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Witnesses: Brian Prusnek and Clinton Chien

Application of SOUTHERN CALIFORNIA
GAS COMPANY (U 904 G) for Approval of
2024-2031 Energy Efficiency Business Plan
and 2024-2027 Portfolio Plan

Application 22-03 _____
(Filed March 4, 2022)

**PREPARED DIRECT TESTIMONY OF
BRIAN PRUSNEK AND CLINTON CHIEN
ON BEHALF OF
SOUTHERN CALIFORNIA GAS COMPANY
EXHIBIT 1**

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

March 4, 2022

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1 **DIRECT TESTIMONY OF BRIAN PRUSNEK AND CLINTON CHIEN**

2 **I. SOCALGAS’S VISION FOR ENERGY EFFICIENCY IN CALIFORNIA: 2024-**
3 **2031**

4 **A. Desired Outcomes of the Portfolio**

5 While it is difficult to predict what the energy system will look like over the next two
6 decades, Southern California Gas Company (SoCalGas) knows it must be safe, affordable,
7 reliable, resilient, and decarbonized. Californians will need an increasingly integrated energy
8 network and a portfolio of decarbonized energy options that are affordable, scalable, and can
9 meet critical peak periods of energy demand. SoCalGas strongly believes that robust energy
10 efficiency programs must always play a role in shaping future outcomes.

11 As described in SoCalGas’s Energy Efficiency Business Plan (Business Plan), SoCalGas
12 will work hand-in-hand with its customers, stakeholders, and the California Public Utilities
13 Commission (CPUC or Commission) to achieve this energy future. SoCalGas intends to utilize
14 energy efficiency as a critical tool to lead the transition to resilient and affordable, decarbonized
15 energy. SoCalGas has a long history of aggressively advancing energy efficiency solutions for
16 its customers. Through collaboration and partnership, California can lead the transition to
17 affordable and resilient clean energy solutions at scale and serve as a global beacon for energy
18 innovation with energy efficiency leading the way.

19 In 2021, SoCalGas shared ASPIRE 2045, the goal to achieve net-zero greenhouse gas
20 emissions in company operations and energy delivery to customers by 2045.¹ ASPIRE 2045 is a
21 natural extension of SoCalGas’s decades-long industry leadership, including being the first gas
22 utility in America to install smart meters, a pioneer of Renewable Natural Gas (RNG), a leader in
23 hydrogen innovations, and a prudent and safe operator in consistently outperforming emission
24 reduction targets. Achieving decarbonization in California will require a combination of energy
25 efficiency, renewable electricity, renewable gases, long-duration storage, carbon management,
26 and other technologies. And just like California’s Loading Order, this Business Plan highlights
27 how energy efficiency will complement investments, like hydrogen, RNG, and long duration
28 storage, that will be necessary to pursue a cost-effective strategy to decarbonize California’s
29 energy systems.

¹ SoCalGas Climate Commitment Aspire 2045, *available at* https://www.socalgas.com/sites/default/files/2021-03/SoCalGas_Climate_Commitment.pdf; *see also* SoCalGas Sustainability Strategy Aspire 2045, *available at* [SoCalGas_Sustainability_Strategy-final.pdf](#).

1 Energy efficiency solutions are powerful and cost-effective levers for saving energy and
2 lowering emissions while resulting in bill savings for customers. The intersection of clean
3 energy technologies and sound policy will accelerate the affordable transformation to a
4 decarbonized future. The energy transition requires expanding on proven energy efficiency
5 offerings and providing market support for new energy efficiency solutions that together can
6 affordably reduce energy consumption and emissions for SoCalGas customers, including those
7 who are underserved and those who are located in Disadvantaged Communities throughout
8 SoCalGas’s service territory. Reducing energy use and carbon intensity across all customer
9 sectors and delivering Total System Benefits (TSB)² is foundational to the Business Plan.

10 SoCalGas strives to provide cost-effective, customer-centric solutions that will ultimately
11 support the economic viability of all customers and advance California’s decarbonization goals.
12 Since California enacted Assembly Bill (AB) 32, the Global Warming Solutions Act of 2006,
13 SoCalGas has aggressively promoted energy efficiency solutions across all customer sectors.
14 Senate Bill 350, the Clean Energy and Pollution Reduction Act of 2015, seeks to double energy
15 efficiency of natural gas and electric end uses by 2030. SoCalGas responded immediately to this
16 directive with expanded energy efficiency efforts resulting in a significant increase in energy
17 efficiency adoption with customers, including targeted efforts directed at Disadvantaged
18 Communities.³ In this Business Plan, SoCalGas will strengthen its commitment to energy
19 efficiency over the next several years to help advance California’s progress toward its energy and
20 carbon neutrality goals.

21 SoCalGas supports the Commission’s reformed approach to energy efficiency goals.⁴
22 SoCalGas also shares California’s and the Commission’s vision for a safe, reliable, affordable,
23 and clean energy system. Specifically, SoCalGas’s energy efficiency vision is:

² D.21-05-031, pg. 9: Total System Benefit (TSB) is an expression, in dollar terms, of the lifecycle energy, capacity, and GHG benefits expressed on an annual basis.

³ Over the past 5 years, SoCalGas’ energy efficiency programs have led the nation in achieving over 228 million in annual therm savings for its customers. In 2020, SoCalGas customers realized more than 46.5 million in net therms savings, which represents 137% of the SoCalGas’ energy efficiency goal established by the CPUC in Decision 19-08-034.

⁴ See D.21-05-031, p. 2: “the decision adopts a new metric, called Total System Benefit, which combines and optimizes the energy and peak demand savings goals, along with greenhouse gas benefits of energy efficiency, into one metric that can be forecasted and tracked.”

1 *SoCalGas' energy efficiency portfolio will accelerate California toward achieving its clean*
2 *energy goals through innovative and comprehensive customer-centric decarbonization*
3 *solutions.*

4 SoCalGas's vision integrates the ideals of innovation, partnership, and customer-centric
5 approaches to influence customers' energy efficiency decisions. SoCalGas will realize its vision
6 through a concerted effort across the Resource Acquisition, Market Support, and Equity program
7 segments presented in the Business Plan. The Business Plan lays out the strategic approach to
8 achieving and exceeding SoCalGas's energy efficiency goals, portfolio and sector level metrics
9 adopted by the Commission. The sector-level goals and strategies for identified market barriers
10 to increase customer adoption of energy efficiency solutions.

11 This Business Plan plays an integral next step in realizing California's decarbonized
12 energy future. This Business Plan will support this future through multiple transformational
13 energy efficiency initiatives, several of which are highlighted below:

- 14 • Aggressive expansion of energy efficiency activities, in market sectors with
15 limited options to pursue cleaner renewable solutions.
- 16 • Pursue focused decarbonization of all customer comprehensive energy uses,
17 including alternative fuels.
- 18 • Increase adoption of energy efficiency and decarbonization solutions within
19 Disadvantaged Communities.
- 20 • Expand the definition of natural gas energy efficiency to pursue all behind-the-
21 meter savings, including mitigation of fugitive methane emissions.
- 22 • Transition to a market strategy that uses financial incentives to motivate
23 customers to upgrade to the most efficient equipment option.
- 24 • Leverage established represented labor resources to provide safe and quality
25 installations of energy efficiency equipment for customers.
- 26 • Expand partnering strategy with public agencies throughout the service territory
27 to advance energy efficiency, decarbonization, and water efficiency to shared
28 customer bases.

29 These transformational initiatives are guided by the following overarching principles
30 that drive SoCalGas's energy efficiency vision and Business Plan strategies:

- 1 • Deliver energy efficiency solutions that enable greater system reliability, resiliency,
2 affordability, and sustainability.
- 3 • Provide access to affordable and equitable energy efficiency and decarbonization
4 solutions for all customers, with a particular focus on addressing inequity in
5 Disadvantaged Communities.
- 6 • Invest long-term in education, training, and outreach to build successful market
7 partnerships for accelerating energy efficiency adoption.

8 The Business Plan aims to achieve and exceed energy savings goals while providing
9 significant emission reductions. SoCalGas’s proposal includes increased funding for: (1)
10 successful innovative third-party implemented programs to increase resource acquisition
11 segment impact; (2) innovative approaches to support the energy efficiency market; and (3)
12 improved energy efficiency opportunities for equity-defined customers in safe and affordable
13 ways. An example of an innovative approach, SoCalGas has begun to onboard solar thermal
14 water heating into the energy efficiency portfolio to directly harness sustainable solar power to
15 reduce natural gas consumption and eliminate carbon emissions. SoCalGas is also expanding its
16 innovative partnership approach with local electric and water utilities, and other organizations to
17 efficiently provide expanded market support and comprehensive energy and water efficiency
18 solutions for equity-defined customers.

19 **B. Intersection with Other Clean Energy Initiatives and Decarbonization** 20 **Efforts**

21 SoCalGas is working to realize its mission to build the cleanest, safest, most innovative
22 energy company in America through innovation, collaboration, and decarbonization. The
23 transition to clean energy is an environmental and social imperative. SoCalGas’s strategy is to
24 further integrate sustainability across the entire business. This strategy is designed to positively
25 impact on the communities and customers served.⁵

26 Supporting clean energy access and affordability, SoCalGas will aim to accelerate the
27 energy transition by increasing the delivery of clean fuels,⁶ adapting the gas system for
28 hydrogen, and supporting customer decarbonization through the following goals:⁷

⁵ https://www.socalgas.com/sites/default/files/2022-01/SoCalGas_Sustainability_Strategy-final.pdf

⁶ Clean fuels are defined as alternative fuels that have a net zero carbon footprint. Hydrogen, biogas, synthetic natural gas, biofuels, and several synthetic gaseous and liquid fuels fall in that category, as long as their production process and their end use do not lead to net-positive carbon dioxide emissions.

⁷ https://www.socalgas.com/sites/default/files/2022-01/SoCalGas_Sustainability_Strategy-final.pdf

- 1 • Deliver 20% renewable natural gas to core customers by 2030.⁸
- 2 • Demonstrate technical capability for gas distribution to safely support up to 20%
- 3 hydrogen blend by 2030.
- 4 • Establish a hydrogen industrial cluster by 2030.
- 5 • In collaboration with research partners, fund \$400 million for Research
- 6 Development and Demonstration (RD&D) projects in the areas of clean fuels,
- 7 hydrogen technology, and infrastructure by the end of 2025.⁹
- 8 • Complete five hydrogen pilot projects by 2025.
- 9 • Develop hydrogen infrastructure solutions for the 2028 Olympics in Los Angeles.
- 10 • Purchase increasing amounts of RNG to meet the Renewable Gas Standard target
- 11 of 15% by 2030.

12 SoCalGas’s key objective in supporting California’s clean energy policies is to protect
13 the communities SoCalGas serves with the goal to achieve net-zero greenhouse gas (GHG)
14 emissions and help to improve local air quality. SoCalGas will accomplish this goal with the
15 following strategies:¹⁰

- 16 • Exceed the state requirements to demonstrate a 20% reduction in fugitive methane
- 17 emissions by 2025 and 40% by 2030, from a 2015 baseline.
- 18 • Eliminate 100% of vented gas during planned transmission pipeline work by 2030
- 19 (excluding emergency repairs).
- 20 • Achieve net-zero energy for 50% of all Company existing buildings by 2030.
- 21 • Operate a 100% zero-emission over-the-road fleet by 2035.
- 22 • Achieve net-zero greenhouse gas emissions by 2045.

23 California’s goal is to reach 100% carbon neutrality by 2045, and SoCalGas will be
24 instrumental in helping California get there. Energy efficiency combined with targeted
25 electrification, clean fuels, carbon management, and technologies like fuel cells deliver the most
26 affordable, resilient, and technologically proven path to complete carbon neutrality. By
27 leveraging the gas system to deliver clean fuels and manage carbon, California can reach its
28 carbon neutrality goals more affordably, more equitably, and with less risk of wildfires and

⁸ Specifically, SoCalGas aims to provide 20% renewable natural gas to “core service” as defined by SoCalGas’ Tariff Rule No. 23, by 2030.

⁹ Goal of \$400M is an aggregate co-funding target cumulative of 5 years, inclusive of 2021-2025.

¹⁰ ASPIRE 2045 SoCalGas Sustainability Strategy, *available at*
https://www.socalgas.com/sites/default/files/2022-01/SoCalGas_Sustainability_Strategy-final.pdf

1 power disruptions, customer conversion barriers, and technological limitations. Rapidly scaling
2 up clean fuels initiatives today is vital to putting a clean fuels network in place in time to help
3 California meet its climate goals.

4 **C. SoCalGas Service Territory**

5 For more than 150 years, SoCalGas has served Central and Southern California as a
6 responsible and engaged environmental leader, employer, and neighbor. As the nation's largest
7 natural gas distribution utility, SoCalGas delivers clean, safe, and reliable energy to 21.8 million
8 consumers through 5.9 million meters in 12 counties with more than 500 communities. The
9 service territory encompasses approximately 24,000 square miles of diverse terrain throughout
10 Central and Southern California, from Visalia to the Mexican border.

11 **1. Trends - Opportunities and Challenges**

12 Several key trends that affect SoCalGas customers and influence how SoCalGas provides
13 energy efficiency programs to its customers are listed below:

14 **a) Inflation and Higher Energy Costs**

15 Inflation increased by 7% in 2021, which is the highest jump in 40 years.¹¹ In addition,
16 energy prices have experienced significant increases over the past year. The Business Plan
17 provides several strategies to address the issue of increased costs and significantly increases
18 energy efficiency opportunities to help customers better manage their energy bills. The
19 Commission recognizes that energy services should be affordable.¹² SoCalGas agrees and is
20 seeking an increase in funding for energy efficiency programs for its customers to help lower
21 energy consumption and in turn make the cost of energy more affordable.

22 Higher energy costs have disproportionately affected residents in Disadvantaged
23 Communities where the energy cost relative to income is much higher than in other
24 communities. An American Council for an Energy Efficiency Economy (ACEEE) study in 2020
25 found that on average, low-income households spend three times or more of their income on
26 energy costs compared to the median spending of non-low-income households.¹³ Californians

¹¹ United States Bureau of Labor Statistics, Consumer Price Index Survey, February 10, 2022, available at <https://www.bls.gov/news.release/cpi.nr0.htm>

¹² See CPUC Proceeding R.18-07-006, Order Instituting Rulemaking to Establish a Framework and Processes for Assessing the Affordability of Utility Service.

¹³ *How High Are Household Energy Burdens*, Dhehoby A. et. al., American Council for an Energy Efficiency Economy, September, 2020, Washington D.C.

1 living in Disadvantaged Communities also tend to live in older housing stock that a nationwide
2 study found to require, on average, as much as five times higher repair and upgrade costs than
3 those existing in other homes.¹⁴

4 **b) Decarbonization Policies**

5 Over the past several years, California has adopted new decarbonization policies that will
6 change how Californians use energy in their homes and businesses. SoCalGas is committed to
7 advancing California’s decarbonization policies and achieving its ASPIRE 2045 vision. There is
8 increasing awareness that to fully decarbonize California’s energy network and achieve its
9 climate goals there is a need for clean fuels in addition to clean electricity. Some energy uses,
10 such as industrial thermal load and feedstock, are either hard to electrify or cannot be directly
11 electrified. Low/zero carbon energy like RNG and hydrogen, combined with deep energy
12 efficiency investments, are the most viable alternatives for these uses.

13 Additionally, SoCalGas believes that decarbonizing homes and businesses at scale will
14 require multiple pathways or solutions depending on customer preference and end-use
15 limitations. Integration of RNG and hydrogen use coupled with deep energy efficiency measures
16 will be an important clean energy option going forward for facilities that cannot replace natural
17 gas end-uses either because they cannot use another energy source or due to the economics of
18 high-priced electricity.

19 SoCalGas developed its Application for a voluntary RNG tariff with exactly such
20 situations in mind.¹⁵ Customers that do not wish to replace their natural gas equipment or have
21 recently invested in retrofits to improve energy efficiency may purchase RNG to support
22 building decarbonization, as RNG is a drop-in fuel to replace traditional natural gas, compressed
23 natural gas (CNG), and liquified natural gas (LNG) end uses and does not require adjustments,
24 upgrades, or replacement of existing end-uses. Furthermore, since RNG is produced through the
25 capture and repurposing of methane it has the unique ability to both displace traditional natural
26 gas emissions in the pipeline and reduce emissions in the sectors where the RNG is produced,
27 such as agriculture, wastewater, and municipal waste.

¹⁴ <https://housingmatters.urban.org/research-summary/cost-repair-americas-housing-stock-and-which-homes-need-it-most>

¹⁵ SoCalGas Application 19-02-015, available at <https://www.socalgas.com/regulatory/A19-02-015>

1 **c) Pandemic Effect**

2 Since early 2020, the global COVID-19 pandemic has dramatically changed how
3 customers and businesses use energy. Significant increases in remote working have changed
4 many customers' residential home energy profiles.¹⁶ Businesses have changed as well. For
5 example, restaurants have seen a growth in outdoor dining, thereby changing their energy needs.
6 As the uncertainty of the lasting effects of the ongoing pandemic continues, SoCalGas will look
7 for new and innovative ways to help customers apply energy efficiency into their new normal.

8 The pandemic has also changed the ways energy efficiency is delivered to customers.
9 Changes to in-field inspections, extensive remote working, and impacts to meter-energy savings
10 have challenged program providers in how they conduct their work. SoCalGas will continue to
11 partner with its program implementers, regulators, and other interested stakeholders on how to
12 adjust business practices best to adapt to the effects of the ongoing pandemic.

13 **d) Water Scarcity & Wildfires**

14 California experienced continued drought in both 2020 and 2021, with water conditions
15 far below average at the end of the wet season.¹⁷ In 2021, Los Angeles had 40% of average
16 precipitation, and San Diego, only 30%. The intense dry weather contributed to a record-setting
17 fire season in 2020, that claimed dozens of lives, burned over 4.3 million acres, and destroyed
18 over \$10 billion in property.¹⁸

19 SoCalGas's system supports energy system resiliency, which is the ability of the system
20 to avoid or bounce back quickly from system outages and minimize their impacts, including
21 during unforeseen events (such as extended periods of extreme weather). The gas system is an
22 essential service provider of electric grid resiliency, especially in response to weather-related
23 service interruption, and can compensate for operational impacts by helping the grid recover
24 more quickly. Underground gas networks are less susceptible to many risks, including but not
25 limited to fire risk, climate risk, and public power shutoffs.

26 With drought conditions reoccurring in California, SoCalGas will expand its partnerships
27 with water agencies over the next several years to promote the shared customers' water-energy

¹⁶ Residential consumption rose by 10% on average in 2020. Powering Work from Home, National Bureau of Economic Research, S. Cicala, October 2020.

¹⁷ Pacific Institute, California Drought, Conditions and Impacts, *available at* <https://www.californiadrought.org/drought/background/>.

¹⁸ *Id.*

1 nexus opportunities. SoCalGas and the Metropolitan Water District (MWD) have partnered
2 through an “umbrella” agreement for almost a decade. This partnership outlines the general
3 approach to water and energy efficiency collaborative efforts, enabling MWD and its 26-member
4 agencies to deliver cost-effective, innovative programs to their 5,200 square miles of service
5 territory. Over the past five years, customers have saved more than 3 billion gallons of water
6 through SoCalGas’s energy efficiency programs and incentives. In 2020 alone, SoCalGas’s
7 energy efficiency programs saved 985 million gallons of water,¹⁹ playing a significant role in
8 helping customers save energy and water. Recent developments with the Commission’s water
9 efficiency tools will help advance this initiative as discussed further in the Water Energy Nexus
10 discussion in the Policy Considerations section.²⁰

11 **e) Increasing Levels of Renters in the Single-Family Segment**

12 Over the past few years, the single-family segment has experienced growth in rentals of
13 single-family dwellings. Due to the high cost of homeownership, this trend is expected to
14 continue. Los Angeles County has experienced an increase in rental demand in all segments
15 since 2010, increasing the number of customers facing the split-incentive barrier to energy
16 efficiency. SoCalGas will continue its commitment to reducing the unique market barriers
17 facing the growing rental market across the residential sector through tailored intervention
18 strategies and increasing its investment in energy efficiency programs directed at this sector,
19 especially targeting equity-qualified customers.

20 **f) Development of Carbon Focused Industrial Clusters**

21 With the industrial segment responsible for 30% of total global CO₂ emissions,²¹
22 industrial clusters (i.e., geographic areas where industries are co-located), will be a critical
23 pathway in accelerating the drive to net-zero. Industrial CO₂ emissions are considered some of
24 the most difficult to abate on the path to a net-zero future. Many existing initiatives are
25 dedicated to reducing industrial emissions, focusing on specific technologies or sectors. While
26 these efforts are important, what is lacking is an emphasis on an integrated approach across

¹⁹ Data from SoCalGas’ 2020 claims data as reported on the California Energy Data and Reporting System (CEDARS).

²⁰ [Water/Energy Nexus Programs \(ca.gov\)](https://www.socalgas.com/energy-efficiency/water-energy-nexus-programs)

²¹ Accenture in collaboration with the World Economic Forum, *Industrial Clusters- Working together to achieve net zero*, 2021, www.accenture.com/_acnmedia/PDF-147/Accenture-WEF-Industrial-Clusters.pdf#zoom=40.

1 sectors. Industrial clusters provide opportunities for scale, sharing of risk and resources,
2 aggregation, and optimization of demand.

3 SoCalGas will complement its energy efficiency activities supporting these industrial
4 clusters through other energy solutions such as hydrogen hubs, Carbon Capture, Utilization, and
5 Sequestration (CCUS),²² and other carbon management strategies tools. For example, the Los
6 Angeles Basin is a highly attractive candidate for hydrogen hubs due to its high natural gas
7 consumption and the expanding mass of industrial offtake (e.g., ports, airports, refineries,
8 logistics centers, etc.), and its proximity to renewable energy resources. Hydrogen hubs could
9 also deliver hydrogen via fuel cells that provide baseload power to electrified appliances. This
10 could potentially result in higher end-use electrification: clean molecules delivered to fuel cells
11 and converted to clean electrons that power homes and buildings. SoCalGas recently filed an
12 application for such a project with the Commission,²³ requesting approval to track costs related
13 to the development of the Angeles Link, a proposal to build the nation's largest green hydrogen
14 infrastructure system to deliver clean, reliable renewable energy to the Los Angeles region.

15 **g) Changes to Commercial and Consumer Trends**

16 The pandemic has also accelerated changes to consumer and business trends. Consumers
17 have changed how and what they purchase in response to the pandemic directly and indirectly in
18 product availability and price²⁴. The way people work has also changed significantly with the
19 rise of the gig economy. These trends have affected how residents and businesses have
20 traditionally purchased products and consumed energy. These changes will be considered in the
21 design and implementation of energy efficiency and decarbonization solutions to ensure
22 maximum penetration and impact on program participants.

23 **D. SoCalGas's Energy Efficiency Strategy**

24 SoCalGas will continue to advance its strategies to increase energy efficiency adoption
25 and performance for customers across all sectors. SoCalGas will expand upon existing program

²² The International Panel on Climate Change (IPCC), the International Energy Agency, and other global climate experts agree that carbon capture, utilization, and sequestration is needed alongside – not instead of – other mitigation tools to meet Paris Climate Agreement's targets. Gas utility infrastructure and expertise can contribute greatly to CCUS deployment.

²³ https://www.socalgas.com/sites/default/files/A22-02-SOCALGAS-Angeles_Link_Memorandum_Account_Application.pdf

²⁴ <https://www.mckinsey.com/business-functions/marketing-and-sales/our-insights/the-great-consumer-shift-ten-charts-that-show-how-us-shopping-behavior-is-changing>

1 strategies that have allowed SoCalGas to exceed previous Commission-adopted energy
2 efficiency goals while also bringing more innovative programs into the portfolio. Furthermore,
3 SoCalGas will continue to put out 60% of its portfolio to the third-party implementer community
4 in order to deliver savings while also introducing new innovative program ideas and solutions for
5 customers.

6 **1. Strategies for Use of Existing and New Methods for Savings** 7 **Forecasting and Quantification**

8 SoCalGas is committed to applying all Commission-approved energy savings
9 methodologies to support accurate energy savings claims for its entire portfolio. SoCalGas will
10 actively collaborate with the Commission and other stakeholders to enhance and advance energy
11 savings methodologies while improving and expanding existing measure packages (previously
12 workpapers) to provide customers with more energy efficiency solutions. To accomplish these
13 goals, SoCalGas will look to:

- 14 • Advance greater adoption of Normalized Metered Energy Consumption (NMEC)
15 methodologies that can rely on metered-energy savings and advance pay-for-
16 performance customer incentives and program implementer compensation.
- 17 • Expand the application of Strategic Energy Management (SEM) solutions in the
18 industrial sector while extending SEM into commercial, public, and agricultural
19 applications, where applicable.
- 20 • Create new and renew existing energy efficiency measure packages to expand
21 customer decarbonization opportunities.
- 22 • Collaborate with the Commission and stakeholders on supporting the California
23 Technical Forum's (CalTF's) electronic Technical Reference Manual (eTRM).

24 **2. Strategies for Market Intervention and Energy Efficiency Adoption** 25 **Market Intervention**

26 For the last four decades, California has embraced the notion that energy efficiency
27 market intervention strategies, coupled with public policies and laws, can permanently reduce
28 market barriers so customers can achieve higher levels of energy efficiency. In a transformed
29 market, customers will naturally adopt higher levels of energy efficiency without the need for

1 such market and government interventions.²⁵ The Business Plan identifies sector-specific
2 challenges with corresponding goals and outcomes to determine the appropriate market
3 strategies. Sector-specific strategies are presented that are intended to reduce current market
4 barriers.

5 Program delivery will primarily rely on third-party implemented programs delivered
6 statewide or locally. SoCalGas will supplement these programs with portfolio support to enable
7 third-party program implementers and customers to work together on energy efficiency
8 solutions. To aid in efficient program delivery, SoCalGas will continue to offer: standard
9 support services (e.g., customer acquisition, engineering reviews, quality assurance, data
10 analytics, etc.); utility on-bill financing; and optional utility support services, including trained
11 and skilled organized labor to support residential and small business energy efficiency
12 engagements. SoCalGas also plans to continue providing rebate processing services, including a
13 standard incentive offering when not available through other, more targeted energy efficiency
14 programs. SoCalGas will continue implementing its award-winning energy center, the Energy
15 Resource Center in Downey, California to facilitate local training and outreach to local
16 contractors and retailers/distributors.

17 Quantifying energy savings accurately and effectively is critical to ensuring that energy
18 efficiency investments provide a return to ratepayers and contributions to the State’s clean
19 energy goals. SoCalGas uses several methods to estimate energy savings and strives to apply the
20 most effective method for each program and measure.

21 In addition to using known-effective intervention strategies, SoCalGas will spur
22 innovation with new measures and intervention strategies and add a new approach to behind-the-
23 meter emissions mitigation that will broaden natural gas energy efficiency. SoCalGas’s
24 proposed approach to market interventions, spurring innovation, savings estimates, and
25 evaluation, measurement, and verification (EM&V) are summarized in the sections below. A list
26 of intervention strategies is also shown in each sector chapter of the Portfolio Plan (Exhibit 02).

²⁵ “Market transformation is not a label that uniquely identifies certain energy efficiency program designs to the exclusion of others. It is instead an objective that all energy-efficiency programs have at least a theoretical potential to achieve to varying degrees.” Eto, J., Prah, R., & Schlegel, J. (1996, July). A scoping study on energy efficiency market transformation by California utility DSM programs. *Energy & Environment Division, Ernest Orlando Lawrence Berkeley National Laboratory, University of Berkeley*. Retrieved from http://eaei.lbl.gov/sites/all/files/lbnl_-_39058.pdf

1 **a) Market Intervention Strategies Partnering**

2 Partnering can create very effective alliances where there are shared common goals.
3 Mutual collaboration and coordination and the equitable contribution of resources and
4 commitment are key to such program strategies. Partnering with other entities through structured
5 arrangements is intended to: increase the number of customers adopting energy efficiency,
6 promote deeper, comprehensive energy efficiency, simplify customer engagement, and reduce
7 program costs through a cost-sharing partner model. SoCalGas will continue strategically
8 partnering with industry associations, manufacturers, public entities (e.g., water agencies,
9 Publicly Owned Utilities (POUs), and air quality management districts) to advance energy
10 efficiency, water efficiency, and decarbonization for SoCalGas’s customers.

11 **Education & Training**

12 Education and training interventions target customers and other customer intermediaries
13 such as contractors, distributors, trade associations, and government agencies. This intervention
14 strengthens supply chains to increase the capability and motivation of market actors to supply
15 energy-efficient products and/or services and improve the ability, capability, and motivation of
16 market actors to perform/ensure quality installations that optimize energy efficiency savings.

17 **Intelligent Outreach**

18 Intelligent outreach describes a suite of tactics aimed to assist customers with greater
19 energy efficiency opportunities; improve program effectiveness and cost-efficiency; create
20 segment-specific benchmarking; and provide deeper, comprehensive energy efficiency solutions
21 relevant to the customer’s needs. Intelligent outreach uses energy consumption data, in concert
22 with other data, to effectively target and inform customers about energy efficiency opportunities
23 within their homes and buildings. Through a multifaceted approach, primarily enabled by
24 SoCalGas’s advanced metering infrastructure (AMI), customers can use their energy usage data
25 to optimize their energy use. Using Intelligent Outreach, program designers can efficiently
26 target their programs’ high potential customers.

27 **Technical Assistance**

28 Technical assistance is an information strategy focused on educating and training key
29 facility personnel on energy efficiency practices and providing supplemental assistance and

1 quality assurance in energy efficiency project development and implementation for individual
2 customer projects.

3 **Strategic Energy Management**

4 SEM is a program intervention strategy focused on achieving deeper and permanent
5 energy efficiency levels through improved customer operational and maintenance practices and
6 energy-efficient equipment installations. SEM provides multi-year customer engagement to
7 permanently reshape customer operational behaviors by: (1) developing and implementing a
8 long-term energy planning strategy, and (2) permanently integrating energy management into
9 business planning at all organizational levels, from the production line to corporate management.
10 Continuous monitoring of energy usage confirms the energy savings realized by the SEM
11 program strategy.

12 **Behavioral Modification**

13 Behavioral modification is a strategy utilized to influence behavior change related to
14 energy consumption in homes and businesses through various tactics such as comparative energy
15 usage information. Behavioral-based strategies can be implemented with low or even zero
16 measure costs, but they can often be limited in their ability to deliver deep or persistent savings.

17 **Emerging Technologies**

18 Emerging technologies activities identify and screen potential technologies, assess them
19 to validate performance and customer acceptance, perform in-situ demonstrations, gather
20 actionable information for use by energy efficiency programs, and publish the results of these
21 activities.

22 **Customer Financial Incentives**

23 The customer incentive program intervention strategy is a simplified suite of financial
24 incentive offerings directed at customers to reduce the high first cost barrier: a key market barrier
25 for most customers. The program strategy offers various tactics to recognize the varied
26 preferences among customers for different financial solutions. Incentive levels may vary to
27 address locational issues, increase customer participation, or adjust for climate zones. Each
28 tactic is intended to increase participation through simplified customer engagement within the
29 overall customer incentive strategy while encouraging deeper, more comprehensive energy
30 efficiency solutions, including permanent behavior modification. Although incentive-based

1 strategies, like pay-for-performance, may be suited for more extensive energy efficiency
2 projects, in many circumstances, a one-payment approach (e.g., deemed and custom incentives)
3 is very effective in motivating the customer to install energy efficiency equipment. SoCalGas
4 will advance the notion of tiered incentives that promote the highest efficient technologies to
5 customers. To encourage greater adoption of clean energy solutions by large nonresidential
6 customers, SoCalGas will look into encouraging customers to invest their energy efficiency bill
7 savings into clean energy solutions (e.g., hydrogen fuels, solar thermal, etc.) by offering them a
8 premium incentive or adder to do so.

9 **Financing**

10 Financing enables broader and more equitable access to capital necessary to fund energy
11 efficiency and decarbonization projects. The financing program strategy will promote residential
12 financing, nonresidential On-Bill Financing (OBF), and other financing vehicles to encourage
13 customers to adopt deeper, more comprehensive energy efficiency solutions.

14 **Direct Install**

15 Direct install (DI) is a specialized financial incentive strategy that delivers natural gas
16 energy efficiency solutions, with electric and water efficiency, where feasible, to achieve near-
17 term measurable results for customers. A comprehensive DI tactic will extend beyond the
18 standard DI offering to achieve deeper, more comprehensive energy efficiency equipment
19 retrofits. Comprehensive DI will rely, in part, on ratepayer funds and, in part, on customer co-
20 fund contributions and/or customer financing.

21 **Midstream and Upstream Financial Incentives**

22 The above financial incentives and financing offerings are generally targeted directly to
23 customers. In some cases, it is more effective to target other market actors. Midstream and
24 upstream energy efficiency program interventions provide retailers/distributors/manufacturers
25 incentives to reduce the retail cost of natural gas energy efficiency equipment, design
26 manufactured commercial buildings, promote stocking of energy-efficient equipment, and
27 inform contractors at the distributor level.

28 **3. Strategies for Spurring Innovation**

29 Innovation is a key element to assertively advancing energy efficiency, supporting
30 California's commitment to doubling energy efficiency levels by 2030 and advancing energy
31 decarbonization. SoCalGas has a long history of innovative program design and approaches

1 which have successfully advanced customer adoption levels of energy efficiency. Most recently,
2 SoCalGas introduced the first marketplace in the nation to offer on-demand residential
3 microloans, enabling consumers, including customers with lower credit scores, to seamlessly
4 purchase advanced energy efficiency equipment online at below-market interest rates. SoCalGas
5 will look to innovate all areas of the energy efficiency portfolio in program design, delivery, and
6 administration in close collaboration with the third-party implementer community by:

- 7 • Procuring innovative program designs and delivery approaches from the energy
8 efficiency implementer community.
- 9 • Identifying new and renewed energy efficiency technologies and applications for
10 customers.
- 11 • Creating greater efficiencies in portfolio management through centralization and
12 standardization.
- 13 • Partnering with public agencies to develop incentive stacking opportunities and
14 advance complementary policies (water efficiency, electric efficiency, emission
15 reduction) targeted at shared customers.
- 16 • Leveraging trained and qualified workforce to install and maintain energy
17 efficiency equipment in conjunction with safety-related utility services.
- 18 • Promoting the benefits of energy savings, water efficiency, and emission
19 reductions nexus to customers.

20 **4. Strategy for Incorporating Low Global Warming Potential (low- 21 GWP) Refrigerants**

22 Global Warming Potential (GWP) measures how destructive a climate pollutant is.²⁶
23 Refrigerants today are often thousands of times more polluting than CO₂. Refrigerants are not
24 commonly used in natural gas technologies. However, in cases where refrigerants are used,
25 SoCalGas will promote technologies that use refrigerants with zero or low GWP potential. For
26 example, a new emerging gas technology, residential gas absorption heat pump water heaters, do
27 not use any harmful refrigerants, and will be a more cost-effective emission reduction strategy
28 than their electric counterparts. As part of the program outreach and awareness, SoCalGas will
29 make customers aware of the need to shift away from harmful refrigerants to low-GWP options.

²⁶ The GWP was created to allow direct comparisons between different gases implicated in global warming. It measures how much energy one ton of a gas will absorb over a given period of time compared to one ton of CO₂.

1 **5. Portfolio Management Strategies**

2 **a) Segmentation Strategy**

3 SoCalGas is committed to offering a balanced energy efficiency portfolio that addresses
4 Resource Acquisition, Market Support, and Equity segment objectives.²⁷ SoCalGas will look for
5 new, innovative ways to meet the each segment’s objectives, from leveraging the creative
6 programs designed by the third-party implementer community to creating synergistic strategies
7 through partnerships with other entities (*e.g.*, POU’s, water agencies, labor unions, other Program
8 Administrators).

9 Due to the number of SoCalGas customers²⁸ that fall into the various equity-classified
10 types (hard-to-reach, Disadvantaged Communities, and those identified in the Commission’s
11 Economic and Social Justice Action Plan) SoCalGas proposes to increase the emphasis and
12 funding for Equity and Market Support beyond the current 30 percent funding limitations.²⁹
13 This will better enable SoCalGas and program providers to address equity concerns and elevate
14 market support activities supporting the Commission policy objectives.

15 The following is an overview of SoCalGas’s overarching objectives to guide each
16 portfolio segment to support and advance the Commission policy objectives.

17 **Resource Acquisition**

18 SoCalGas’s energy efficiency portfolio will continue to provide cost-effective energy
19 savings across all customer sectors. California’s SB 350 goal of doubling energy efficiency
20 savings by 2030 will continue to be at the forefront of all new and existing resource programs to
21 help achieve this goal. These Resource Acquisition programs will focus on cost-effective energy
22 savings that can be rapidly delivered in the short term. Consistent with Commission guidance,
23 SoCalGas considers short-term as savings that occur during the four-year budget cycle. The vast
24 majority of the expected savings and TSB will be created under the Resource Acquisition
25 portfolio segment.

26 In response to challenges with cost-effectiveness, the Commission has recently made
27 policy changes to energy efficiency’s cost-effectiveness requirements.³⁰ This policy change will

²⁷ Decision 21-05-031, pp. 14-15.

²⁸ 52% of SoCalGas’ customers reside in Disadvantaged Communities census tracts, as identified by the CalEnviroScreen 2.0.

²⁹ Decision 21-05-031, OPN 4, p. 81.

³⁰ Decision 21-05-031, COL 8, p. 75.

1 allow SoCalGas to capture all cost-effective energy savings in the Resource Acquisition segment
2 while, at the same time, other important Commission objectives can be effectively addressed in
3 the Market Support and Equity program segments. SoCalGas will focus its portfolio of resource
4 acquisition activities on cost-effectively achieving the Commission’s TSB goal with targeted
5 solutions across all customer sectors. The objectives of the Resource Acquisition segment
6 include:

- 7 • Target high potential energy efficiency projects to maximize ratepayer investment
8 in energy efficiency.
- 9 • Pursue near-term behavioral and operational energy savings across all sectors.
- 10 • Reduce transactional cost in program delivery.

11 SoCalGas will offer a coordinated group of new sector-specific strategies to achieve these
12 objectives, including introducing solar thermal energy efficiency measures, expanding SEM to
13 all nonresidential sectors, significant increases in energy efficiency funding for industrial and
14 commercial sectors, and proactive customer engagement targeting more participation and higher
15 energy savings.

16 In addition, SoCalGas will actively pursue fugitive methane mitigation in targeted
17 customer segments as an energy savings strategy. A California Energy Commission study
18 identified that the foodservice industry and other commercial sites might hold significant
19 untapped potential to mitigate methane.³¹ Identifying and ensuring exceptionally leak-tight
20 systems in commercial kitchens can help reduce the risk to the climate posed by fugitive
21 methane emissions (see Methane Reductions Discussion in Policy Considerations section), as
22 well as reduce customers’ energy usage.

23 **Market Support**

24 In recent years, the investor-owned utilities (IOUs) portfolios have focused primarily on
25 near-term energy efficiency results such as achieving aggressive annual energy savings goals.
26 SoCalGas proposes to evolve its energy efficiency portfolio by offering programs focused on
27 longer-term objectives. More specifically, supporting the long-term success of the energy
28 efficiency market by educating customers, training a skilled workforce, creating job
29 opportunities across the career spectrum, building partnerships, and moving beneficial

³¹ CEC-500-2020-048 p. 34

1 technologies towards greater cost-effectiveness in close coordination with other program
2 providers including market transformation program administrators.

3 Through its Market Support segment, SoCalGas will help build, enable, and maintain
4 demand for energy efficiency products and services; supply energy efficiency products; build
5 partnerships; enable access to capital for customers; and promote awareness of new, innovative
6 energy efficiency technologies and services, consistent with the California Energy Efficiency
7 Coordinating Committee (CAEECC) Working Group on Market Support.³² In addition,
8 SoCalGas will enable the long-term success of the energy efficiency market by educating
9 customers, training contractors, building partnerships, and evolving energy efficiency
10 technologies towards greater cost-effectiveness. Market Support activities will also encourage
11 customers to adopt cleaner energy technologies that reduce carbon emissions. The objectives of
12 the Market Support segment include:

- 13 • Build demand for energy-efficient products and services in all sectors.
- 14 • Expand outreach to local contractors and market actors on energy efficiency
15 training and education.
- 16 • Identify and advance newer technologies and applications (emerging
17 technologies).
- 18 • Leverage existing trained and skilled labor unions to install and maintain energy
19 efficiency equipment safely.

20 **Equity**

21 SoCalGas proposes to supplement its energy efficiency portfolio with programs that have
22 a primary purpose of providing energy efficiency solutions to hard-to-reach customers,
23 underserved customers, and customer groups that reside in Disadvantaged Communities.
24 Consistent with the Commission's Environmental and Social Justice (ESJ) Action Plan,³³
25 SoCalGas will focus on improving access to energy efficiency for these customer groups,
26 providing corollary benefits such as increased comfort and safety and improved indoor air
27 quality and more affordable utility bills.

³² CAEECC Equity Metrics Working Group Report, Section 3: Primary Objective and Sub-Objectives.

³³ For more information, see the following link: <https://www.cpuc.ca.gov/esjactionplan/>

1 SoCalGas will focus on the overarching objective presented by the CAEECC Working
2 Group on Equity, which states that for hard-to-reach, disadvantaged, and/or underserved
3 individuals, households, businesses, and communities:

- 4 • Address disparities in access to energy efficiency programs and workforce
5 opportunities.
- 6 • Promote resilience, health, comfort, safety, energy affordability (bill savings),
7 and/or energy savings.
- 8 • Reduce energy-related greenhouse gas and criteria pollutant emissions.³⁴

9 SoCalGas will directly support the achievement of the Equity objectives through:

- 10 • Expanding outreach efforts to equity-classified customers and increasing their
11 participation in energy efficiency program activities.
- 12 • Increasing deep and comprehensive energy efficiency adoption levels for all
13 residential and nonresidential customers leveraging the energy savings, carbon
14 emission reduction, and water efficiency nexus through partnering.
- 15 • Improving comfort and safety.

16 SoCalGas will rely on tactical strategies such as coordinating engagement with equity-
17 qualified customers across all sectors, synchronizing offerings with other non-energy efficiency
18 programs (e.g., Energy Savings Assistance Program), leveraging energy/water/emission nexus
19 opportunities, and employing commercial kitchen fugitive methane mitigation approaches.

20 **b) Sector Strategy**

21 SoCalGas will continue to administer its energy efficiency portfolio with its existing
22 approach to customer sectors. These sectors include Residential, Commercial, Industrial,
23 Agricultural, Public, and Cross-Cutting (Finance, Workforce Education & Training and
24 Outreach, Emerging Technologies, and Codes & Standards).³⁵ Each sector contains several
25 customer segments that define unique customer characteristics.

³⁴ CAEECC-Hosted Equity Metrics Working Group Report, dated October 20, 2021, Section 3: Objective.

³⁵ D.21-05-031, pp. 14-15. Pursuant to Commission decision D.18-05-041 SoCalGas' role in codes and standards advocacy is limited to providing funding to Pacific Gas & Electric Company, as the statewide lead.

1 **Residential**

2 In 2021, SoCalGas residential customers consumed over 2.4 billion therms. The average
3 use per SoCalGas residential customer (non-temperature adjusted) was about 400 therms per
4 year. SoCalGas’s vast service territory extends from the United States-Mexico border to Visalia
5 in Central California. While most SoCalGas residential customers reside in mild climate zones,
6 many customers also live in the inland valleys, foothills, and high and low desert areas, where
7 temperatures can dip to below freezing in the winter.

8 The residential sector continues a period of evolution with new market entrants, new
9 innovative energy efficiency programs, and commitment to a clean energy future promising to
10 reshape the market in the upcoming years.

11 **Vision:** Residential energy use will be transformed to ultra-high levels of energy
12 efficiency. All energy efficiency potential, especially carbon emission reduction potential, will
13 be routinely realized for all residential properties and fully integrated with other customer
14 demand-side management options – including GWP-free solar thermal applications.

15 To realize the vision for the residential sector customers, SoCalGas has developed the
16 following goals:

17 **Goal 1:** Achieve comprehensive, deep energy efficiency levels across all segments,
18 focusing on equity-classified customers through efficient outreach and compelling
19 offerings.

20 **Goal 2:** Increase adoption of the most energy-efficient equipment and energy
21 management devices, including solar water heating.

22 **Goal 3:** Increase customer adoption of comprehensive home solutions, addressing
23 energy, water, and emission through multi-agency partnerships serving a shared customer
24 base.

25 **Goal 4:** Leverage existing trained represented labor resources to help energy efficiency
26 programs deliver services safely and reliably to residential customers.

27 **Commercial**

28 SoCalGas’s commercial sector represents over 16% of the natural gas consumed by its
29 energy efficiency eligible customers. Southern California, specifically the SoCalGas service
30 area, includes a very large commercial market due to the large, vibrant, and diverse economy,
31 which ranks as one of the top economies in the world.

1 SoCalGas’s commercial sector represents a very large and diverse customer base with
2 many unique customer segments. Most of SoCalGas’s commercial accounts are small to
3 medium-sized businesses, which account for approximately 53% of the commercial sector
4 energy usage annually. Many of these smaller customers use natural gas much like a residential
5 customer. Across most customer segments, there is a significant amount of untapped energy
6 savings associated with potential customer operations and practices changes.

7 **Vision:** Commercial buildings will realize the highest natural gas efficiency levels to
8 support a pathway to decarbonization for all new and substantial existing buildings. Innovative
9 technologies, enhanced building design, and operational practices will dramatically grow in use
10 in the coming years.

11 To realize the vision for the Commercial sector customers, SoCalGas has developed the
12 following goals:

13 **Goal 1:** Increase energy efficiency adoption levels of equity-classified and small
14 customer groups.

15 **Goal 2:** Facilitate customers’ transition to decarbonization by increasing energy
16 efficiency and promoting other decarbonization solutions with a particular focus on
17 Disadvantaged Communities.

18 **Goal 3:** Expand behavior and operational-based intervention programs that promote
19 energy efficiency and decarbonization.

20 **Goal 4:** Leverage existing trained represented labor resources to help energy efficiency
21 programs deliver services safely and reliably to small commercial customers.

22 **Industrial**

23 Southern California, and specifically the SoCalGas service area, has been a prime
24 industrial market primarily due to the proximity of the ports of Los Angeles and Long Beach,
25 which are the largest in the nation. SoCalGas has over 16,000 industrial customers that
26 collectively consumed over 2 billion therms of natural gas in 2021. In recent years, the
27 SoCalGas industrial sector has remained relatively stable. Aside from economic cycles and
28 macro-economic trends, other key industrial market drivers include equipment efficiency code
29 increases (boilers), emissions standards (NOx, GHG), state-specific legislation such as the
30 passage of AB 32, and transportation and logistics (port congestion, E-commerce), among many
31 others.

1 SoCalGas’s industrial customer sector represents over 38% of the natural gas consumed
2 by all program-eligible customers. The industrial sector usage is dominated by very large
3 customers that consume over 82% of the natural gas within the industrial sector. Many customer
4 segments make up the industrial sector. Customer sizes can vary significantly within these
5 unique segments creating a much-diffused energy efficiency market. There are many untapped
6 energy savings associated with customer operations and practice changes.

7 Ultimately, industrial customers fall into two distinct groups: customers who rely on
8 natural gas as part of their industrial processes and those who have an energy consumption
9 profile like a commercial or residential customer. However, both groups face several obstacles
10 in adopting greater levels of energy efficiency in their business operations.

11 **Vision:** California’s industry will be vibrant, profitable, and double its level of energy
12 efficiency by 2030 through a suite of energy efficiency programs intended to:

- 13 • Facilitate, sustain, and transform the delivery and adoption of energy-
14 efficient products and services.
- 15 • Cultivate, promote, and maintain lasting energy-efficient operations and
16 practices.
- 17 • Offer a range of simplified solutions that address the customer’s energy
18 efficiency needs.

19 To realize the vision for the industrial sector customers, SoCalGas has developed the
20 following goals:

21 **Goal 1:** Increase adoption of energy efficiency and decarbonization solutions across all
22 industrial segments.

23 **Goal 2:** Position behavior-based interventions such as SEM to facilitate permanent
24 changes in practices that address energy efficiency, demand response, and
25 decarbonization goals.

26 **Goal 3:** Participate in and drive the Industrial Cluster approach to further decarbonization
27 goals by improving systemic efficiency, renewable heat, hydrogen, and carbon
28 capture/utilization.

29 **Agricultural**

30 SoCalGas’s agricultural sector represents about 2% of the natural gas consumed by all
31 program-eligible customers. California agriculture is a \$54 billion industry that generates at least

1 \$100 billion in related economic activity.³⁶ California’s agriculture sector is diverse and robust,
2 with each segment interlinked with the others in a network of common culture and commerce.
3 Unlike the single crop monocultures of wheat and corn in the Midwest, the farmers and ranchers
4 of California grow many crops – from alfalfa to zucchini – that provide the greatest agricultural
5 bounty of any state in the nation. Although energy is an essential aspect of their business, the
6 primary focus of the agricultural customers is on the health and yield of their crops.

7 SoCalGas addresses the needs of its agricultural customers from very small family farms
8 to large commercial outfits, including greenhouses, wineries, dairy farms, field crops, and more.
9 The SoCalGas service territory encompasses the Lower San Joaquin Valley, Central Coast, and
10 Southern California growing regions. Within this territory, SoCalGas has identified meaningful
11 opportunities to change agricultural customer energy practices and behaviors to promote greater
12 energy efficiency in agricultural segment-specific systems and processes.

13 **Vision:** Energy efficiency will support California agriculture’s long-term economic and
14 environmental success.

15 To realize the agricultural sector vision, SoCalGas has developed the following goals:

16 **Goal 1:** Increase adoption of deeper, more comprehensive energy efficiency solutions by
17 equity-classified customers (hard to reach, Disadvantaged Communities, ESJ,
18 underserved, rural) and smaller-sized customers.

19 **Goal 2:** Encourage energy efficiency investment to lower operational costs, improve
20 customer competitiveness, and support decarbonization.

21 **Goal 3:** Pursue sustainability and decarbonization through integrated energy efficiency
22 and decarbonization solutions among all agricultural customer segments.

23 **Public**

24 SoCalGas’s public sector represents approximately 3% of SoCalGas’s total energy
25 efficiency-eligible customer load. However, a significant percentage (over 80%) of additional
26 public sector consumption is due to electric generation, including cogeneration, and is ineligible
27 for energy efficiency programs.

³⁶ California Department of Food and Agriculture. (2016). *California Department of Food and Agriculture: 97 Years protecting and promoting agriculture in the golden state.* Retrieved from <https://www.cdfa.ca.gov/CDFA-History.html>

1 The key function of the public sector is to provide services that benefit society, including
2 public safety, public education, and maintaining public infrastructure. The public sector is
3 defined by four segments: local government, state government, federal government, and public
4 education. These segments contain many customer groups that can be further disaggregated by
5 agency, department, or district affiliation. Public sector customers are essentially “tax-based”
6 government organizations.

7 Public sector customers are often subject to executive, legislative, and other mandates as
8 taxpayer-funded entities. Public sector customers are generally characterized as: not profit-
9 motivated; having fixed utility budgets; requiring a public process on key decisions, including
10 funding and project approval, implementation on a fiscal year rather than a calendar year, and
11 unique purchasing guidelines. These characteristics are unlike most commercial businesses.

12 Public sector customers are generally governed by a centralized decision-making
13 authority uniquely positioned to transform their organization’s decision-making processes.
14 These structures are well-positioned to achieve deeper energy efficiency and adopt other
15 demand-side management solutions (including clean renewables) to help reduce operational
16 costs and environmental impacts in support of federal, State, and local mandates.

17 **Vision:** California’s public sector will incorporate energy efficiency into their policies
18 and practices to capture all energy efficiency opportunities throughout their facilities, enabling a
19 pathway to decarbonization.

20 To realize the vision for the public sector, SoCalGas has developed the following goals:

21 **Goal 1:** Achieve comprehensive, deep energy efficiency levels among all public facilities
22 to support the Commission’s energy efficiency goals and advance California’s
23 decarbonization policies in buildings.

24 **Goal 2:** Work with Public Sector customers to adopt long-term goals to incorporate
25 energy efficiency into customer’s organizational policies and practices.

26 **Goal 3:** Ensure Public Sector agencies serving Disadvantaged Communities receive
27 appropriate support to access and promote energy efficiency solutions to municipal,
28 residential, and business customers.

29 **Cross-Cutting: Finance**

30 In response to California’s goal to double energy efficiency levels by 2030, the new
31 energy efficiency finance offerings will promote greater levels of adoption for more

1 comprehensive energy efficiency solutions for customers. The new energy efficiency finance
2 offerings will consist of a variety of financing options for single-family and multifamily
3 residential customers and small businesses and broader nonresidential customers. These new
4 offerings will support all types of demand-side investments, including energy efficiency, demand
5 response, distributed generation, and energy storage. Energy efficiency finance will be
6 seamlessly integrated with other energy efficiency programs to provide customers with
7 comprehensive solutions in a simple, easy approach through innovative online and handheld
8 technologies to enable greater customer participation throughout the program portfolio.
9 Customers will be eligible to receive financing and program rebates or go through the finance-
10 only path.

11 **Vision:** Customer adoption of deep, comprehensive energy-efficient solutions for their
12 homes and businesses through innovative and affordable financing options promoted by the
13 contractor community and supported by the financial industry.

14 To accomplish this, SoCalGas has listed these sub-sector goals:

15 **Goal 1:** Build, enable, and maintain greater, broader, and/or more equitable access to
16 capital and increase affordability of and investment in energy-efficient projects, products,
17 or services.

18 **Goal 2:** Attract private capital to expand reach of energy efficiency financing options to
19 customers and help scale participation in programs.

20 **Goal 3:** Reach a broader set of customer groups (*e.g.*, Disadvantaged Communities, those
21 with historically low energy efficiency adoption rates) and market segments.

22 **Cross-Cutting: Workforce Education & Training and Outreach**

23 The Workforce Education & Training and Outreach (WET&O) sector represents a
24 portfolio of education, training, outreach, and collaborative engagement between the IOUs and
25 other stakeholders involved in energy education and market channel outreach. SoCalGas
26 WET&O targets a workforce of new and existing energy efficiency trade professionals, allies,
27 market channels and other customer intermediaries through market support outreach, equitable
28 technical upskill, and core energy education.

29 WET&O involves a complex convergence of stakeholders, collaborators, and service
30 providers. SoCalGas will work with key stakeholders from the public and private sectors to find

1 new approaches or advance existing means to provide increased value as an important resource
2 to energy efficiency portfolio efforts.

3 **Vision:** To enable a diverse, trained, and skilled workforce through education, training,
4 and outreach to help meet the State’s energy efficiency goals and decarbonize the future.

5 To accomplish this, SoCalGas has listed these sub-sector goals:

6 **Goal 1:** Engage and motivate trade professionals, allies, market channels, and customer
7 intermediaries with resources, data, and innovative ways to optimize supply chains with
8 energy efficiency products.

9 **Goal 2:** Repurpose energy efficiency education and training content to reach more trade
10 professionals, allies, market channels, and customer intermediaries with convenient and
11 timely access to an instructional curriculum.

12 **Goal 3:** Enhance and sustain strategies to enroll disadvantaged workers in education and
13 training programs, and outreach to them about career pathways that support California’s
14 clean energy goals.

15 **Goal 4:** Inform and distribute collateral focused on emerging clean energy initiatives,
16 technologies, and transition to decarbonization to trade professionals, allies, market
17 channels, and customer intermediaries.

18 **Cross-Cutting: Emerging Technologies**

19 The Emerging Technologies Program is a non-resource program designed to help
20 ratepayer-funded programs meet the energy reduction needs of California by identifying cost-
21 effective measures that deliver reliable energy savings. The Statewide Emerging Technologies
22 (ET) program rapidly identifies, screens, and advances promising natural gas technologies into
23 the program portfolio. Achieving higher levels of adoption is crucial for PAs and Program
24 Implementers to meet energy savings goals cost-effectively as existing energy efficiency
25 measures are retired or transitioned out of the portfolio. ET relies on a collaborative approach
26 with targeted market and technology actors to identify and screen technologies, identify and
27 verify key market barriers to new technology adoption, and develop strategies to overcome such
28 barriers.

29 **Vision:** To anticipate the latest emerging technology trends and to quickly introduce
30 innovative technologies to the program implementers.

1 The Emerging Technologies Program supports the Program Administrators by fulfilling
2 three objectives:

3 **Goal 1:** Provide energy efficiency programs with a comprehensive set of suitable
4 technology options that promote higher efficiency and decarbonization.

5 **Goal 2:** Ensure that Program Administrators receive actionable market information to
6 inform program design and measure mix.

7 **Goal 3:** Advance commercialization of breakthrough efficient gas technologies by
8 working with technology development partners and market actors to understand and
9 overcome barriers.

10 **Cross-Cutting: Codes and Standards**

11 As directed by the Commission, SoCalGas has no role in codes and standards other than
12 to “transfer ratepayer funds to the statewide lead for codes and standards[.]”³⁷

13 **c) Budget Strategy Among Sectors and Segments**

14 To support the Business Plan and meet Commission-approved energy efficiency goals,
15 SoCalGas proposes an overall increase to its energy efficiency budget. The most significant
16 budget increases are shown in the nonresidential sectors and equity-based programs. Increased
17 funding levels for the nonresidential sectors will allow SoCalGas to offer a cost-effective
18 resource acquisition portfolio segment. Increases directed at the Market Support and Equity
19 portfolio segments will enable SoCalGas to better serve the needs of equity-qualified customers
20 and continue investments in long-term energy efficiency in Market Support. SoCalGas based its
21 budget distribution among sectors and segments on several key factors, including:

- 22 • Meeting TSB annual goals and cost-effectiveness threshold requirements
23 established by the Commission in D. 21-09-037.
- 24 • Delivering a cost-effective suite of resource acquisition segment programs.³⁸
- 25 • Expanding nonresidential budgets to achieve higher levels of cost-effective
26 energy efficiency.
- 27 • Expanding the Equity and Market Support budgets to support equity-qualified
28 customers and expand education, training, and outreach efforts.
- 29 • Executing on sector goals and strategies and achieving sector metric targets.

³⁷ D.18-05-041, OP 53.

³⁸ D. 21-05-031, OP 3.

- Incorporating historical program performance across sectors and customer groups showing a propensity and potential for energy efficiency solutions.

d) Outsourcing

Strategy for Continuing to Maintain Outsourcing Target

SoCalGas will continue to exceed the Commission's 60% minimum third-party program implementer funding threshold while seeking innovative third-party program design as envisioned by the Commission.³⁹ As third-party program implementers continue to perform the role of program design and implementation, it is important to maintain the momentum in advancing California's goal of doubling energy efficiency by 2030. During this transition, SoCalGas will also continue to offer IOU-specific program services for the next four years to aid these emerging third-party programs, including OBF, the Energy Resource Center, and other utility support services.

The Commission's original rationale to expand third-party program design and delivery includes encouraging program innovation and producing program delivery cost savings. The Commission concluded that program design innovation is particularly needed for smaller customers.⁴⁰ The Commission also recognized the increasing importance of the utility administrators as portfolio designers and did not intend to remove or diminish the utilities' responsibility for electric and natural gas reliability, particularly in local areas.⁴¹ In recognition that there may be instances where an IOU should continue to provide program design and/or delivery functions with utility personnel, the Commission directed the IOU to explain its approach.⁴²

SoCalGas is committed to supporting the Commission policy to rely on the third-party program implementer community to offer innovative and cost-efficient solutions to customers. SoCalGas notes below specific programs and services that are either rooted in utility core services and/or provide greater cost-efficiencies when delivered by SoCalGas. To complement the preferred third-party program delivery model, SoCalGas will:

- Continue to offer OBF as SoCalGas is a California lending agent that leverages its existing utility billing system to support the offering.

³⁹ Decision 18-01-004, OP 1.

⁴⁰ D.16-08-019, p. 70.

⁴¹ *Id.* p. 71.

⁴² *Id.* p. 74.

- 1 • Rely upon its Energy Resource Center to support various program offerings (*e.g.*,
2 Statewide Workforce Education & Training) and facilitate local training and
3 outreach efforts.
- 4 • Leverage qualified and highly trained represented labor to efficiently and safely
5 install energy-efficient equipment for program implementers in residential and
6 small businesses.
- 7 • Provide centralized customer incentive payment services for all programs within
8 the portfolio, including offering customer incentives for energy efficiency
9 equipment unavailable through existing programs. The centralized incentive
10 payment approach will create greater cost-efficiencies in program delivery while
11 assigning SoCalGas the direct fiduciary responsibility for such transactions.
- 12 • Continue to provide portfolio administrative functions such as project engineering
13 reviews, project inspections, payment services, and contract management.

14 **Solicitation Strategies, Scope, and Schedule**

15 In the previous Business Plan program cycle (2018-2025), SoCalGas solicited its first set
16 of market segment and sector-based contracts and, on an annual basis released a series of
17 competitive solicitations to meet the Commission’s 60% third party program implementation
18 objectives. This approach allowed the third-party implementer community to design, propose,
19 and implement innovative programs for SoCalGas.

20 The Commission approved a two-stage solicitation approach for energy efficiency third-
21 party programs⁴³ and required the California IOUs to utilize Peer Review Groups (PRGs) and
22 Independent Evaluators (IEs) for oversight.⁴⁴ Stage 1 is the Request for Abstract (RFA) process,
23 intended to gather high-level information on prospective programs and contractors. Stage 2 is
24 the Request for Proposal (RFP) process to third parties who are qualified after Stage 1.
25 Negotiation, contracting, and Advice Letter filing, complete the solicitation process.

26 With time, the focus of the solicitation process has evolved to include other objectives.
27 For instance, in recognition of the changes in the energy markets and the environment, as well as
28 the needs of its customers and the larger supplier community, SoCalGas’s goals are listed below:

- 29 • Execute timely solicitation process;
- 30 • Promote greater innovative program design and delivery;

⁴³ D.18-01-004, p. 31.

⁴⁴ *Id.*, OP 3 and OP 5.

- 1 • Encourage greater diversity in bidders; and,
- 2 • Provide for more cost-effective delivery of program savings.

3 To achieve these objectives, SoCalGas proposes the following enhancements to the
4 program solicitation process:

- 5 • Enhancements to the two-stage solicitation approach, in response to specific
6 feedback and new insights gained from an Opinion Dynamics Study⁴⁵
7 (redundancy of RFA to RFP, Scoring, Negotiation), including new materials from
8 PRG working group, IEs follow-up elements, and a cost-saving emphasis.
- 9 • The introduction of new tools, standards, and procedures ensures customers,
10 SoCalGas, and its business partners receive a seamless experience during a
11 solicitation process.
- 12 • The expansion of efforts to attract small, new, and/or diverse business partners to
13 improve the program’s appeal to future business partners.
- 14 • The start of post 60% third-party program implementation, including:
 - 15 ○ Renewing or recompeting when contract terms are up, under applicable
16 criteria and rules.
 - 17 ○ Measuring success, cost-effectiveness, and innovation.
 - 18 ○ Retaining diversity and growth of market players in energy efficiency.

19 As such, SoCalGas’s solicitation strategy for the 2024-2027 program cycle is based upon
20 the following principles:

- 21 • Monitoring and assessing current third-party program implementer achievements
22 towards success metrics to determine whether to renew or rebid current contracts.
- 23 • Continuing segment contracts and solicitations to diversify the pool of program
24 implementers.
- 25 • Conducting rolling solicitations for new and innovative ideas and technologies.
- 26 • Expanding efforts in attracting small, new, diverse business partners.

27 SoCalGas’s solicitation schedule for 2024-2027 can be found in Exhibit 02.

⁴⁵https://pda.energydataweb.com/api/view/2581/Opinion%20Dynamics%203P%20Evaluation%20Report_FINAL_2022-01-27.pdf

- Evaluation of program effectiveness: analyze various program performance metrics, to set baseline for design and improvement of programs and portfolio TSB goals.
- Assessment of the market: identify trends and characteristics to support the long-term success of the energy efficiency market and the needs of hard-to-reach, underserved, and Disadvantaged Communities.
- Support for program planning and policy: provide necessary aid to programs and pilots, compliance filings and activities.

Summary of planned EM&V Studies and Activities

SoCalGas is proposing four areas of focus to provide support for program segments and portfolio achievement. Individual studies will be presented in detail when the PAs are planning EM&V roadmaps in the future. Studies, ideas, and activities described here serve either one or both SoCalGas and statewide interests. Also, as programs progress and budgets allow, necessary changes will be applied and can influence certain evaluations. Additional details are provided in Exhibit 02.

Portfolio *Ex Ante* Savings

- Leverage effective methodologies and analyses for impact evaluations to identify more ways to save energy.
- Evaluate NMEC program specifics contributing to savings variance.
- Study savings persistence in behavioral programs for future planning.

Portfolio Optimization and Evolution

- Emphasis on market studies to identify barriers and distinctive characteristics.
- Make a significant shift in environmental and social-driven research to identify gaps and areas of potential savings.
- Study the new Market Support and Equity portfolio segments to explore trends and qualities.
- Examine the energy savings and carbon emission reduction potential of cleaner energy technologies.

Support Program Impacts (*Ex Post*)

- Investigate variance factors in third-party program savings estimations.

- 1 • Consult with the Commission on ways to perform a real-time assessment of
2 project influence to support timely net-to-gross assumptions.
- 3 • Perform studies for Estimated Useful Life (EUL) for various equipment to assist
4 the future *ex post* evaluations.

5 **General Portfolio and Program EM&V Support**

- 6 • Expand process evaluations with a highlight on third-party programs to include
7 evaluability assessments to measure program effectiveness.

8 **EM&V Budget Allocation and Justification**

9 The Commission's current budget allocation for EM&V of 4% of the portfolio budget
10 provides sufficient resources to perform EM&V for the portfolio plan period. However,
11 SoCalGas proposes that the split between PA and Energy Division shares is adjusted from 27.5%
12 to 30% for this Business Plan period. SoCalGas recognizes activities unrelated to research and
13 studies, such as eTRM, which the PA EM&V budget will fund.⁴⁷ In addition to these activities,
14 and in accordance with Commission Decision 16-08-019, PAs are authorized to request up to a
15 maximum of 40% of the budget for EM&V, for specific purposes.⁴⁸ In line with this, SoCalGas
16 requests its portion of these funds to be 30% of the total EM&V budget. This increase will allow
17 for further focus on evaluating normalized metered energy savings programs and market
18 assessments for market transformation opportunities.

19 **g) Alignment with Legislative and Commission Requirements** 20 **and Relevant Action Plans**

21 SoCalGas's Budget Plan Demonstrates alignment of business plan strategies and
22 outcomes with Legislative and Commission requirements over recent years. The Commission
23 and California's legislature have advanced the most progressive energy policies in the country.
24 SoCalGas will actively support and advance progress toward these Commission policies and
25 California's legislative mandates guiding the future of energy efficiency in California.

26 **Commission Policy Requirements**

27 This Business Plan strives to comply with all Commission directives presented in
28 relevant Commission decisions. Recent Commission decisions have reset prior Commission
29 policies, which directly reshape how PAs design their energy efficiency portfolios. Recognizing

⁴⁷ Resolution E-5082, at 11.

⁴⁸ D.16-08-019, OP 16, at 112.

1 the Commission’s other energy efficiency policies objectives, the Commission “reduce[d] the
2 conflict between cost-effectiveness and other equally or more important policy objectives such as
3 equity and support for the energy efficiency market.”⁴⁹ The Commission’s new approach allows
4 SoCalGas to vigorously pursue resource acquisition savings, critical to the utility distribution
5 needs, without compromising support for equally important market support and equity-focused
6 activities that improve the potential for more energy efficiency.

7 The Commission also adopted energy efficiency portfolio resource savings goals on a
8 TSB basis beginning in Program Year 2024, instead of the previous energy savings goals. TSB
9 represents the economic benefits, including lifecycle energy, capacity, and GHG benefits,
10 associated with energy savings over the lifecycle of measures installed, rather than simply the
11 expected first annualized energy savings.

12 **Legislative Mandates**

13 Among other landmark legislation, California’s Senate Bill 350 mandates doubling
14 electric and gas energy efficiency by 2030. Over the past few years, SoCalGas has reshaped its
15 energy efficiency portfolio to meet these specific mandates. From Senate Bill 350 to ABs 758,
16 793, and 802, numerous directives shape the next generation of energy efficiency program
17 offerings. A summary of the relevant legislation and SoCalGas’s proposed program strategies to
18 address these directives are discussed below.

19 **AB 32/SB 32 - California Global Warming Solutions Act of 2006:** This legislation seeks
20 substantial carbon emissions reductions. The latest extension of SB 32 mandates the reduction
21 of GHG gas emissions to 40 percent below the 1990 levels by 2030. SoCalGas will aggressively
22 promote a higher level of energy efficiency technologies that produce significant emission
23 reductions to advance California’s decarbonization policies.

24 **SB 350 - Clean Energy and Pollution Reduction Act of 2015:** This legislation mandates an
25 increase in energy efficiency by 50 percent in existing buildings by 2030, focusing on addressing
26 the needs of Disadvantaged Communities more effectively in accessing energy efficiency and
27 solar resources and workforce development. The Business Plan allows program adaptations to
28 respond to local and regional interest through targeted program delivery, modified incentive
29 structures, and regional promotions. The energy service industry will continue to be relied upon

⁴⁹ D.21-05-041, at p.13-14

1 to promote energy efficiency programs and install customer projects across all customer sectors.
2 SoCalGas will continue partnering with public agencies and utilities to create synergies in
3 program delivery and outcomes. The Plan expands its investments in workforce development by
4 aggressive outreach to its contractor community and supply chain market actors.

5 **AB 793 - Energy Management Technology:** This legislation directs the development of
6 programs that provide incentives to help residential and small/medium business customers
7 acquire energy management technology and educate them about these programs. SoCalGas will
8 build upon its previous program successes to continue offering consumer-friendly, ongoing
9 virtual communication that will allow the customer to continuously monitor energy consumption
10 within their household and businesses. This will empower customers to modify their behavior
11 permanently.

12 **AB 758 - Existing Buildings Energy Efficiency Action Plan:** This legislation directs the
13 development and compilation of information on building lifecycle and/or building occupant
14 tenure cost reductions for energy and water efficiency measures. It also mandates identifying
15 building/business types well-suited for zero net energy (ZNE) retrofits, but where current ZNE
16 guidance is scarce. SoCalGas will aggressively promote a pathway to ZNE by improving the
17 efficiency of gas end-use technologies. As part of the newly procured programs, such as SEM
18 offerings, SoCalGas will continue to promote customer understanding of energy efficiency
19 benefits associated with retrofits and permanent behavior changes. SoCalGas will also continue
20 to partner with water agencies to support such endeavors.

21 **AB 802 - Benchmarking and Changes to Energy Efficiency Baselines:** AB 802 provides that
22 utilities must provide aggregated energy usage data to the owner, its agent, or the building
23 operator. In addition, it provides that the Commission will set requirements for public disclosure
24 of information for benchmarking purposes and authorizes utilities to provide incentives to
25 customers for energy efficiency projects based on normalized metered energy consumption as a
26 measure of energy savings. SoCalGas's program offerings will encourage both energy
27 efficiency retrofit and behavioral changes through incentives based on normalized metered
28 energy consumption as of estimate of energy savings. SoCalGas will continue to promote
29 benchmarking through various tactics such as data sharing to provide usage information to the
30 customer to support benchmarking activities.

1 **SB 1131 - Custom Projects Review Process:** SB 1131 mandates that the Commission may take
2 no longer than 30 days to review an eligible energy efficiency project. The Commission must
3 complete its review of a project with a complete project package within 30 days and will issue a
4 disposition on an energy efficiency project, either approving it, approving it with
5 recommendations, or rejecting it. Rejected projects may be revised and resubmitted for a new
6 review. If the disposition for a project under SB 1131 exceeds 30 days, the Commission review
7 becomes advisory-only, and the Commission's recommendations are not required to be followed.
8 SoCalGas proposes below to revisit the need for Commission project reviews given the
9 significant policy changes in energy efficiency over recent years (See Section I.A - New Energy
10 Efficiency Policies).

11 **h) Alignment with Relevant Action Plans Beyond the EE**
12 **Proceeding**

13 **Decarbonization**

14 This Business Plan builds upon SoCalGas's strategies and successes of the previous
15 business plan to expand energy efficiency adoption, resulting in significant emission reductions,
16 a more reliable gas system, and bill savings for customers.

17 The State enacted Senate Bill 100 requires that zero-carbon resources provide 100% of
18 electric sales and procurement by 2045. In 2021, SoCalGas released its ASPIRE 2045 climate
19 commitment to achieve zero greenhouse gas emissions in its operations and energy delivery by
20 2045. This includes emissions from all customers. On October 26, 2021, SoCalGas released its
21 Clean Fuels technical analysis, showcasing its essential role in California's energy transition.
22 Furthermore, on February 17, 2022, SoCalGas announced its proposal to develop the nation's
23 largest green hydrogen energy infrastructure system, known as Angeles Link, to deliver clean,
24 reliable renewable energy to the Los Angeles region for hard-to-electrify sectors such as electric
25 generation, industrial processes, and heavy-duty trucks.

26 A path to decarbonization requires a range of different decarbonization levers, with
27 energy efficiency being a primary and consistent lever throughout this journey. The Business
28 Plan places energy efficiency as the cornerstone to support and advance California's clean
29 energy policy.

30 **Environmental and Social Justice Action Plan**

31 SoCalGas's Business Plan directly supports the goals and objectives of the Commission's
32 ESJ Action Plan by expanding energy efficiency offerings to Equity-qualified customers and

1 communities. Specifically, SoCalGas will advance specific objectives that support the
2 Commission’s ESJ clean energy resource, climate resiliency, and workforce development goals.
3 The Commission’s ESJ Action Plan puts forth its vision to advance equity in its programs and
4 policies for ESJ communities. The Commission refers to this definition for environmental and
5 social justice:⁵⁰

6 Environmental and social justice seeks to come to terms with, and
7 remedy, a history of unfair treatment of communities,
8 predominantly communities of people of color and/ or low-income
9 residents. These communities have been subjected to
10 disproportionate impacts from one or more environmental hazards,
11 socio-economic burdens, or both. Residents have been excluded in
12 policy setting or decision-making processes and have lacked
13 protections and benefits afforded to other communities by
14 implementing environmental and other regulations, such as those
15 enacted to control polluting activities.
16

17 The ESJ Action Plan includes several goals and objectives that span energy, water,
18 transportation, and communications. Through its Business Plan, SoCalGas will support energy-
19 related goals, including workforce development.

20 **California Energy Efficiency Strategic Plan (CEESP)**

21 The Commission’s 2011 CEESP set forth a framework to make energy efficiency a way
22 of life in California by refocusing ratepayer-funded energy efficiency programs on achieving
23 long-term savings through structural changes in the way Californians use energy. SoCalGas was
24 integral to developing the initial CEESP developed in 2008 and continues to pursue the
25 achievement of each of the current CEESP goals.

26 **II. ANNUAL PORTFOLIO BUDGETS**

27 SoCalGas’s 2024-2031 budget provides the proposed annual spending levels for the
28 2024-2027 program cycle and a projected 2028-2031 program cycle. With the reversion back to
29 the program cycle approach, SoCalGas will, as necessary, carryover and shift funds to meet
30 program cycle goals.⁵¹ This is critical as programs may take time to ramp up, and it may be
31 necessary to carryover committed energy efficiency projects into the next funding cycle.

⁵⁰ California codified Environmental Justice in GOV § 65040.12: “...the fair treatment of people of all races, cultures, and incomes with respect to the development, adoption, implementation, and enforcement of environmental laws, regulations, and policies.”

⁵¹ D.21-05-031, Conclusion of Law 24, p. 77.

1 SoCalGas will file a true-up Tier 2 advice letter before the start of the 2024-2027 program cycle
 2 and a mid-cycle Tier 2 advice letter updating forecasts and the portfolio to account for energy
 3 efficiency potential and goal changes.⁵²
 4

EX01 TABLE 1 | Portfolio Budget Request and Forecasts*

PY	Portfolio Budget	MMThm	TSB
2024	\$151,687,539	53.0	\$145,057,071
2025	\$152,297,751	52.5	\$153,587,745
2026	\$153,091,120	49.3	\$159,287,464
2027	\$154,627,593	46.8	\$170,538,806
2028	\$159,575,676	46.6	\$183,621,499
2029	\$164,682,097	47.6	\$197,736,090
2030	\$169,951,925	48.6	\$212,814,714
2031	\$175,390,386	49.6	\$229,126,672
Total	\$1,281,304,087	394.0	\$1,451,770,061

** Table does not include REN budgets or forecasts; TSB does not include C&S; Therm savings include savings from ESA.*

5 SoCalGas’s overall eight-year budget cap is presented in Table 1. Per Commission
 6 direction, the eight-year business plan is split into two four-year periods and only the first four-
 7 year period’s budget is to be approved as part of this Application.⁵³ Exhibit 2 describes the zero-
 8 based budgeting method for estimating costs for the first four-year program cycle. The latter
 9 four-year budget is not part of this Application’s budget approval and thus the cost estimates are
 10 developed with higher-level assumptions. SoCalGas’s approach to forecasting those costs is
 11 based on extrapolating from the 2024-2027 program period. Additional detail is provided in
 12 Appendix A, Table 4.2.

⁵² Decision 21-05-031, OP 10.

⁵³ D.21-05-031, OP 5

EX01 TABLE 2 | Portfolio Cost-Effectiveness

Program Year	Resource Acquisition		Portfolio (with C&S)		Portfolio (w/o C&S)	
	TRC	PAC	TRC	PAC	TRC	PAC
2024	1.03	1.34	1.06	1.97	0.77	0.95
2025	1.09	1.41	1.07	1.95	0.81	1.00
2026	1.12	1.46	1.07	1.93	0.84	1.03
2027	1.19	1.55	1.09	1.93	0.89	1.09
2028	1.25	1.62	1.13	1.96	0.92	1.12
2029	1.30	1.70	1.18	2.03	0.96	1.17
2030	1.36	1.77	1.22	2.09	1.00	1.22
2031	1.42	1.84	1.28	2.16	1.04	1.27
2024-2031	1.23	1.59	1.14	1.99	0.90	1.10

1 **III. POLICY CONSIDERATIONS**

2 In developing the Business Plan, SoCalGas identifies discreet areas in which SoCalGas
3 requests Commission guidance, clarity, and approval regarding Commission energy efficiency
4 policies. To allow for the successful execution of its Business Plan and, ultimately to facilitate
5 meeting the Commission’s energy efficiency goals and advancing California’s decarbonization
6 policies while improving program delivery and administration, SoCalGas identifies various
7 modifications needed to existing Commission energy efficiency policies. Policy considerations
8 have been grouped into two overarching themes: (1) modernizing/expanding the scope of energy
9 efficiency to advance state policies and (2) recalibrating policies for the current IOU PA role in
10 energy efficiency.

11 **A. New Energy Efficiency Policies**

12 To modernize and expand the scope of energy efficiency to further save natural gas and
13 decarbonize the energy system, SoCalGas proposes the following new policies for the
14 Commission’s consideration:

1 **1. Incorporate Methane Reductions into Energy Efficiency Savings**

2 The Commission should consider the remedy of behind the meter methane leakage
3 (uncombusted natural gas) as an eligible energy efficiency activity by adding energy savings and
4 CO₂-equivalent savings in potential studies, cost-effectiveness calculations, and reporting. SB
5 1371 requires the Commission to issue rules for the “avoidance, reduction, and repair of leaks
6 and leaking components” along pipelines but does not address behind the meter methane
7 leakage.⁵⁴

8 A CEC study identified a significant untapped potential to mitigate GWP methane in the
9 foodservice industry.⁵⁵ It is estimated that the identification and sealing of GWP methane leaks
10 in commercial kitchens can capture substantial amounts of methane. Identifying and ensuring
11 exceptionally leak-tight systems in commercial kitchens can help reduce the risk to the climate
12 posed by GWP fugitive methane. SoCalGas believes actively pursuing fugitive methane
13 mitigation can increase efficiency and directly support improved air quality.

14 In a 2018 report, the CEC estimated that 15% of California’s natural gas sector methane
15 emissions are from homes.⁵⁶ The report also noted⁵⁷ that methane emissions from residential
16 natural gas consumption are small compared to most other sources of anthropogenic, or human-
17 caused, methane, California’s ambitious climate goal to reduce greenhouse gas emissions 80
18 percent below 1990 levels by 2050 will require aggressive targeting of all GHG emissions,
19 suggesting value in upgrading building natural gas infrastructure, modernizing combustion
20 appliances, and gradually moving toward non-fossil renewable energy sources coupled with
21 high-efficiency technologies for residential space and water heating and cooking.

22 SoCalGas is currently testing an approach to reduce behind the meter methane emissions
23 in commercial kitchens and has observed a 45% reduction in methane leakage for participating
24 projects. For example, poorly connected fittings and faulty equipment cause some behind the
25 meter methane leakage.

26 Unlike GWP refrigerant leakage, which is not directly related to electricity or gas usage,
27 behind the meter methane leakage affects customers’ energy bills directly and more significantly
28 contribute to CO₂-equivalent emissions than combusted natural gas. SoCalGas urges the

⁵⁴ https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201320140SB1371

⁵⁵ CEC-500-2020-048 p. 34

⁵⁶ CEC Report CEC-500-2018-021: Natural Gas Methane Emissions from California Homes, p. 38

⁵⁷ *Id* p. 3

1 Commission to study the additional potential therm savings and CO₂-equivalent savings
2 associated with reducing behind-the-meter methane leakage in the next potential study, as well as
3 instruct the Energy Division to work with gas utilities to immediately develop or update savings
4 assumptions for measures that reduce methane leakage to claim in existing and future portfolios.

5 **2. Exempt Energy Efficiency Program Delivery Using Utility**
6 **Represented Employees from Third Party Outsourcing Requirements**

7 SoCalGas proposes that any use of represented employees in energy efficiency program
8 delivery, be exempt from the Commission’s third-party outsourcing requirements. D.16-08-019
9 defines third-party programs as those that are “proposed, designed, implemented, and delivered
10 by non-utility personnel under contract to a utility program administrator.⁵⁸ SoCalGas is
11 currently working to meet its obligation to outsource at least 60 percent of its portfolio by the
12 end of 2022. However, SoCalGas sees an opportunity for energy efficiency program delivery
13 expansion that would impact its ability to maintain its 60 percent requirement without an
14 exception added to the current policy. SoCalGas has energy technicians that interact with
15 residential and business customers every day. These technicians are uniquely positioned to
16 identify less efficient equipment while on-site performing work at customer homes and
17 businesses inspecting equipment, relighting pilot lights, or performing other essential services.
18 Allowing these technicians to educate customers on available energy efficiency options should
19 they observe an old, inoperable, and/or less efficient appliance, as well as assisting the customer
20 in pursuing energy efficiency upgrades would provide a value-added comprehensive energy
21 efficiency approach, and increased program access for hard-to-reach customers. These
22 technicians are comprised of highly trained and qualified union-represented employees who can
23 minimize lost opportunities by addressing energy efficiency upgrades in real-time. Leveraging
24 this union-represented workforce will bring to bear quality installations of energy efficiency
25 equipment with the strong safety record they uphold. These technicians are not utility “energy
26 efficiency” program staff and thus are outside of what is generally considered the utility portion
27 of the energy efficiency portfolio budgets. Similarly, SoCalGas partners with local municipal
28 electric utilities to deliver energy efficiency programs and affording their technicians the same
29 consideration would provide access to many residents in Disadvantaged Communities. To allow
30 for this kind of program delivery, SoCalGas proposes to exempt budgets allocated to these
31 union-represented technicians from the portfolio outsourcing requirement. Because third-party

⁵⁸ CPUC. (2016, August 25). D.16-08-019, OP10, p. 111

1 programs must be proposed, designed, and delivered by non-utility personnel, it is not possible
2 under the current definition for a third-party implementer to propose using these utility
3 technicians in a meaningful way to deliver energy efficiency measures through their regular
4 course of business.

5 SoCalGas recognizes that the Commission currently affords a maximum of 40 percent of
6 portfolio budgets for IOU PA uses in portfolio administration and delivery. However, given the
7 current needs for portfolio support, including rebate processing, inspections and quality
8 assurance, contract management, statewide administration, and portfolio management and
9 reporting, there is little budget remaining in the IOU portion to implement energy efficiency
10 through utility union-represented technicians in a meaningful way. The Commission envisioned
11 that “all program design and delivery would be presumed to be conducted by third parties, unless
12 the utility specifically made a case for why the program activity must be conducted by utility
13 personnel.”⁵⁹ In this Business Plan, SoCalGas requests to leverage its union-represented energy
14 technicians, and those of municipal electric partners, and exempt the associated budget from the
15 third-party outsourcing requirements. In the same way that the Commission calculates the
16 statewide funding requirement to exclude funding allocated to other program administrators,⁶⁰
17 SoCalGas requests that the third-party calculation exclude funding allocated to union-represented
18 utility energy technicians.

19 **3. Update Avoided Cost Benefits to Reflect Upstream Water Energy** 20 **Savings for Water Efficiency Measures**

21 SoCalGas’s energy efficiency portfolio has a diverse offering of programs that educate on
22 water savings and deliver energy savings measures associated with hot water savings. In
23 addition, SoCalGas partners with water agencies for cross-promotion. In 2020, SoCalGas
24 continued its partnership with Los Angeles Water and Power (LADWP) and Los Angeles MWD
25 to co-deliver water energy nexus activities. These activities include the Energy Smart Landscape
26 seminars co-taught with MWD, and the delivery of residential energy efficiency kits in
27 partnership with LADWP. These kits help customers save energy by using low-flow
28 showerheads and water-saving kitchen and faucet aerators.

⁵⁹ D.16-08-019, at p. 73.

⁶⁰ D.18-05-041, OP 23, at p. 187.

1 In December 2021, the Commission released the significantly updated Water-Energy (W-
2 E) Calculator 2.0.⁶¹ The W-E Calculator 2.0 estimates the embedded energy savings (in kWh) of
3 water-efficiency measures. Because embedded energy savings of water-efficiency measures is
4 electricity savings, SoCalGas has not claimed the benefits of avoided upstream energy associated
5 with water efficiency measures installed through its portfolio. SoCalGas understands that the
6 avoided embedded energy cost and the avoided water-capacity cost are now calculated in the
7 Commission’s Cost-Effectiveness Tool (CET).⁶² The Commission has also signaled its intent to
8 incorporate the W-E Calculator 2.0 into the electronic technical reference manual (eTRM) in the
9 near future.⁶³ However, with the current shift to TSB, SoCalGas seeks the ability to claim the
10 avoided cost benefits of upstream electricity savings for water pumping/delivery, as calculated
11 by the Commission’s Water-Energy Calculator 2.0, for any water-saving measures installed
12 through its energy efficiency programs. SoCalGas will work with the Energy Division’s
13 CEDARS team to include these CET benefits in its water-efficiency measure reporting and its
14 portfolio cost-effectiveness calculations.

15 **B. Modifications to Current Policies**

16 Within the theme of recalibrating policies for the IOU PA’s role in energy efficiency,
17 SoCalGas proposes the following policy considerations:

18 **1. Modify the Fuel Substitution Test to Encourage Cleaner Fuel**
19 **Switching**

20 As California works to achieve carbon neutrality as soon as possible, and no later than
21 2045, the Commission should consider ways to address carbon-intensive end uses from
22 unregulated fuel sources. In particular, outdoor cooking and heating applications are commonly
23 fueled by wood, charcoal, or propane, and could easily be replaced by natural gas and/or electric
24 services. The Commission should consider fuel-switching within the scope of the energy
25 efficiency proceeding for retrofit or replacement measures and projects for customers that reduce
26 source BTU consumption, reduce GHG emissions, and increase reliability or affordability
27 compared to unregulated fuels.

⁶¹ CPUC, Water-Energy Nexus Programs, available at https://www.cpuc.ca.gov/nexus_calculator/

⁶² *Id.*

⁶³ Water-Energy Nexus Draft Calculator 2.0 Stakeholder Webinar, October 8, 2021, slide 21, available at https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/energy-division/documents/water-energy-nexus/groupd_w-ecalc_webinar_final_updated_011922.pdf

1 Example base case technologies that could be eligible for fuel-switching under this
2 proposal include existing propane or wood-burning fireplaces, outdoor grills (charcoal, wood-
3 burning, or propane), and propane outdoor space heaters. Many of these existing and prevalent
4 appliances and devices are likely to be left out of greater building decarbonization efforts
5 primarily focused on new construction, major renovations, and measures that are good
6 candidates for electrification. However, these types of equipment generally exist at homes and
7 businesses that already have natural gas and electric services, making fuel switching a natural
8 and readily available opportunity to reduce the greenhouse gas impacts and particulate emissions
9 from these unregulated fuels as well as reduce operating costs for customers. These technologies
10 may also be eligible for incentives through Air Quality Management Districts to reduce
11 particulate emissions, which provides an incentive stacking opportunity.

12 The nature of energy efficiency programs has traditionally been solely to decrease the
13 load. Fuel-switching programs, in isolation, appear as load-building programs, in that the net
14 effect of converting a participant's unregulated fuel to a fuel provided by the sponsoring utility is
15 an increased load. However, as emissions, reliability, affordability, and equity gain more
16 importance in the energy efficiency proceeding, the narrow view of changes in regulated load
17 and energy use is no longer as relevant as it once was. To consider the latest policy foci and
18 climate goals while remaining true to the core intent of reducing regulated fuels, SoCalGas
19 proposes that fuel-switching activities can be offered within a cost-effective portfolio that
20 produces net TRC benefits.

21 Fuel switching measures tend to negatively impact portfolio cost-effectiveness by
22 increasing fuel costs. SoCalGas proposes that these impacts not be included in the counting of
23 TSB goals but, but instead in cost-effectiveness calculations. Specifically, the cost-effectiveness
24 of a PA's Resource Acquisition segment plus any fuel switching measure, project, or program
25 regardless of segment, must be greater than 1.0 on a TRC and PAC basis.

26 SoCalGas recommends that Commission allow PAs to immediately pursue fuel switching
27 measures. SoCalGas proposes the following criteria when seeking fuel switching opportunities
28 to cleaner energy sources:

- 29 1) measure or project must replace or retrofit existing equipment which must be
30 decommissioned or removed,
- 31 2) measure or project must decrease source BTU consumption,
- 32 3) measure or project must not adversely impact the environment,

1 4) total fuel-switching activity is limited to ensure that the Resource Acquisition
2 Segment plus the fuel-switching activity is cost-effective on a TRC and PAC
3 basis.

4 Additionally, SoCalGas requests that the Commission include the CO₂e potential for fuel
5 substitution measures into its next Potential and Goals Study.

6 **2. Increase Equity and Market Support Funding Limits**

7 The Commission currently caps the funding for Equity and Market Support portfolio
8 segments to 30% of the portfolio budget.⁶⁴ The Equity segment serves hard-to-reach customers
9 and customers in Disadvantaged Communities as well as advancing the objectives in the
10 Commission's ESJ Action Plan.⁶⁵ Market Support enables long-term energy efficiency, which
11 will be integral to advancing California's energy efficiency and decarbonization goals. Neither
12 portfolio segment requires a cost-effectiveness threshold to help set funding levels.⁶⁶ In
13 establishing the 30% cap, the Commission used prior IOU non-resource expenditures.⁶⁷
14 However, prior non-resource expenditures were limited by the previous cost-effectiveness
15 thresholds that required a portfolio TRC ratio of 1.25 on a forecasted basis. In developing its
16 2024-2031 Business Plan, SoCalGas believes there is an opportunity to recalibrate the 30% cap
17 to accommodate the current state of the energy efficiency portfolios, and to advance energy
18 efficiency for hard-to-reach customers and in disadvantaged communities.

19 More than 50 percent of SoCalGas customers reside in Disadvantaged Communities.⁶⁸
20 Additionally, the Commission's 2019 Affordability Report identifies the specific geographic
21 areas where utility services are currently least affordable for low-income households and are
22 most vulnerable to future increases in essential service charges. These areas include many parts
23 of Los Angeles County, Tulare County, Bakersfield, and San Bernardino.⁶⁹

24 Due to the large percentage of SoCalGas's customers who reside in DACs, are
25 considered hard-to-reach, and who struggle with the affordability of basic utility service,

⁶⁴ D.21-05-031, Conclusion of Law 9, at p. 75.

⁶⁵ CPUC Environmental and Social Justice Action Plan 2.0, October 26, 2021, *available at* <https://www.cpuc.ca.gov/-/media/cpuc-website/divisions/news-and-outreach/documents/news-office/key-issues/esj/draft-cpuc-esj-2010262021c.pdf>

⁶⁶ D.21-05-031, Finding of Fact 5, at p. 72.

⁶⁷ D.21-05-031, at p.23.

⁶⁸ SoCalGas billing data cross-referenced with Disadvantaged Community zip codes from CalEnviroScreen.

⁶⁹ CPUC 2019 Affordability Report, p. 32, *available at* <https://www.cpuc.ca.gov/-/media/cpuc-website/industries-and-topics/reports/2019-annual-affordability-report.pdf>

1 SoCalGas proposes an increase from 30% to 40% as the funding cap assigned to the Equity and
2 Market Support portfolio segments. This would allow the portfolio to more equitably serve its
3 customers with programs categorized in these segments, where cost-effectiveness challenges
4 persist, but the energy efficiency and bill savings needs are greatest. Should this be approved,
5 SoCalGas could reclassify some programs in this application that are currently proposed in the
6 Resource Acquisition segment to the Equity segment, which better aligns with the primary
7 purpose of the programs.

8 **3. Change the Statewide Program Funding Minimum to a Target and** 9 **Reassess Value**

10 IOU PAs are required to allocate a minimum of 25%, or 15% for gas only utilities, of
11 their budgets to Statewide programs or subprograms.⁷⁰ The 25% minimum value was derived
12 from "a quick staff estimate" based on Program Year 2016 budgets for programs that were
13 expected to transition to statewide at the time. In its discussion of the staff estimate, the
14 Commission stated "we recognize this may change in the future with the business plan filings
15 and proposed changes therein."⁷¹

16 There have since been changes to statewide programs and portfolios at large. Upstream
17 lighting funding levels have decreased and are expected to continue to decrease. Statewide
18 solicitations have resulted in new all-electric programs that SoCalGas customers do not fund.⁷²
19 The solicitations process for statewide programs resulted in expected cost savings compared to
20 replaced programs administered as non-statewide. Additionally, the Commission has since
21 adopted policies that affect portfolio make-up, including allowing for greater support for hard-to-
22 reach customers and Disadvantaged Communities. These changes warrant reexamining whether
23 the 25% and 15% Statewide funding levels are appropriate for the current portfolios and policy
24 environment.

25 Additionally, there are no facts on the record that support an ideal "minimum" funding
26 percentage for statewide programs administration, only a conclusion that certain delivery
27 channels⁷³ and program types are appropriate statewide program delivery. SoCalGas proposes
28 that the funding level minimums be immediately converted to targets. The statewide funding

⁷⁰ D. 18-05-041 OP 23.

⁷¹ D. 16-08-019 p. 65.

⁷² For example, the Statewide Non-Residential New Construction Program – California Energy Design Assistance All-Electric, Program ID: PGE_SW_NC_NonRes_Com_electric.

⁷³ D. 16-08-019 p. 57-58, COL 50.

1 percentages submitted in this application (and all other IOU applications) are estimated using the
2 Program Year 2020 budgets and cost-sharing splits,⁷⁴ and are likely not reflective of the
3 budgets/splits in the yet-to-be-approved applications.

4 The Commission should not factor IOU statewide program funding levels into their
5 decision-making because, in addition to the reasons mentioned above, the funding levels are
6 2020 funding splits, not split per the funding levels as included in IOU applications.

7 The funding ratios for each PA should be recalibrated after all the budgets are approved
8 (or preliminarily approved). At that time, and after seeking public comment, the Commission
9 should reconsider if the 25 and 15% values should be adjusted and reconfirm if they should be a
10 target or a minimum.

11 **4. Allow for Greater Flexibility in Third-Party Program Solicitations**

12 The Commission should revise the two-stage third-party solicitations process to allow for
13 a Single-Stage RFP Process, should the solicitation benefit from that approach. The current two-
14 stage solicitation process includes an RFA phase and an RFP phase. Altogether this two-stage
15 solicitation approach takes 22 months⁷⁵ to complete the contracting process. This process is
16 burdensome for not only the IOUs but also for the contractors. This protracted process is costly
17 and deters smaller/diverse businesses from participating in energy efficiency programs/projects
18 due to the time/money spent bidding on contracts. Opinion Dynamics' 3P Evaluation Report
19 recommends that the "IOUs should be given flexibility to shift to a one-stage process if it's
20 appropriate (e.g., for more targeted/niche RFPs)."⁷⁶ The Commission has already recognized
21 and allowed single stage solicitations when the schedule must be compressed.⁷⁷ Now that the
22 bulk of the program solicitations are complete, SoCalGas believes it is appropriate for the
23 Commission to use evaluation results and evolve its solicitation policies accordingly. SoCalGas
24 requests that the Commission remove a prescriptive two-stage requirement for solicitations, and
25 instead allow for flexibility for IOUs to propose a solicitation stage approach in coordination
26 with the Procurement Review Group. This will enable the IOU to justify using a one-stage
27 process when appropriate to allow third parties to contract faster and realize energy savings

⁷⁴ See SoCalGas AL 5346-G-A for the most recently approved SW funding mechanics.

⁷⁵ Opinion Dynamics 3P Evaluation Report Draft pg.6;
https://pda.energydataweb.com/api/view/2581/Opinion%20Dynamics%203P%20Evaluation%20Report_FINAL_2022-01-27.pdf

⁷⁶ *Id*

⁷⁷ D.18-01-004, at p. 31.

1 sooner. A two-stage process can remain a contracting option but utilized at the IOU's discretion
2 and in consultation with its PRG.

3 **5. Improve the Current Advice Letter Process for Third-party Contracts**

4 The Commission should modify the Tier 2 Advice Letter requirement for third-party
5 solicited contracts and amendments. Given the CPUC's transition to four-year funding cycles,
6 SoCalGas plans to create third-party contracts with same four-year term. As a result, SoCalGas
7 proposes that the requirements for the IOUs to file a Tier 2 advice letter for third party contracts
8 be increased to \$5 million per year and/or with a term of longer than four years. This adjustment
9 will likely decrease the administrative burden on the IOU and ED staffs associated with the
10 advice letter while retaining the opportunity for parties' review and input on much of the third-
11 party program portfolio.

12 Currently, the CPUC requires the IOUs to file a Tier 2 advice letter for each third-party
13 contract for third-party agreements valued at \$5 million or more and/or with a term of longer
14 than three years, for Commission review and approval.⁷⁸ The CPUC also requires all PAs to file
15 a Tier 2 advice letter when opening a new program or closing an existing program.⁷⁹ A program
16 is considered new if it changes the market sector, there are changes in implementation or
17 delivery strategy, or it meets already-existing triggers for third-party contract approvals given in
18 D.18-01-004, OP 2. A Tier 2 advice letter is also required when an existing program is elevated
19 from a local or regional program to a proposed statewide program or when the lead administrator
20 for a statewide program is proposed to change.

21 In addition, ED has requested that the IOUs prepare a procedural document that
22 establishes contract amendment triggers that are incremental to D.18-01-004 and D.21-05-031.
23 Contract amendments would need to be approved through the advice letter process and require
24 ED approval. SoCalGas believes that the updated Tier 2 advice letter contract amendment
25 triggers proposed above are sufficient. Any other contract amendment triggers developed outside
26 of D.18-01-004 and D.21-05-031 add to the ED's and IOU's administrative burden and should
27 be abandoned and have the potential to delay energy efficiency projects. Any significant delay
28 in program/contract schedules could have significant impacts to third-party implementer program
29 performance as well as related monetary impacts on implementers including smaller/diverse
30 suppliers.

⁷⁸ D.18-04-001, OP 2

⁷⁹ D.21-05-031, OP 12

6. Revisit the Current *Ex Ante* Review Process

The Commission should reduce or eliminate the administrative burden and delays in implementing energy efficiency associated with the *Ex Ante* Review (EAR) process. The current EAR process has been in place since at least 2013 for both workpapers and custom projects. In that time, stakeholders⁸⁰ and the legislature⁸¹ have voiced concerns over the tendency for EAR to delay or halt the implementation of energy efficiency projects or deemed measures. The EAR process was initially piloted to help address disputes regarding IOU earnings claims. The Commission suspended the shareholder earnings mechanism in Decision 20-11-013, but maintained the ongoing reporting of EAR performance for evaluation purposes. As the IOUs have transitioned to the role of portfolio administrators, the IOU's project reviews now take on greater importance in third-party contract management. However, the Commission's EM&V consultants continue with the nearly decade-long EAR process. Removing the redundant parallel review process will likely produce greater work efficiencies and increase customer certainty with respect to project timing and incentive amounts.

The current EAR process is an administrative and engineering burden (on the PAs, implementers, and Energy Division staff) that includes bi-weekly project uploads, strict project approval protocols, redacting confidential information, bi-weekly meetings, workpaper reviews, and the drafting and socializing of mid-year EAR memos and annual EAR memos for each IOU, among other activities. These activities, processes, and deliverables were not designed for the current policy environment. These administrative activities, processes, and deliverables were primarily developed 1) before the IOUs began to transition to a minimum 60 percent third-party portfolio, 2) when the *ex post* evaluations showed poor alignment between *ex ante* and *ex post* savings, 3) when *ex ante* savings and EAR performance had a direct effect on IOU shareholder incentives, 4) before non-IOU PAs comprised a meaningful portion of the statewide energy efficiency portfolio, and 5) before other meaningful portfolio changes took place such as program segmentation and the transition to TSB goals.

The Commission should reevaluate the entire EAR framework and either align it with the current goals and challenges of the portfolios, or remove it entirely. Possible improvements to the EAR process, should the Commission decide to continue it, could be to reduce the

⁸⁰ D. 15-10-028 discussion on pp.92-100; pp. 93-94 include comments from multiple stakeholders.

⁸¹ SB 1311 (https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=201720180SB1131) introduced requirements for the timing and communication of commission review of custom projects.

1 circumstances in which the EAR process can delay or halt custom projects, provide pre-approval
2 for Equity segment projects and common energy efficiency measures, leverage CalTF and eTRM
3 for workpaper development and approval, remove the annual EAR scoring process which
4 requires significant resources of Energy Division and their consultants. Although SoCalGas
5 proposes to eliminate the current EAR process, any future modifications to the process should be
6 extended to all PAs.

7 **7. Expansion of Strategic Energy Management Strategy to all Non-** 8 **Residential Sectors**

9 SoCalGas takes this opportunity to seek an expansion of the Strategic Energy
10 Management (SEM) strategy to all nonresidential sectors.⁸² SEM is emerging as an effective
11 intervention strategy in motivating the customer to pursue operational and maintenance (O&M)
12 related energy savings. From a Program Administrator's perspective, SEM can produce cost-
13 effective energy savings in the short term for the program portfolio, which supports the
14 Commission's objectives of the Resource Acquisition portfolio segment.⁸³ Over the past several
15 years, the Commission has limited SEM to the industrial sector. During this time, SoCalGas has
16 offered SEM and seen industrial customers respond positively to the intervention. SoCalGas
17 believes SEM should be expanded to other non-residential customers in the commercial, public,
18 and agricultural sectors. The cohort approach can be applied within and across sectors, as
19 appropriate. The expansion into other customer sectors will provide an opportunity for the
20 program portfolio and, more importantly, the participating customers to realize immediate, cost-
21 effective energy savings.

22 **8. Introduce Real-time EM&V to Estimate Program Attribution**

23 A program's influence on the customer decision to pursue an EE project should be
24 immediately evaluated by the CPUC consultants following the project completion. A program's
25 influence or attribution is evaluated 2-3 years after installing the customer project. Thus, there is
26 a significant time gap between when the EE project is completed by the customer and evaluated
27 by the CPUC's consultants. This time gap can result in challenges in effectively measuring a
28 program's influence on the EE project thereby affecting net energy savings and portfolio goals.
29 The CPUC should instruct its Energy Division to collaborate with PAs and program

⁸² D.21-12-011, p. 51.

⁸³ D.21-05-031, at p. 14.

1 implementers to improve the evaluation timing as programs and projects are delivered to better
2 estimate program attribution in real-time.
3

1 **IV. WITNESS QUALIFICATIONS**

2 **BRIAN PRUSNEK**

3 My name is Brian Prusnek. My business address is 555 W. Fifth Street, Los Angeles,
4 California, 90013. I am currently the Director of Customer Programs and Assistance for
5 Southern California Gas Company. I am responsible for leading the development,
6 administration, and implementation of energy efficiency and low-income assistance policy and
7 programs for over 22 million consumers in the Southern California Gas service territory. I have
8 over 20 years of experience in the energy industry across both the private and public sectors.

9 Prior to my current role, I was the Director for Regulatory Affairs for San Diego Gas
10 Electric and Southern California Gas Company for nine years, managing both firms' regulatory
11 and policy issues across a broad spectrum of matters, including customer pricing, natural gas
12 infrastructure, finance, biogas, renewable energy, rooftop solar, climate change, electric and
13 natural gas vehicles, and many others.

14 I received my Master's of Science degree in Regulatory Economics from Illinois State
15 University and I received a B.A. in Economics and Spanish from Mount Union College in
16 Alliance, Ohio. I have not previously testified before the California Public Utilities Commission.

17 I am sponsoring the Strategic Business Plan attached as Exhibit 1, save for the Annual
18 Portfolio Budgets.

19 This concludes my testimony.
20
21

1 **CLINTON CHIEN**

2 My name is Clinton Chien. My business address is 555 West Fifth Street, Los Angeles,
3 California, 90013. I am employed by SoCalGas as the Manager of Budgets Strategy &
4 Oversight in the Customer Programs & Assistance Department.

5 I joined SoCalGas in May of 2021 to lead the budget and planning team supporting
6 SoCalGas's refundable programs. I have over 20 years of corporate finance and planning
7 experience, including over 10 years at Southern California Edison. I received a Bachelor of
8 Science degree in Civil Engineering and a Master of Business Administration (MBA), from the
9 University of California, Los Angeles (UCLA). I have not previously testified before the
10 California Public Utilities Commission.

11 I am sponsoring the Portfolio Budgets (Exhibit 1) and the Forecast Methodologies
12 (Exhibit 2) sections.

13 This concludes my testimony.

14