

A.17-01-014
SDG&E 2018-2025 EE Rolling Portfolio Business Plan
TURN Data Request TURN-SDG&E-01 Dated February 24, 2017
Question 1
Submitted: March 20, 2017

Energy Efficiency Policy Requests

1. On page 11 of SDG&E's application, SDG&E requests that the Commission "confirm" that "a 1.0 cost-effectiveness threshold" applies to the Business Plan, such that the TRC and PAC test estimates must exceed 1.0 for 2018. To support this request, SDG&E points to lower 2018 avoided costs; changes in Codes and Standards which "result in reductions in savings since the new code becomes the baseline for calculating savings for new equipment"; 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. (A.17-01-014, Exhibit 1 ("SDG&E Business Plan"), Appendix A, p. 224). Regarding this request:
 - a. Please explain SDG&E's understanding of why the Commission previously required SDG&E 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 SDG&E's forecast and drop below a 1.0 cost-effectiveness level), including why SDG&E 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 SDG&E 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 SDG&E 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 SDG&E's understanding that "the new code becomes the baseline for calculating savings for new equipment" across its portfolio in 2018? If not, please explain SDG&E'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 SDG&E's cost-effectiveness calculations provided in support of its Business Plan application.

SDG&E Response:

- a. SDG&E understands the original rationale for the Commission's requirement "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 SDG&E's forecast and drop below a 1.0 cost-effectiveness level)," as stated in D.12-11-015 at pages 98-99.

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However, D.14-10-046 at p.109 states, “The TRC and PAC estimates are to exceed a 1.0 cost-effectiveness threshold for 2015; rather than the 1.25 we usually require, and will require for subsequent years.” SDG&E provides its full explanation in its Business Plan Appendix A at p. 224. Recently, the Energy Division released “Distributed Energy Resources Cost Effectiveness Evaluation: Societal Test, Greenhouse Gas Adder, and Greenhouse Gas Co-Benefits, An Energy Division Staff Proposal” which corroborates SDG&E’s statement regarding the negative impact on the cost effectiveness of the portfolio.

“The 2016 ACC update resulted in lower overall TRC benefits (due to aforementioned lower gas prices and shift in GHG adder method). Overall, the changes had a roughly 30 percent reduction of TRC benefits across the EE portfolio. The update also had a differential impact on specific measures (a bigger impact on lighting as compared to HVAC). Thus, an updated analysis using the 2016 values would produce different results.”¹

- b. The last C&S vintage to impact the portfolio is 2016 with an update cycle set every three years. Each update to code results in higher baselines that result in less savings as seen for example in lighting and new construction, unless there are new technologies that are known that will generate new savings. A new potential study is also expected this summer that should be able to identify sources of deeper energy savings that would enable California to meet the aggressive Senate Bill 350 EE goal.

Therefore, until that time, SDG&E is requesting that the Commission provide the same consideration in setting the cost effectiveness threshold to be 1.0 instead of 1.25 as it did in 2015.

- c. SDGE assumes the new code will be baseline in 2018 for the portfolio, excluding the HOPPs programs which will be from an existing condition baseline. HOPPs account for 1.02% (without C&S) of the forecasted kWh savings in the business plan.

¹ R.14-10-003, Administrative Law Judge’s Ruling Providing Revised Literature Review, Attachment A: Distributed Energy Resources Cost Effectiveness Evaluation: Societal test, Greenhouse Gas Adder, and Greenhouse Gas Co-Benefits, an Energy Division Staff Proposal, at p. 28 (February 23, 2017).