savings. The IOUs are currently reviewing the draft impact evaluation, "Assessing the Cost-Effectiveness of Energy Efficiency Financing Programs," to assess how we might claim incremental savings for finance programs.

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[17] D. 12-05-015, p. 136.
[18] D. 12-11-015, Table 13, p. 103.

E. Codes and standards

27. How were the codes and standards goals in the business plans determined?

Response

The goals presented in the Codes and Standards Business Plan chapters are derived from the 2015 Potential and Goals study.

28. Do the statewide goals listed include federal standards, reach codes or only statewide goals attributable to advocacy?

Response

The statewide goals listed in the Business Plans include federal appliance standards, California Title 20 appliance standards, and California Title 24 building codes. Reach codes, while considered a resource sub-program, do not have savings embodied in statewide goals or expected IOU accomplishments.

29. Are the IOUs coordinating on federal standards advocacy? If yes, how?

Response

Although federal standards advocacy is not a component of the statewide program, the IOUs keep each other informed of their federal standards advocacy efforts. When there is agreement among IOUs, joint comment letters may be filed in federal proceedings in support of the IOUs' position. Independent comment letters are filed when positions differ among IOUs.

IX. QUESTIONS APPLICABLE TO SOUTHERN CALIFORNIA GAS COMPANY (SOCALGAS)

A. Overall portfolio

158. How will energy savings be doubled without any increase in budget?

Response

The budget put forth in the Business Plan is based on goals known today. SoCalGas recognizes that when the California Energy Commission (CEC) and Commission put forth new goals as a result of SB 350 later in 2017, the budget will need to be adjusted to account for an expected increase in goals.

B. Statewide program solicitation

159. Provide a solicitation strategy for emerging gas technologies or otherwise explain its absence.

Response

SoCalGas provides a solicitation strategy of the Gas Emerging Technologies Program (ETP) in Section F, Statewide Programs, and Section G, Transition Plan, within the Executive Summary chapter of the Business Plan. As indicated in the Business Plan, SoCalGas intends to work closely with the Statewide lead for the Electric Statewide ETP and supporting PAs through the transition to Statewide Administration. SoCalGas' response to Question 22 (Section A. Statewide Program Proposal) further describes the collaboration between the statewide Gas/Electric Emerging Technology Program Councils. The statewide ETPs intend to continue coordination activities with the Emerging Technologies Coordinating Council which includes non-IOU utility members, like the Sacramento Municipal Utility District (SMUD) and the Los Angeles Department of Water and Power (LADWP). SoCalGas will monitor the results of strategies employed and will continue to tailor the approach to meet ETP goals as experience is gained.

C. Residential sector

160. Explain how the stated zero net energy goal will be reached by exceeding code by the stated five percent, and by the strategy of efficient gas usage.

Response

As stated in the Business Plan, SoCalGas proposes to capture potential lost opportunities in both residential single family and multi-family new construction by promoting efficient gas technologies to homebuilders.[19] To help support California's goal to achieve Zero Net Energy (ZNE) single family and multi-family home new construction, the residential new construction program will have the following key objectives:

- Promote energy efficient home and building design and construction to the home design and builder communities.
- Promote the installation of efficient electric and gas appliances as well as renewable technologies and supply sources (photovoltaics, renewable gas, etc.) into residential new construction.
- Hold building design and other educational workshops to promote the design, construction, and purchase of ZNE homes.
- Coordinate with key industry partners in the design, promotion, and acceptance of ZNE residential community concepts.

161. Define Central Facility and Dual Facility, as referenced in Table 7 on Residential Sector (page 69).

Response

Facility types are classified by the function that a meter provides to the facility; they are defined as follows:

- *Central Facility*: A meter provides gas service to one or more units for baseline[20] and/or non-baseline usage. Units within the facility may or may not be individually metered.

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[19] SoCalGas Business Plan, p. 80.

[20] Baseline refers to the number of therms allocated to residential customers to be billed at the lowest rate. Baseline allowances are set by the State Legislature and approved by the Commission.

Example

One meter serves a central water heater that provides water to ten units. However, each of the ten units are individually metered to provide gas usage for cooking and space heating.

- *Dual Facility*: A meter provides gas service to both a central facility and one or more unmetered residential units via a master meter. The central facility may also supply gas service to one or more individually metered units for baseline and/or non-baseline usage.

  Example

  The meter serves a central water heater that provides hot water to nine units. The nine units are individually metered to provide gas usage for cooking and space heating. The master meter provides gas service for cooking, water heating, and space heating to one unit. This one unit is not individually metered.

162. Provide California or national evaluation citations that support the valuation of green labeling / energy efficiency for prospective multifamily tenants.

Response

In analyzing energy efficiency opportunities in the real estate market, the U.S. Department of Energy study concluded that:

> A growing number of studies suggest that some homebuyers are willing to pay a premium for energy-efficient homes. Real estate professionals are increasingly aware that today's homebuyers consider heating and cooling costs, efficient appliances, and efficient lighting to be important factors in home purchase decisions. Residential energy efficiency and real estate stakeholders, however, agree that the home resale process frequently fails to account for the value of high-performance home features. If investments in energy efficiency were more accurately reflected in home resale prices, homeowners could have greater confidence that these investments would be recouped at resale, and they might make more investments in efficiency.[21]

Strategies to encourage greater investment into deeper, more comprehensive residential retrofits in both the single and multi-family home markets will likely create an improved real estate

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[21] United States Department of Energy (2015, November), *capturing energy efficiency in residential real estate transactions*. p. 1. Retrieved from https://emp.lbl.gov/sites/all/files/c-1176_better_buildings_real_estate_white_paper6.pdf

investment for the homeowner and operational cost savings for the tenant living in either single family or multi-family homes.

The study provides several examples, throughout the country, where various energy efficiency program tactics were successfully deployed that support a home resale labeling strategy whereby the value of energy efficiency improvements is accounted for in the resale price of the home.

163. Whole House gas savings disappear starting in 2021, according to the Potential and Goals Study. How does SoCalGas have targets for "Whole House solutions" in the mid- and long-term?

Response

The Potential and Goals Study by Navigant Consulting was completed mid-2015 utilizing the best available information at the time. In the report, Whole House gas savings for low-income households were projected to drop to zero due to the uncertainty over Commission policy beyond 2020.

However, due to recent developments including the authorization in D.16-11-022 allowing for the retreatment of low-income households,[22] SoCalGas plans to make new projections for Whole House gas savings. Additionally, SoCalGas is reviewing results of the recently completed Home Upgrade Impact Evaluation by DNV-GL and collaborating with Navigant to update targets for our Whole House programs.

164. SoCalGas' residential new construction gas savings goal remains constant for the short-, mid-, and long-term, at a 15 percent increase over 2015 baseline. Does SoCalGas not see a potential to increase gas savings from the residential new construction program over the course of the business plan, and if not, why not?

Response

SoCalGas sees future potential for increased gas savings from residential new construction over the course of business, but is uncertain of future ZNE-related code changes to gas efficiency especially in the mid- and long-term periods. As a result, the proposed metric targets do not increase over time. However, SoCalGas fully expects to see future gas savings in the mid-term

[22] D.16-11-022, p. 470 (OP 79).

and will modify the metric target to reflect the yet-to-be adopted 2019 Building Energy Efficiency Standards (Title 24, Part 6).

D. Commercial sector

165. Due to the limited natural gas usage within many of the customer segments, how will SoCalGas target the SMB sub-sector with local utility partnerships?

Response

SoCalGas will target the smaller-sized or small medium business (SMB) customer group by implementing different program intervention strategies including utility partnerships, where feasible. A utility partnership strategy is especially important with smaller-sized customers as partnering utilities can more efficiently deliver a simplified, yet comprehensive, customer engagement where it would not be practical to do so as a single utility, especially for customers with limited natural gas usage. For example, partnering utilities can offer a standard and/or comprehensive direct install strategy that will enable shared customers to receive gas, water, and electric efficiency solutions. SoCalGas proposes to rely on the Intelligent Outreach strategy[23] to efficiently target customers in all groups and sectors, including smaller-sized customers.

166. How will the direct install offering's new approach benefit the SMB customer segment?

Response

SoCalGas proposes to complement its current standard direct install offering to smaller-sized customers with a comprehensive direct install strategy that includes a required customer co-payment and an on-bill financing/repayment option. A comprehensive offering will allow customers to overcome the high first cost market barrier thus allowing for deeper, more comprehensive energy efficiency compared to the current standard direct install offering. In addition, as indicated in response to Question 165 above, a utility partnering strategy will create other energy and water efficiency benefits for the smaller-sized customer including a simplified customer experience.

[23] Business Plan, Table 6, p. 116, p. 131.

167. Will the gross and net annual savings double by 2025? Explain the savings trajectory.

Response

For the commercial sector, the forecast for the SoCalGas service territory shows a doubling of the annual energy savings forecast from 2018 to 2025. The commercial sector gross and net annualized energy savings forecasts are based on the current California Public Utilities Commission (CPUC) directed goals for the SoCalGas service territory through 2025.[24] The CPUC-adopted goals were allocated across each customer sector based on the annual incremental market potential based on the current Energy Efficiency Potential Study.[25]

168. Phase I of the third party solicitation process states that the programs will be re-solicited; will SoCalGas include a re-solicitation of all existing commercial programs?

Response

The Business Plan states that in the initial phase (Phase I) of the proposed transition plan, SoCalGas intends to refresh its current third-party program offerings by re-soliciting those programs that do not currently meet the CPUC's new third-party program definition.[26] This includes most of the existing third-party programs. However, SoCalGas is not committed to offering the same programs in its portfolio, and looks forward to receiving new program design ideas from third parties based upon the SoCalGas program portfolio needs.[27]

169. Does SoCalGas have a benchmarking program in place for the SMB sub-sector? If so, explain what exists or is envisioned.

Response

Currently, SoCalGas has a benchmarking program that is open to all commercial sector and sub-segment customers, including small and medium businesses. Whether mandated by policy makers or encouraged by market forces, whole building aggregated or individual tenant specific data, benchmarking is a critical first step in understanding how a building is performing and what

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[24] Business Plan, Tables 3 and 4, p. 18.

[25] Navigant Consulting, Inc. (2015, September 25). Energy Efficiency Potential and Goals Study for 2015 and Beyond, Stage 1 Final Report, p. 53. Retrieved from http://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=4033.

[26] Decision 16-08-019, OP 10, p.111.

[27] p. 29.

can be done to maximize that performance for short and long-term financial gain. To this end, SoCalGas currently supports several state and local benchmarking policies and programs including:

- California Assembly Bill 802 - Building Energy Use Benchmarking and Public Disclosure Program
- The City of Los Angeles Existing Building Energy and Water Efficiency Ordinance
- California Clean Energy Jobs Act (Proposition 39)
- Benchmarking with ENERGY STAR® Portfolio Manager®

SoCalGas proposes to continue a benchmarking program and will look to expand the offering by partnering with publicly-owned utilities, where there are shared customers, to create a more comprehensive approach.

E. Industrial and Agricultural sectors

170. How does fuel switching from diesel to natural gas meet energy efficiency goals?

Response

SoCalGas does not propose in its Business Plan any strategy to switch diesel to natural gas for energy efficiency. Any fuel switching that will be counted as energy efficiency must pass the three-prong test.

F. Public sector

171. Is it possible to weigh policies enacted by public sector customers, as shown addressing Desired Outcome 2 in Table 9, such that effective policies (or those expected to be effective) are given greater value than, e.g., symbolic policies that don't tend to yield energy savings?

Response

No, SoCalGas finds that it is not practical to weigh policies against each other. The proposed metric related to Desired Outcome 2 in Table 9,[28] will signal changes in the public sector customer's willingness to permanently include energy efficiency in its decision-making processes.

[28] Business Plan at 283-284.

The desired outcome to permanently modify public sector customer's organizational practices that promote adoption of energy efficiency actions can manifest itself through adopted organizational policies and procedures. If such policies and procedures are not pursued within discrete departments within the organization, they then become less effective. However, without the initial adoption of such policies, public sector organizations will unlikely incorporate energy efficiency in its decision-making processes. As a result, the proposed metric will signal the customer's willingness to adopt energy efficiency in its decision-making processes.

172. Is Desired Outcome 3 intended to mean that SoCalGas aims to promote accelerated energy efficiency uptake in disadvantaged communities? If so, will SoCalGas compare energy efficiency savings of public customers within disadvantaged communities to the general population of public sector customers?

Response

The Desired Outcome 3 in Table 9[29] is intended to significantly increase energy efficiency levels among public sector customers serving disadvantage communities. The proposed metric will monitor increases in energy efficiency levels for these customers relative to their 2015 energy efficiency participation levels. However, the metric supporting the Desired Outcome 1 in Table 9 will monitor the energy efficiency participation levels of all public-sector customers so comparisons among the two groups can easily be made.

G. Emerging Technologies

173. How will SoCalGas link Technology Priority Maps to energy savings activities such as programs or codes and standards?

Response

Technology Priority Maps provide strategic direction for ETP technology assessments and demonstrations. However, the outcome of technology assessments and market response to emerging technologies may vary. Technologies that ETP recommends for measure adoption by programs or C&S will be tracked in the new Statewide ETP database. This database will support linking ETP recommended technologies to the resource programs that offer these technologies, and to the savings reported by the resource program, as well as linking to indicators that should

[29] Business Plan at 284-285.

also be considered to accurately gauge ETP's success as contained in Appendix B to ETP, ETP Tracking Metrics. Note that the measure adoption process can be long, particularly for codes and standards. Implementing database functionality and reporting of savings will require coordination and system updates to non-ETP information technology infrastructure that are used to track critical pieces such as measure development and resource savings reporting systems.

174. Does "# of adoptions into C&S" include both technologies that move from emerging technologies programs to codes and standards, and technologies that move from emerging technologies through the portfolio into codes and standards? Or are both of these pathways into C&S going to be quantified separately?

Response

The "# of adoptions into C&S" was provided as an example metric that can be tracked for informational purposes, for example whether an ETP activity or project is planned or expected to support C&S. While the new SW ETP database can be designed to track linkages or measure adoptions by both the C&S and other resource programs, this tracking would typically only occur after a resource program has decided to include an emerging technology where ETP has had a role supporting through its program activities. Additionally, the development process through ETP to adoption does not always follow a prescribed pathway and may be difficult to track in such a manner.

175. Explain the methodology and attribution method behind "Gross first-year kWh and kW saved" in detail.

Response

Please see Energy Division's 2006-2008 and 2013-2014 evaluation of the ETP.[30] [31] Per the report, the Energy Division evaluators matched measure codes from the ETP database with the EE savings database, and included all resulting savings in the EE savings database.[32] Furthermore,

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[30] Available at http://www.calmac.org/publications/ETP_Phase_II_Program_Effects_Report_Volume_I_FINAL.pdf.

[31] Available at http://calmac.org/publications/PY20132014_ETP_Targeted_Effectiveness_Evaluation_Volume_I_FINAL.pdf.

[32] In SoCalGas' case, the saved energy should be in units of therms rather than kWh and kW.

savings estimates by ETP are based on the technical potential of the technology, not the measure as provided in a program, and are used as one criteria to prioritize ETP projects and investments.

176. Does "(Desired) Estimated energy savings" refer to predicted energy savings (ex-ante) or realized energy savings (ex-post)? Explain.

Response

"Desired" refers to ETP's desire to include a metric that tracks gross first-year kWh, kW, and therm savings as delivered by the resource programs. This metric would track claimed ex-ante savings from measures recommended by ETP, as reported to the CPUC by the resource programs based on pre-existing CPUC-approved methodology for making savings claims.

Note that savings estimates by ETP are based on the technical potential of the technology, not the measure as provided in a program, and are used as one criteria to prioritize ETP projects and investments. Estimated energy savings tracked through this metric are expected to differ.

H. Codes and standards (C&S)

177. The baseline average column in Table 6, C&S section (page 321) has no values entered. Please provide these values or explain their absence.

Response

SoCalGas intended the values of Table 6 in the C&S chapter to reflect the same information provided as in Table 8.1 of PG&E's Business Plan identifying potential savings targets based on the 2015 Potential and Goals Study and therefore did not include the baseline average values. These values should be specific to each IOU as shown in Table 8.10 of PG&E's Business Plan. SoCalGas will use the same baseline methodology of the average MMth across the 2011-2015 period. An initial baseline metric of 4.61 MMth is provided which is expected to be updated once the 2013-2015 impact evaluation for C&S is completed.

178. The values in Table 6 on the Codes & Standards section (page 321) are different than the values shown for SoCalGas's MMTherms savings share in Table 8.1 in the PG&E Business Plan. Explain the discrepancy.

Response

Table 6 of the C&S chapter utilizes the same data and values as provided in Table 8.1 of PG&E's Business Plan, the net incremental C&S savings from the 2015 potential and goals study.[33] The GWh, MW, and MMth energy savings targets displayed in Table 6 are the annual cumulative values across all the IOU PAs from 2018 through 2024. SoCalGas expects these values to be adjusted when the 2018 Potential and Goals Study is released.

I. Finance

179. The discussion of sector barriers and market challenges with regard to accessing capital for energy efficiency sets the expectation of an implied set of strategies. However these do not fully emerge in the sector business plans. Provide expanded explanation of how SoCalGas will use its portfolio activities to:

a. secure greater use of financing by customer segments with energy efficiency potential but low current levels of energy efficiency uptake,

b. ensure streamlined finance/rebate processes that attract contractor and customer/borrower participation, and

c. overcome the barrier that on-bill financing (for non-residential and multi-family landlords) is unable to finance a common situation of gas efficiency projects with paybacks longer than five years.

Response

SoCalGas is working alongside the California Alternative Energy and Advanced Transportation Financing Authority (CAEATFA) to support and launch the new financing pilots approved in D.13-09-044. Training will be provided to all contractors and implementers of SoCalGas programs to utilize the financing pilots and On-Bill Financing (OBF) as additional tools to encourage and close energy efficiency projects with customers. Additionally, SoCalGas will work with implementers to streamline both the finance and rebate processes for customers and contractors.

[33] Net incremental C&S savings from the 2015 Potential and Goals Study are listed in Figure 1 of D.15-10-028 as a part of the IOU Territory annual savings goals for the 2016-2024 period.

SoCalGas views the new financing pilots as fulfilling a gap in the energy efficiency financing market, especially in areas where OBF is ineligible. Lessons learned from each of the financing pilots will be used to run full-scale financing programs or to develop new programs to overcome observed barriers.

180. For the commercial sector, Challenge 2 indicates the commercial sector is trending toward more leased properties, creating larger split-incentive barriers. Given this phenomenon, it is unclear how a combination of simplified financial incentives, direct installation (presumably in small properties), and/or on/off bill repayment financing will be attractive and overcome the split incentive barriers. Expand upon which market segments (relative to energy efficiency potential) are expected to take advantage of one or more of these financial support mechanisms, which segments are unlikely to see them as appealing, the relative energy efficiency potential represented by each, and what strategies will be developed to overcome the split incentive problem.

Response

As identified in Challenge 2 of the commercial sector in the Business Plan,[34] the market trend is indicating growth towards more leased properties creating a growing split-incentive barrier between owners and tenants. The split-incentive market barrier coupled with the high first cost and lack of information barriers create a formidable obstacle to delivering greater levels of energy efficiency. To overcome these barriers, especially for smaller-sized commercial customers, a combination of simplified financial incentives as well as standard and comprehensive direct install options coupled with OBF/repayment may provide a recipe for capturing more energy efficiency within this commercial customer group. As noted in a recent study, a streamlined approach to offering program strategies, such as direct install, is a successful element in a number longstanding, successful programs across the country.[35] The same report notes that by offering financing options, the high first cost market barrier will be reduced and customers will be encouraged to implement more comprehensive retrofits and deeper savings.

Commercial customers in all segments with site-specific energy efficiency opportunities will be proactively offered simplified incentives, direct install and OBF/repayment program strategies. Through the proposed Intelligent Outreach strategy, meter-based energy consumption will be

[34] Business Plan at 143.
[35] Nowak, S. (2016, November 21). Big opportunities for small business: Successful practices of utility small commercial energy efficiency programs, p. v.

analyzed using data analytic techniques to identify those customers with energy efficiency potential. The direct install and simplified incentives strategies will offer those measures with energy efficiency potential to smaller-sized customers in all commercial segments. The offerings may likely include such measures as efficient water heating, pipe and tank insulation, and efficient gas heating.

SoCalGas anticipates that these options will attract customers from all segments, particularly those facing a high first cost barrier. The restaurant segment is one example of a customer base likely to participate as this segment typically faces expensive renovations and equipment upgrades at the time of the business launch. The cumulative incremental energy efficiency market potential for this segment is approximately 14 MMTherms (2018-2024).[36]

In addition to the above-mentioned strategies, SoCalGas will look to a green leasing strategy for commercial office buildings to further help reduce the split-incentive market barrier. Green leases integrate sustainability practices, including energy efficiency, water conservation, comfort, and productivity, into the entire commercial leasing process. Through green leases, both owners and tenants commit to sustainability in their operations, helping to address the split-incentive market barrier.

181. For the multi-family sector specifically, SoCalGas relies heavily on "Comprehensive Direct Install" that combines a co-pay requirement with the offer of on-bill financing. Clarify what types of common area versus in-unit measures, and metering profiles (master versus dwelling unit gas meters) segments this strategy will tackle.

Response

The Comprehensive Direct Install (CDI) strategy, in combination with a customer co-payment requirement and OBF/repayment option, will be targeted at property owners of both master-metered and individually-metered profiles. CDI will focus on energy efficiency measures that are not typically retrofitted due to their higher cost and perceived lack of benefit for the property owner. A complete set of measures will be identified at the completion of the third-party program(s) selection process. However, SoCalGas envisions the following measure types may

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[36] Navigant Consulting, Inc. (2015, September 25). Energy Efficiency Potential and Goals Study for 2015 and Beyond, Stage 1 Final Report. Retrieved from http://www.cpuc.ca.gov/WorkArea/DownloadAsset.aspx?id=4033.

likely be part of a multi-family CDI program, if owned by the property owner (for both common area and in-dwelling, unless noted otherwise): efficient water heating, efficient gas furnaces, building envelope insulation, efficient laundry equipment, efficient pool heating (common area only), efficient dishwashers (in-dwelling only), and boilers and controls (common area only).

182. SoCalGas presents "an enhanced on-bill financing strategy" for the public sector (p. 280) that will

- extend the loan period,
- increase the eligible loan amount
- possibly offer "construction" loan financing to cover installment payments, deposits, etc.

a. Since these changes appear to alter current policies regarding the on-bill financing program, address the implied cost to ratepayers, potential increase in risk from these changes.

b. Is SoCalGas specifically requesting these policy changes be authorized by the Commission in the Business Plan Application, to be followed by appropriate advice letter tariff filings?

c. Why is the On Bill Repayment program, offered by the California Hub for Energy Efficiency Financing pilots and including public sector customers, not an appropriate mechanism for larger loans and longer loan periods?

Response

SoCalGas is already offering extended loan periods and increased eligible loan amounts to institutional customers in the public sector on a limited basis. If proven to be successful during this limited basis period, SoCalGas will seek to make these enhanced OBF terms permanent. SoCalGas will also look to institute construction loan financing. Both of these changes would be implemented via the advice letter process.

SoCalGas views the "enhanced on-bill financing strategy" to have minimal additional risk to ratepayers. Since the increased loan terms and the construction loans would be targeted to only public sector customers, the risk of default and of the customer moving away is low compared to commercial customers. Additionally, public sector customers taking out the construction loan would have already taken out an OBF loan. Therefore, the risk profile is essentially the same as if there was only an OBF product. In the short-term, SoCalGas does not anticipate requesting additional funds for these enhancements but utilizing the existing loan pool it has available.

SoCalGas views these enhancements as fulfilling a gap in the market that the On-Bill Repayment may not be able to cover even with larger and longer loan periods. Public sector customers that are unable to take out a loan from private lenders will be able to take advantage of enhanced loan terms via OBF to help finance energy efficiency projects.

183. Explain how the "Public Financing Assistance (PFA) tactic" for public customers to encourage self-sustaining funding of energy projects differs from the public sector technical assistance program implemented by SoCalREN through The Energy Coalition.

Response

SoCalREN, through The Energy Coalition, offers local governments various project management services including technical assistance and access to financing for discrete energy efficiency projects. In contrast, the "Public Financing Assistance (PFA) tactic" will be offered to all public-sector customers to help them identify alternate, non-ratepayer funding sources (financing or otherwise) to pursue energy efficiency and other demand-side management projects, including clean renewables. The PFA tactic will also include assistance to create a customer managed self-sustaining fund for future energy efficiency projects.

Attachment X

Program Year	2017				2018				2019				2020			
Budget	32%				42%				60%				60%			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1*	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase 1		Residential			On Boarding											
		Commercial														
		Agriculture														
		Industrial														
		Public														
		Existing Programs														
Phase 2						Res New Construction			On Boarding							
						Emerging Technologies										
Phase 3										Residential			On Boarding			
										Commercial						
										Agriculture						
										Industrtial						
										Public						
Notes	*Q1 in 2019 is a break period to understand the gaps from Phase 1															
	**All third party solicitations not implemented in phase one will be implemented in phase 3.															

Program Intervention Strategies					
Strategy & Tactics	**Residential**	**Commercial**	**Industrial**	**Agricultural**	**Public**
Partnering					
• Utility Partners	Existing	Existing	New	New	Existing
• Industry Partners	Existing	Existing	New	New	New
• Customer Partners	Existing	New	New	-	Existing
• Retailer Partners	Existing	-	-	-	-
Intelligent Outreach					
• Data Analytics	New	New	New	New	New
• Virtual Energy Audits	Existing	Existing	New	New	New
• Data Sharing	Existing	Existing	Existing	Existing	Existing
• Facility Energy Audits	Existing	Existing	Existing	Existing	Existing
• Energy Management Technology	Existing	Existing	New	New	New
• Industry EE Best Practices	New	New	New	New	Existing
• Disadvantaged Community/ Small Customer Outreach	Existing	Existing	New	New	New
• Single Point-of-Contact	Existing	-	-	-	-
Technical Assistance					
• Technical Training	-	Existing	Existing	Existing	Existing
• Technical Support	-	Existing	Existing	Existing	Existing
Strategic Energy Management					
• Pay-for-Performance	-	New	New	New	New
• Modified Savings Analysis	-	New	New	New	New
• Use of AMI Data	-	New	New	New	New
• Cross-Promotion	-	New	New	New	New
• Meter Large Projects	-	New	New	New	New
Customer Incentives					
• Pay-for-Performance	New	New	New	New	New
• Customized Incentives	Existing	Existing	Existing	Existing	Existing
• Deemed Incentives	Existing	Existing	Existing	Existing	Existing
• Bundled Measures	New	New	New	New	New
• Whole Building	Existing	Existing	Existing	Existing	Existing
• Retro-Commissioning	-	Existing	-	-	Existing
• Monitoring-Based Commissioning	-	Existing	-	-	Existing
• Contractor Incentives	New	-	-	-	-
Direct Install (DI)					
• Standard DI	Existing	Existing	New	New	New
• Comprehensive DI	New	New	New	New	New
Midstream Energy Efficiency					
• Midstream Incentives	Existing	Existing	Existing	New	-
• Distributor Training	Existing	New	New	New	-
Financing					
• On-Bill Financing	-	Existing	Existing	Existing	Existing
• Credit Enhancement	Existing	Existing	Existing	Existing	Existing
• On-Bill Repayment	-	New	New	New	New
• Public Funding Assistance	-	-	-	-	New
• Loan Awareness	Existing	Existing	-	-	-
Homeowner Resale					
• Energy Performance Rating	New	-	-	-	-
• Sales Training & Awareness	New	-	-	-	-
• Home Certification	New	-	-	-	-
• Benchmarking	New	-	-	-	-

Attachment Y

Q2 of 2017	32-46 weeks		
	8-10 weeks	8-12 weeks	16-24 weeks
Pre-Solicitation Work	**Request for Approval (RFA)**	**Request for Proposal (RFP)**	**Contracting / On-Boarding**
• Identify cross-functional team members, PRG participants, and IE • Create RFA template and scoring criteria* • Create RFP Template and scoring criteria* • Supply Management (SM) develops contract template*	• RFA Finalization • Notification to bidders of upcoming RFA opportunity via PEPMA website • Internal/ External review of RFA** • SM releases RFA via PowerAdvocate site o Bidders are granted 3-4 weeks to develop abstracts o Bidder Question and Answer (Q&A) period included • Receive abstract from bidders • SM/ Policy review all abstracts for compliance and completeness • Cross-functional team scores abstracts using pre-determined scoring criteria • Internal/ External Review of scoring results** • Notification to selected bidders	• Finalize RFP candidates based on selected bids from RFA Stage • Internal and External Review of RFP** • Issue RFPs to selected bidders Via PowerAdvocate o Bidders are granted 3-4 weeks to develop proposals o Bidder Q&A period included • Receive detailed proposals from bidders • SM/ Policy review proposal for compliance and completeness • Cross-functional team(s) score(s) proposals using pre-determined scoring criteria o Proposals may include interviews and bidder presentations which would be scheduled and incorporated into the scoring portion of this phase. • Internal/ External Review of scoring results** • Notify selected bidders	• Contract negotiations • Initiatiate development of Implementation Plan (IP) • Contract signatures • Stakeholder IP input (process to be determined) • Finalize IP • Program IP posted to CEDARS • Internal controls are established • Program materials are developed and approved • Program launched to customers
NOTES	*Expect this to occur only in first round solicitation, as the developed templates will be carried forward into future solicitations with only minor edits expected. **External review will include collaboration with Peer/Procurement Review Group (PRG) and Independent Evaluator (IE); this process has not yet been defined for SoCalGas and may impact the proposed timeframes.		