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***DRAFT WORK PRODUCT***

***IN PREPARATION FOR THE AUGUST 7, 2019 CAEECC MEETING***

September 3, 2019

Advice No. 5xxx

(U 904 G)

Public Utilities Commission of the State of California

**Subject: Southern California Gas Company Request for Approval of Annual Energy Efficiency Budget Filing for Program Year 2020**

Southern California Gas Company (SoCalGas) hereby submits for approval by the

California Public Utilities Commission (Commission) its 2020 Energy Efficiency (EE) Program Portfolio budget. The EE Program Portfolio, along with supporting documentation, is incorporated as Appendix A, which have been uploaded to the California Energy Data and Reporting System (CEDARS) website.[[1]](#footnote-1)

**Purpose**

This Advice Letter is filed in compliance with Ordering Paragraph (OP) 4 of Decision D. 15-10-028, [[2]](#footnote-2) which directs program administrators to file a Tier 2 Advice Letter containing the budget for the next calendar year’s EE portfolio by the first business day in September; and with (OP) 41 and 43 of D.18-05-041, which directs PAs to include information identified in D.18-05-041.

**Background**

On October 24, 2014, the Commission issued D.14-10-046, which authorizes funding for EE programs until 2025.[[3]](#footnote-3) On October 22, 2015, the Commission issued D.15-10-028, which approved the EE rolling portfolio mechanics for 2016 and beyond, and explains that annual Advice Letter filings will propose detailed budgets for cost recovery, transfer, and contracting purposes.[[4]](#footnote-4)

D.18-05-041 directed the PAs to, beginning with the ABALs due on September 4,

2018, provide the following information in the ABAL submittals:

* Forecasted Total Resource Cost (TRC) must meet or exceed 1.25, except during program years 2019-2022, when the forecasted TRC must meet or exceed 1.0;
* Forecasted energy savings goals must meet or exceed Commission established savings goals for each investor-owned utility (IOU);
* Forecasted budget must not exceed the PA’s annual budget in the approved business plans, or (if applicable) the revised annual budget in this ABAL;
* Sector-level Metrics; and
* A description of program and portfolio changes[[5]](#footnote-5)

On May 21, 2019, the Commission issued D.19-05-019 adopting three new cost-effectiveness analysis framework policies for distributed energy resources. Ordering Paragraph 2 of D.19-05-019 directed all Commission filings and submissions requiring cost-effectiveness analysis of distributed energy resources, to review and consider the results of the Program Administrator Cost (PAC) Test and the Ratepayer Impact Measure (RIM) Test.

On July 15, 2019, the Commission issued the Proposed Decision Adopting Energy Efficiency Goals for 2020-2030 which directs program administrators to use the energy efficiency savings goals adopted in the Proposed Decision to plan 2020 ABAL submissions.[[6]](#footnote-6)

Pursuant to Energy Division direction, SoCalGas also includes Appendix A as part of the ABAL filing. Appendix A has been uploaded to the CEDARS website and will be made available on <http://www.socalgas.com/regulatory/R13-11-005.shtml>. Appendix B of this Advice Letter provides the CEDARS Filing Confirmation which was printed from the confirmation dashboard upon confirmed completion of the filing through CEDARS.

**SoCalGas’ 2020 Budget and Savings**

SoCalGas’ 2020 program year budget is $ 104,064,000, consistent with D.18-05-041. The 2020 funding request does not include the program budget for the SoCalGas Statewide Marketing, Education & Outreach (ME&O) program, nor the 2020 program budget for the Statewide Financing Pilots. The Southern California Regional Energy Network (SoCalREN) and Tri-County Regional Energy Network (3C-REN) are submitting their own Advice Letter to implement programs and associated budgets for PY 2020. Table 1 lists SoCalGas’ 2020 budget and the forecasted energy savings, by sector.

**Table 1: SoCalGas 2020 Budget and Savings**



SoCalGas’ allocation of EM&V budgets is in conformance with the direction provided in Decision (D.) 16-08-019,[[7]](#footnote-7) which maintains EM&V budget levels at 4% of the portfolio budget and funding split accessible to Commission Staff and program administrators of 72.5%/27.5%, respectively.

**SoCalGas Portfolio Cost-Effectiveness**

SoCalGas is proposing a portfolio cost-effectiveness based upon approved energy

savings and cost-effectiveness inputs to its program and measure mixes, as shown in Table 2 below. The portfolio cost-effectiveness may change as the Commission

releases measure dispositions and other key inputs which could reduce or improve

portfolio savings and cost-effectiveness. SoCalGas will continue to evaluate its portfolio as cost-effectiveness inputs change.

**Table 2: 2019 EE Portfolio Cost-Effectiveness**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Cost-Effectiveness** | | |
| TRC | PAC | RIM |
| **Without Codes & Standards** | 1.25 | 1.49 | 1.49 |
| **With Codes & Standards** |  |  |  |

The SoCalGas Total Resource Cost (TRC) and Program Administrator Cost (PAC) cost-effectiveness results reflect the inclusion of the following inputs:

* Uses the updated avoided cost values for 2020 in the Cost Effectiveness Tool (CET), version 18.1, adopted in Resolution E-5xxx.
* Excludes the 5% market effects adjustment from program administrator forecasts as required in D.19-xx-xxx.[[8]](#footnote-8)
* Uses approved workpaper values based on the July 12, 2019 guidance provided by Energy Division Staff.
* General Rate Case (GRC) loaders associated with the EE program labor, as directed by D.12-11-015, Ordering Paragraph (OP)[[9]](#footnote-9).
* A projected shareholder incentive amount associated with the approved portfolio budget and projected therm savings activity. This assumption conforms to the methodology adopted in the Efficiency Savings and Performance Incentive (ESPI) Mechanism in D.13-09-023.

D.18-05-041 requires claimed and evaluated TRC and PAC of each program and of

each sector for the two most recent years for which data is available.[[10]](#footnote-10) As evaluation activity did not occur in 2016 and 2017, and are expected to commence in late 2018, this information is not available to be included in this advice letter. Claimed TRC and PAC for 2017 and 2018 are available on CEDARS. D.18-05-041 also requires a showing of forecasted, claimed and evaluated TRC and PAC at the portfolio level going back to the beginning of the Rolling Portfolio (2016).[[11]](#footnote-11) SoCalGas provides this information in Table 3 below.

**Table 3: Forecasted, Claimed, and Evaluated TRC and PAC**



**SoCalGas’ 2020 Portfolio Budget Caps and Target**

Pursuant to OP 13 of D.09-09-047, the Commission determined that administrative costs are limited to 10% of the total authorized energy efficiency budget, and ME&O costs have a budget target of 6% of the adopted portfolio budget. SoCalGas has calculated its portfolio caps and targets for its 2019 portfolio and included them in Table 4 below.

**Table 4: 2020 EE Portfolio Budget Caps/Targets**

**[INSERT TABLE]**

SoCalGas notes the following assumptions:

* Funding for the SoCalGas On-Bill Financing Program loan pool recovered in gas transportation rates is included, but does not impact the calculations because the adopted level for 2020 is zero.
* Pursuant to D.13-12-038, the Statewide ME&O program costs are excluded from the marketing budget target.
* SoCalGas has calculated the IOU administrative cost cap in accordance with D.09-09-047 OP 13 which excludes associated third party and local government partnership administrative costs, as well as non-resource programs which meet the requirements as further described in D.09-09-047.[[12]](#footnote-12) These programs include EM&V, Marketing and Outreach, Emerging Technologies, Codes & Standards, Workforce Education & Training, and programs supporting market transformation.
* SoCalGas excluded those program costs identified by Energy Division to be exempt from the cap and target calculation.
* D.14-10-046, as corrected by D.15-01-002, confirms the EM&V budget at 4% of the total budget.

SoCalGas will report the status of its budget caps and targets based on actual expenditures in its quarterly reports submitted through the Commission’s CEDARS website.

**SoCalGas PY 2020 Portfolio and Program Changes**

SoCalGas provides the following discussion regarding significant program changes (i.e., more than 40 percent change in funding) that are necessary to better align with programs offered, meet expected energy savings, and target a forecasted TRC of 1.25, shown in Table 5.

**Table 5: SoCalGas Program Changes for Program Year 2020**

|  |  |  |
| --- | --- | --- |
| **Program Number** | **Program Name** | **Program Change Description** |
| SCG3711 | COM-Deemed Incentives | In 2020, SoCalGas will increase program funding based on customer needs and segmentation. Additionally, SoCalGas will be increasing its partnering efforts with various municipal utilities and agencies to co-fund cost effective measures and programs. |
| SCG3793 | COM-SW-Instant Rebates! Foodservice POS | In 2020, SoCalGas will increase program funding based on customer needs and historical spending. SoCalGas expects to implement new methodologies to increase program participation. |
| SCG 3714 | IND-SEM | Industrial SEM program was initiated by all California IOUs in 2018. SoCalGas delivers this program for Industrial customers across Southern California. Over the course of the past year, the program has delivered strong results that include a pipeline of BRO and Capital project savings. The strong savings performance coupled with excellent customer satisfaction has created a strong impetus for increasing its budget. |
| SCG3815 | PUB-Calculated Incentives | In 2020, SoCalGas will increase program funding based on customer needs and segmentation. Additionally, SoCalGas will be increasing its partnering efforts with various municipal utilities and agencies to co-fund cost effective measures and programs. |
| SCG3816 | PUB-Deemed Incentives | In 2020, SoCalGas will increase program funding based on customer needs and segmentation. Additionally, SoCalGas will be increasing its partnering efforts with various municipal utilities and agencies to co-fund cost effective measures and programs. |
| SCG3726 | C&S-Compliance Enhancement | To support the implementation of the new 2020 building codes, SoCalGas will increase its funding for incremental activities in this program. |
| SCG3727 | C&S-Reach Codes | To support the implementation of the new 2020 building codes, SoCalGas will increase its funding for incremental activities in this program. |

**SoCalGas PY 2020 Program Closures**

As part of SoCalGas’ portfolio, SoCalGas plans to close the following programs in 2020, shown in Table 6. Given the dynamic changes in EE, these programs are no longer viable.

**Table 6: SoCalGas Program Closures for Program Year 2020**

|  |  |  |
| --- | --- | --- |
| **Program Number** | **Program Name** | **Reason for Closure** |
| SCG3758 | PUB-K-12 Performance Program | in anticipation of the upcoming K-12 solicitation SoCalGas is sunsetting the SCG3758 Public K12 Performance. |
| SCG3822 | AG-Direct Install Program | SoCalGas is soliciting a broader commercial segment solicitation and therefore is closing this program. |
| SCG3826 | COM-Lodging Program | SoCalGas is soliciting a broader commercial segment solicitation and therefore is closing this program. |
| SCG3827 | COM-Mixed Use Building Program | SoCalGas is soliciting a broader commercial segment solicitation and therefore is closing this program. |

**SoCalGas PY 2020 New Programs**

The following programs are solicitation placeholders in anticipation of the third-party programs that will be forthcoming through SoCalGas’ solicitation efforts as well as the statewide program solicitations.

* SCG3843 – RES-SF Solicitation
* SCG3844 – RES-MF Solicitation
* SCG3845 – COM-Small/Medium Solicitation
* SCG3846 – PUB-Small/Medium Solicitation
* SCG3847 – RES-SW-New Construction
* SCG3848 – COM-SW-New Construction
* SCG3850 – C&S-SW-Codes and Standards Advocacy

**SoCalGas Statewide Programs**

SoCalGas’ statewide program solicitation efforts began in 2019 and are not expected to begin implementation until 2021. In lieu of this timing, SoCalGas will continue to implement its current statewide program offerings.

**Plan for Achieving a Forecasted TRC of 1.25 and Evaluated TRC of 1.0**

Pursuant to D.18-05-041, any ABAL that includes a forecast portfolio TRC between 1.0 and 1.25 during the 2018-2022 ramp years should include: an explanation of why the PA is not proposing a portfolio that meets a 1.25 TRC; why the PA is confident that it will meet the evaluated 1.0 TRC for each year; and how the PA intends to lower costs or increase savings going forward. Further, D.18-05-019 directed PAs that propose a portfolio forecast TRC below 1.25 to hold a workshop for stakeholders to explain why its forecasted TRC does not meet or exceed 1.25 and propose how it will transition to a TRC forecast of 1.25 during the ramp years. Additionally, a PA must include information describing how the PA will address the portfolio challenges that caused it to propose a portfolio forecast TRC below 1.25.

In PY 2020, SoCalGas will continue its work towards achieving a cost-effective EE portfolio that meets the objectives of D.18-05-041. As part of program year 2019, SoCalGas adopted significant programmatic changes (i.e. more than 40% change in funding) approved through the 2019 ABAL (Advice Letter No. 5349-A) to better align program offerings, meet expected energy savings, and target a forecasted 1.25 TRC in future years.

SoCalGas’ strategies will continue to focus on cost-effectiveness to both exceed an evaluated 1.00 TRC and forecasted 1.25 TRC through the ramp years. A listing of these strategies is provided below:

* Increasing the comprehensiveness of current programs offerings and/or delivery to minimize lost energy efficiency opportunities and reduced program cost.
* Continuing the expansion of program partnerships with municipal electric utilities, water agencies, and air quality districts to drive down administrative costs, develop more holistic program offerings that provide added benefits to customers and increased cost-effectiveness to the PA.
* Expanding of cost-effective residential behavioral program offerings, such as Home Energy Reports.
* Eliminating or scaling of non-cost-effective programs and approaches based on program level metrics and key performance indicators.
* Continuing improvement on energy efficiency measure delivery strategies in current and future programs.
* Adding new measures and technologies as they become available.
* Leveraging expanded financing offerings to drive the conversion of energy efficiency project opportunities.

Further, focus on cost-effectiveness within SoCalGas’ portfolio will be placed on the third-party solicitation process whereby SoCalGas plans to refresh market segment approaches with new cost-effective contracts.

**Metrics**

Pursuant to D.18-05-041, SoCalGas’ 2018 sector-level metrics are available through the Commission’s Energy Efficiency Statistic website in the following link: <http://eestats.cpuc.ca.gov/EEGA2010Files/SCG/AnnualReport/SCG.AnnualNarrative.2018.2.zip>.[[13]](#footnote-13)

**Revenue Requirements**

The table below summarizes the revenue requirement impact by class of service. In addition, SoCalGas provides herein as Appendix B the Gas Bill Payer Impacts table comparing present and proposed rates associated with the inclusion of SoCalGas’ proposed 2020 budget in its gas transportation rates.

**Table 7: Revenue Requirement by Customer Class**

|  |  |  |
| --- | --- | --- |
| **Customer Class** | **Applicable Rate** | **Increase/(Decrease)** |
|  | **Schedules** | **($000s)** |
| Core | GR, GS, GM, GO-AC, G-  NGVR, GL, G-10, G-AC, G- EN, G-NGV | $0 |
| Non-Core | GT-NC, GT-TLS | $0 |
| **Total** | | **$0** |

**Protests**

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received within 20 days of the date of this Advice Letter, which is September 23, 2020. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division

Attn: Tariff Unit

505 Van Ness Avenue

San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the Energy Division Tariff Unit ([EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)). A copy of the protest should also be sent via both

mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Ray B. Ortiz

Tariff Manager - GT14D6

555 West Fifth Street

Los Angeles, CA 90013-1011

Facsimile No. (213) 244-4957

E-mail: ROrtiz@socalgas.com

**Effective Date**

SoCalGas believes that this Advice Letter is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to General Order (GO) 96-B. This filing is consistent with D.09-09-047. Therefore, SoCalGas respectfully requests that this filing be approved on September 3, 2019.

**Notice**

A copy of this Advice Letter is being sent to SoCalGas’ GO 96-B service list and the Commission’s service lists for R.13-11-005 and A.17-01013. Address change requests to the GO 96-B should be directed by electronic mail to [tariffs@socalgas.com](mailto:tariffs@socalgas.com) or call 213 244 3387. For changes to all other service lists, please contact the Commission’s Process Office at 415-703-2021 or by electronic mail at [Process\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov).

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Director – Regulatory Affairs

Attachments

1. https://cedars.sound-data.com [↑](#footnote-ref-1)
2. D.15-10-028, p. 123. [↑](#footnote-ref-2)
3. D.14-10-046, p. 167. [↑](#footnote-ref-3)
4. D.15-10-028, p. 56. [↑](#footnote-ref-4)
5. See D.18-05-041 pp. 124-129 [↑](#footnote-ref-5)
6. See PD on Decision Adopting Energy Efficiency Goals for 2020-2030 (July 15, 2019) [↑](#footnote-ref-6)
7. D.16-08-019, pp. 79-81. [↑](#footnote-ref-7)
8. D19-xx-xxx, p. 26. [↑](#footnote-ref-8)
9. D.18-05-041, p. 124. [↑](#footnote-ref-9)
10. D.18-05-041, p. 124. [↑](#footnote-ref-10)
11. D.18-05-041, p. 125. [↑](#footnote-ref-11)
12. D.09-09-047, pp. 50-51. [↑](#footnote-ref-12)
13. D.18-05-041, p. 127. [↑](#footnote-ref-13)