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Exhibit No.: SCE-01
Witnesses: C. Parson



(U 338-E)

***Testimony in Support of Southern California Edison
Company's Application for Approval of its
Energy Efficiency Business Plan For 2024-2031,
Volume 1 – Business Plan***

Before the
Public Utilities Commission of the State of California

Rosemead, California
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**SCE-01: SCE’s Testimony in Support of Energy Efficiency Business
Plan For 2024-2031, Volume 1 – Business Plan**

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I.

Executive Summary

The Energy Efficiency Rolling Portfolio Business Plan process, established by the California Public Utilities Commission (Commission or CPUC) in Decision (D.) 15-10-028, requires energy efficiency program administrators (PAs) to file periodically a business plan that outlines, at a high-level, how they will achieve the Commission’s strategic energy efficiency plan and set budget expectations for a ten-year period.¹ This process also requires PAs to detail program and implementation strategies outlined in their business plans in annual budget filings.

On April 24, 2020, on behalf of the California Energy Efficiency Coordinating Committee (CAEECC), the Natural Resource Defense Council filed a motion introducing the CAEECC Energy Efficiency Portfolio Process Working Group Report (CAEECC Proposal), which suggested several improvements to the rolling portfolio framework and regulatory process. In D.21-05-031, the Commission adopted portions of the CAEECC Proposal, and directed PAs to file new energy efficiency business plans and program portfolios by February 15, 2022,² later extended to March 4, 2022.³ Specifically, PAs were directed to file an application (EE Application) that includes an eight-year strategic business plan (covering 2024-2031) and a four-year energy efficiency portfolio plan (covering 2024-2027).

This Exhibit, SCE-01, presents SCE’s testimony supporting its Energy Efficiency Business Plan (Business Plan) for 2024-2031 and includes desired outcomes for the entire energy efficiency portfolio, along with a description of strategies for building decarbonization, market intervention, energy efficiency adoption, greenhouse gas (GHG) reduction, innovation, and

¹ See D.15-10-028 at p. 43.

² See D.21-05-031, Ordering Paragraphs (OPs) 5, 6, 8.

³ On January 26, 2022, the Commission’s Executive Director granted a Request For Extension Of Time submitted on January 19, 2022 by Southern California Gas Company (SoCalGas) on behalf of several PAs, which granted an extension until March 4, 2022 for all PAs to file their respective energy efficiency business plans and program portfolios.

1 program management. This Exhibit also includes all the information in the Business Plan
2 template that Commission Staff provided to the PAs.

3 SCE-02 presents SCE’s testimony supporting its energy efficiency application for 2024-
4 2027, including detailed sector and program strategies, budgets, and cost-effectiveness showing
5 (Four-year Portfolio Plan). In this application, SCE seeks approval of its Business Plan and total
6 portfolio budget of \$3,224 million, of which \$1,560 million is necessary to support program
7 years 2024-2027. The Business Plan for the eight-year period forecasts that the following
8 metrics will be achieved: \$3,021 million Total System Benefit (TSB),⁴ 1.09 Total Resource Cost
9 (TRC) for the Resource Acquisition segment of the portfolio, 5,807 gigawatt hour (GWh) and
10 1,253 megawatt (MW) savings, including codes and standards. The Business Plan also forecasts
11 an overall 11.03 million tons of greenhouse gas emissions reduction. For the eight-year period,
12 SCE will maintain at least 60 percent of the portfolio budget designed and implemented by third
13 parties as required by D.18-01-004.

14 SCE’s vision for the Business Plan is to lead the development of a robust energy
15 efficiency portfolio to address key customer, technology, and policy needs to meet the State’s
16 energy and environmental goals. The Business Plan aligns with the Commission’s intent to
17 “aggressively pursue all potentially achievable cost-effective energy savings opportunities,
18 particularly from fuel substitution measures that have thus far gone untapped.”⁵ It also focuses
19 on substantially contributing to the requirements of Senate Bill (SB) 350 which set targets for
20 California to double the energy efficiency in the residential, commercial and industrial sectors.
21 SCE’s Business Plan builds on its own analysis of the steps that California must take to meet the
22 State’s 2045 clean energy goals and reach carbon neutrality, as well as several other actions

⁴ TSB represents the total benefit that a measure provides to the electric and natural gas systems and includes the total lifecycle avoided cost benefits less any increase in supply costs.

⁵ See D.21-09-037 p. 16.

1 relating to energy efficiency. SCE’s Pathway 2045,⁶ a whitepaper released in November 2019,
2 articulates SCE’s data driven analysis outlining the most cost-effective method to achieve carbon
3 neutrality in California. As SCE stated in the whitepaper, “decarbonization is achieved through
4 powering 100% of retail sales with carbon-free electricity, electrifying transportation and
5 buildings, and using low-carbon fuels for technologies that are not viable for electrification.”⁷
6 Customer adoption of energy efficiency programs plays a key role in this approach, because both
7 building and transportation electrification require energy to be used as efficiently as possible to
8 minimize the incremental clean energy resources required to meet this new demand.

9 As a follow-up to Pathway 2045, in September 2021 Edison International, SCE’s parent
10 company, released Mind the Gap,⁸ an analysis of the policy changes and additions needed to
11 ensure that California can meet its goal of reducing greenhouse gas emissions by 40 percent by
12 2030 – a reduction that is essential if the state is to achieve its ultimate goal of a decarbonized
13 economy by 2045.⁹ SCE’s Business Plan sets forth key findings from both of these papers and
14 introduces actionable strategies to close gaps in reaching California’s climate goals such as
15 spurring innovation that can lead to an increase in fuel switching, increasing electrification of
16 buildings, and incorporating low global warming potential refrigerants into the energy efficiency
17 landscape.

18 Furthermore, the strategies outlined in SCE’s Business Plan are aligned with the
19 California Energy Commission’s 2021 Integrated Energy Policy Report (IEPR)¹⁰ by closely

⁶ SCE, Pathway 2045, available at <https://www.edison.com/content/dam/eix/documents/our-perspective/201911-pathway-to-2045-white-paper.pdf> (hereinafter “Pathway 2045”).

⁷ “Pathway 2045”, Updates to the Clean Power and Electrification Pathway, p.1.

⁸ Edison International, Mind the Gap – Policies for California’s countdown to 2030, (Sep. 2021), report available at <https://www.edison.com/home/our-perspective/mind-the-gap.html>, (hereinafter “Mind the Gap”).

⁹ *Id.*

¹⁰ SCE’s “Pathway 2045” and “Mind the Gap” whitepapers also align with the California Energy Commission’s planning scenarios.

1 tracking energy savings and fuel substitution levels expected from the Energy Efficiency
2 portfolio. SCE’s portfolio is forecasted to meet and exceed TSB, kilowatt hours (kWh) and
3 kilowatt (kW) savings goals, which will largely be achieved through the new third-party
4 implemented programs. SCE’s portfolio is designed to ensure that savings are realized and meet
5 IEPR and CPUC expectations while protecting customers in the event of underperformance
6 through pay-for-performance contracting.

7 Lastly, in this Business Plan, SCE recommends several policy changes that will help
8 bolster the energy efficiency market, drive operational efficiency, and accelerate time to
9 market—all necessary measures to achieve California’s decarbonization and clean energy
10 goals.¹¹

¹¹ Pursuant to the December 23, 2021 Amended Scoping Memo and Ruling, SCE will also recommend other policy changes in Rulemaking (R.) 13-11-005.

1 II.

2 **Description of SCE’s Service Area**

3 SCE is one of the nation’s largest electric utilities and delivers power to over 15 million
4 people in a 50,000 square-mile service area across Central, Coastal, and Southern California.
5 SCE has over five million metered accounts and offers a portfolio of energy efficiency programs
6 that serves customers in all six sectors, as defined in D.15-10-028.¹² SCE’s service area also
7 includes a number of diverse climate zones that span multiple customer sectors.¹³ Differences in
8 these climate zones may shape energy efficiency program offerings and impact how energy
9 savings and benefits are achieved in different areas. Within SCE's service area, climate zones
10 are a primary factor associated with customers' energy use and are critical when evaluating
11 energy savings options. Energy consumption may be due to necessity (e.g., air conditioning
12 (AC), larger home, more occupants, etc.).

13 SCE’s energy efficiency portfolio serves customers in all five of the sectors defined by
14 the Commission: Residential, Commercial, Industrial, Agricultural, Public.¹⁴ In 2020, SCE’s
15 number of customers and usage by sector are shown in Table II-1 below:

¹² See D.15-10-028, pp. 47-51. A detailed description of SCE’s sectors is located in SCE-02, Chapter IV.

¹³ Energy Commission, Climate Zone tools maps, and information supporting the California Energy Code are *available at* <https://www.energy.ca.gov/programs-and-topics/programs/building-energy-efficiency-standards/climate-zone-tool-maps-and>

¹⁴ See D.15-10-028.

Table II-1
SCE Number of Customers and Usage by Sector

| Sector | Number of Customers | Usage (MWh) |
|--------------|---------------------|-------------------|
| Residential | 4,500,000 | 31,000,000 |
| Commercial | 510,000 | 27,000,000 |
| Industrial | 40,000 | 12,000,000 |
| Agricultural | 30,000 | 2,000,000 |
| Public | 60,000 | 7,000,000 |
| Total | 5,140,000 | 78,000,000 |

1 Customer demographics impact how programs are delivered within each sector, as certain
2 offerings may focus on Hard-to-Reach (HTR)¹⁵ and Disadvantaged Communities’ (DACs)¹⁶
3 customers. Customers in each sector have different usage profiles and energy needs, from large
4 industrial customers looking to increase process efficiency to small residential customers who
5 would benefit from a smart energy thermostat. Recently, achieving deeper and longer lasting
6 energy savings in the residential market has been more and more challenging over time because
7 of the tremendous diversity in housing type and size, customer socioeconomic status, customer
8 awareness of energy efficiency, climate zones, more stringent codes and standards, and the
9 historical success of SCE’s energy efficiency programs in capturing easier to implement and
10 highly cost-effective measures. SCE will continue to pursue programs that support the
11 residential sector and increase the focus on programs that meet the needs of customers across the
12 non-residential sector while maximizing TSB. Table II-2 shows the percentage of SCE’s energy
13 efficiency portfolio budget and the percentage of SCE’s forecasted TSB attributed to each sector.

¹⁵ See D.18-05-041 Section 2.5.2, p. 4.1.

¹⁶ See Senate Bill (SB) 350, as referenced in D.18-05-041, Section 2.5.1, p. 39, available at <https://www.energy.ca.gov/rules-and-regulations/energy-suppliers-reporting/clean-energy-and-pollution-reduction-act-sb-350>.

Table II-2
SCE Energy Efficiency Budget and TSB Savings by Sector

| Sector | Percent of EE Portfolio Budget | Percent of TSB Portfolio Savings |
|-------------------------|---------------------------------------|---|
| Residential | 32% | 17% |
| Commercial | 27% | 12% |
| Industrial | 11% | 6% |
| Agricultural | 2% | 1% |
| Public | 4% | 2% |
| Codes & Standards (C&S) | 5% | 62% |

1 **III.**

2 **2024-2031 Business Plan**

3 **A. Portfolio Vision and Strategies**

4 While recognizing the dynamic nature of the energy efficiency market, influenced by
5 statutory and regulatory requirements, third-party implementers, new/emerging technologies, and
6 customer behavior, SCE has developed an eight-year Business Plan for its portfolio to ensure
7 TSB goals are met, the energy efficiency market as a whole remains viable, and under-served
8 customers are equitably served. These key objectives align closely with the State’s
9 decarbonization goals.¹⁷ SCE will contribute to the achievement of these goals by implementing
10 this Business Plan to the benefit of California’s environment and its residents.

11 The State's goal of achieving a 40 percent GHG reduction by 2030 is a critical milestone
12 on the path to carbon-neutrality and falls within the Business Plan’s eight-year period. Given the
13 complementing and inter-dependent nature of GHG reduction and TSB, benefits arising from
14 one contribute to the other and vice versa. SCE’s Four-Year Portfolio Plan places GHG
15 reduction as one of the primary objectives for energy efficiency and focuses on how programs in
16 the portfolio can contribute to overall GHG emissions reductions. For example, SCE’s EE
17 portfolio savings prioritizes capturing all cost-effective savings which translate into Total System
18 Benefit. These benefits include value from greenhouse gas abatement across the electricity and
19 natural gas sectors. Reductions in electric and gas usage from the demand side also support the
20 necessary GHG reductions the State is pursuing across all sectors. This complex interplay
21 highlights the importance of assembling an optimized portfolio that meets a multitude of
22 requirements across policy, customer, market, and technology dimensions. SCE frames key
23 objectives, interventions, and desired outcomes as shown in Figure 1 below.

¹⁷ Assembly Bill (AB) 32 (Nunez, 24 2006) codified a GHG emissions target of 1990 levels by 2020, and SB 32 (Pavley, 25 2016) required reducing emissions to 40% below 1990 levels by 2030. In 2018, Executive Order 26 B-55-18 established a statewide goal to achieve carbon neutrality by 2045.

1 SCE’s Energy Efficiency vision – to lead development of a robust energy efficiency
2 portfolio to address key customer, technology, and policy needs to meet the State’s energy and
3 environmental goals – aligns closely with the State’s requirement for GHG reduction and
4 carbon-neutrality. Pursuing fuel substitution savings opportunities, that is converting natural gas
5 equipment to electric equipment, is a central tenet in SCE’s development of a portfolio that
6 advances these goals.¹⁸ Through the Business Plan, SCE emphasizes its efforts to pursue all
7 energy efficiency savings potential solutions that accelerate fuel substitution leading to overall
8 GHG reduction.

9 SCE’s Pathway 2045 notes that a high electrification scenario is among the most feasible
10 and economical ways of meeting California’s goals to double energy efficiency savings by
11 2030¹⁹ and to achieve carbon neutrality by 2045.²⁰ This Business Plan includes several
12 approaches to contribute to meeting these decarbonization goals. One of SCE’s key policy
13 recommendations is to phase down natural gas incentives utilizing energy efficiency funds,
14 which, if adopted, would begin to transition California away from long-term reliance on fossil
15 fuel and drive a quicker path toward decarbonization. As part of the Four-Year Portfolio Plan,
16 SCE includes a new fuel substitution program that will provide incentives to manufacturers that
17 offer customer replacement of natural gas Heating Ventilation and Air Conditioning (HVAC)
18 units with electric HVAC units.

19 In addition to increasing GHG reduction through electrification, SCE’s Business Plan
20 also includes measures to further reduce GHG emissions by incorporating low Global Warming
21 Potential (GWP) refrigerants into the energy efficiency portfolio. GWP is a widely recognized

¹⁸ “In the context of energy efficiency programs, fuel substitution measures involve projects where all or a portion of the existing energy use is converted from one CPUC-regulated fuel to another CPUC-regulated fuel. Equipment powered by electricity and/or natural gas fuels and provided by a CPUC-regulated investor-owned utility or a municipal utility are eligible for inclusion in the energy efficiency portfolio as a fuel substitution measure,” *available at* <https://www.cpuc.ca.gov/about-cpuc/divisions/energy-division/building-decarbonization/fuel-substitution-in-energy-efficiency>.

¹⁹ See SB 350.

²⁰ See “Pathway 2045” at p. 4.

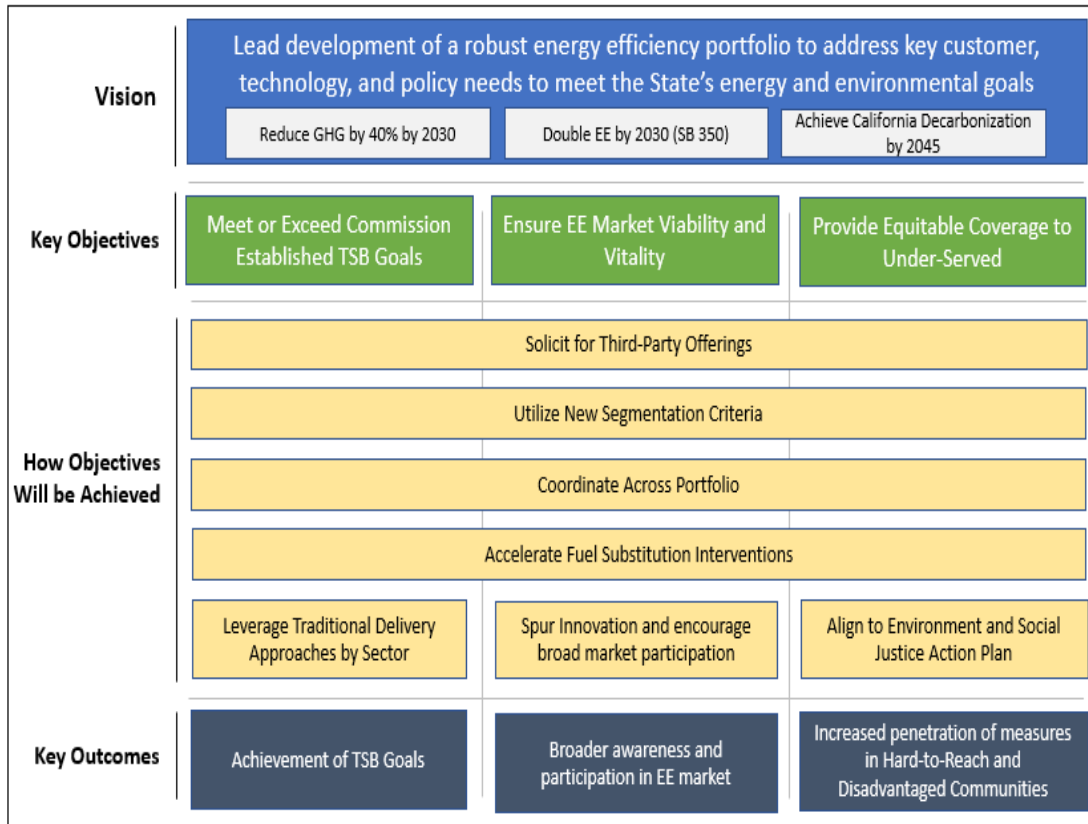
1 method for measuring the harmful impact that refrigerants, particularly when they leak, can have
2 on global warming. Low-GWP refrigerants refer to low greenhouse gas emitting alternatives to
3 high-GWP hydrofluorocarbons. Most refrigerant leakage occurs at an appliance's end of life.²¹
4 In D.21-05-031, the Commission directed PAs to consider and incorporate strategies to support
5 the use of low-GWP refrigerants in upcoming business plan filings.²² In the applicable portfolio
6 period, SCE will modify existing programs, develop new programs, and solicit for new program
7 designs that minimize refrigerant GHG impact. Some examples of potential program design
8 changes include imposing limits on GWP refrigerants or applying additional incentives for low
9 GWP refrigerants. SCE expects third-party program implementers will pursue programs and
10 measures accordingly to account for the avoided costs benefits associated with refrigerants. SCE
11 may also develop a pilot program that studies the market effects of exchanging high GWP
12 refrigerants for low GWP refrigerants. Should SCE develop this pilot, it will utilize the funds
13 designated for pilots and will file advice letters to propose operationalizing successful pilots into
14 third-party delivered programs.

15 SCE anticipates that demand for low-GWP refrigerant measures will be strong; however,
16 the time to realize its benefits may not accrue for several years. This timing expectation aligns
17 with the process of incorporating new measures into existing measure packages. Adding low-
18 GWP measures to active measure packages requires investor-owned utility (IOU) energy
19 efficiency engineering teams to integrate calculations, input/output values, and specifications that
20 eventually require Commission approval. As of the filing of this Application, SCE and its
21 California IOU counterparts are actively developing relevant measure packages to incorporate
22 low GWP measures and will submit these for approval as soon as practicable.

²¹ See D. 21-05-031, pp. 57, 60, and Conclusions of Law (COL) 41.

²² See D.21-05-031, p. 60.

Figure III-1
SCE Business Plan Vision and Strategies



B. Key Objectives

SCE has developed its Business Plan to achieve three primary objectives: 1) meet or exceed Commission-established TSB goals, 2) ensure energy efficiency market viability and vitality, and 3) provide equitable coverage to under-served customers and communities. These objectives align with the new segmentation approach adopted in D.21-05-031. This new model establishes Market Support and Equity segments to complement traditional Resource Acquisition programs. The Resource Acquisition segment of the portfolio, which is required to achieve a minimum 1.0 TRC ratio, is projected to be the principal contributor of TSB to meet the first objective. The Market Support and Equity segments have no minimum TRC requirement, but are bound by a cap of 30 percent of total portfolio budget. Programs in these segments are

1 expected to contribute to the TSB at a smaller scale without a cost effectiveness requirement.
2 This segmentation approach, therefore, affords SCE latitude to invest in new programs and
3 technologies that may not have demonstrated cost-effective savings to date, but do have long-
4 term viability. These types of investments and programs align with market support because, by
5 definition, they are intended to support and bolster the overall viability of the energy efficiency
6 market, with an objective of leading to future cost-effective programs. Similarly, Equity
7 programs are intended to increase and enhance penetration of energy efficiency measures in
8 under-served or disadvantaged communities. These programs, while not always cost-effective,
9 are critical to energy efficiency adoption and achieving the State's broader decarbonization
10 goals. They also demonstrate SCE's long-standing commitment to equitable and inclusive
11 access to energy efficiency and contribute to affordability by lowering the overall energy costs of
12 a household. The Figure III-2 below provides an overview of how SCE's funding request for the
13 Business Plan period supports these three segments across the different sectors within the EE
14 portfolio.

Figure III-2
2024-2031 Business Plan Funding Request Overview

| | | SECTORS | | | | | | | | | |
|-------------------|----------------------|-------------|------------|------------|--------------|--------|---------------|-------|---------|---------------|---|
| | | Residential | Commercial | Industrial | Agricultural | Public | Emerging Tech | WE&T | Finance | OBF Loan Pool | Segment Totals |
| SEGMENTS | Resource Acquisition | \$990M | \$631M | \$257M | \$71M | \$142M | \$0 | \$0 | \$0 | \$0 | \$2,091M |
| | Market Support | \$139M | \$53M | \$36M | \$15M | \$23M | \$86M | \$91M | \$32M | \$80M | \$554M |
| | Equity | \$127M | \$74M | \$14M | \$26M | \$23M | \$0 | \$3M | \$0 | \$0 | \$267M |
| | Sector Totals | \$1,256M | \$759M | \$307M | \$112M | \$188M | \$86M | \$93M | \$32M | \$80M | |
| Codes & Standards | \$165M | | | | | | | | | | Total Funding Request: \$3,224M* |

*Notes: Includes \$145M EM&V budget but is not shown in chart
Excludes REIN and CCA budgets
Numbers may not sum to totals because of rounding.

C. Strategies to Achieve Objectives

SCE plans to employ multiple strategies to achieve its objectives and desired outcomes, as indicated in Figure III-1 above.

1. Utilize New Segmentation Criteria

In D.21-05-031, the Commission directed SCE and the other IOUs to divide programs in the EE Portfolio into three segments: Resource Acquisition, Market Support and Equity.²³ These segments are defined as:²⁴

- **Resource Acquisition:** Programs with a primary purpose of, and a short-term ability to, deliver cost-effective avoided cost benefits to the electricity and natural gas systems. Short-term is defined as during the approved budget period for the portfolio. This segment is intended to make up the bulk of savings to achieve TSB goals.
- **Market Support:** Programs with a primary objective of supporting the long-term success of the energy efficiency market by educating customers, training contractors,

²³ See D.21-05-031, OP 2.

²⁴ See *Id.*, pp. 14-15.

1 building partnerships, or moving beneficial technologies towards greater cost-
2 effectiveness.

- 3 • **Equity:** Programs with a primary purpose of providing energy efficiency to hard-to-
4 reach or underserved customers and disadvantaged communities in advancement of
5 the Commission’s ESJ Action Plan.²⁵ Improving access to energy efficiency for ESJ
6 communities, as defined in the ESJ Action Plan, may provide corollary benefits such
7 as increased comfort and safety, improved indoor air quality, and more affordable
8 utility bills, consistent with Goals 1, 2, and 5 in the ESJ Action Plan.

9 a) Resource Acquisition Segment

10 Resource Acquisition Programs will constitute the primary driver of cost-effective energy
11 savings to meet portfolio objectives. In addition to traditional energy savings goals in kWh and
12 kW, the Resource Acquisition segment of the portfolio will drive higher TSB through fuel
13 substitution and other innovative program designs. This segment will primarily consist of third-
14 party implemented programs across all customer sectors. The Resource Acquisition segment
15 will be funded based on delivery of cost-effective energy efficiency resource programs that meet
16 Portfolio goals and will be scaled based on the Potential and Goals adopted in D.21-09-037.²⁶
17 SCE has optimized the portfolio of Resource Acquisition programs with the intent to meet the
18 cost-effectiveness requirement of a TRC greater than 1.0 for the 2024-2027 and 2024-2031
19 periods²⁷ and to deliver savings to meet goals adopted in D.21-09-037.²⁸

²⁵ See, Environmental and Social Justice Action Plan *available at* <https://www.cpuc.ca.gov/news-and-updates/newsroom/environmental-and-social-justice-action-plan>. Draft Version 2.0 is currently under review.

²⁶ See, D.21-09-037, OP 1.

²⁷ See, D.21-05-031, OP 3.

²⁸ See, D.21-09-037, OP 1.

1 b) Market Support Segment

2 To enable Resource Acquisition programs to achieve optimal market penetration,
3 programs in Market Support will provide foundational stimuli to accelerate energy efficiency
4 adoption. Market Support activities are not subject to the same cost-effectiveness requirements
5 as Resource Acquisition programs, but still benefit the energy efficiency portfolio as a whole, by
6 providing long-term support to the energy efficiency market.

7 (1) Assessing New Technologies

8 One example of a Market Support initiative is the Statewide Electric Emerging
9 Technologies Program (SWEETP). This third-party implemented program will evaluate new
10 energy savings technologies, support early adoption through field demonstrations, and provide
11 engineering calculations to support new measure offerings. The SWEETP will develop a suite of
12 viable EE technologies as well as weed out technologies that, for various reasons, are not likely
13 to result in cost-effective energy savings in the future. The SWEETP is beneficial for statewide
14 EE portfolios because it will provide trusted, manufacturer-neutral assessment, and
15 recommendations about the viability of proposed EE measures based upon project findings. The
16 suggestions provided by the SWEETP implementer will not be prescriptive; rather, the SWEETP
17 implementer will provide analysis and recommendations based on empirical data. The New
18 Program Design Pilot will also help to assess the viability of programs that are novel and have
19 yet to be tested to determine if there is a viable future in the Resource Acquisition or Equity
20 segments. These technologies and program designs will be passed on to program designers
21 (primarily third-party implementers) who can incorporate the new technologies and program
22 designs where they accrue the most value.

23 (2) Supporting the EE Workforce

24 Similarly, Workforce, Education and Training (WE&T) programs help consumers,
25 contractors, designers, engineers, and other stakeholders understand key elements of adoption
26 and implementation of energy efficiency projects. SCE has also identified two new Market

1 Support initiatives to support the long-term success of the energy efficiency market: (1) an
2 energy efficiency Contractor Demand Building Program to catalyze demand among contractors
3 and tradespeople to pursue energy efficiency programs and measures, and (2) an energy
4 efficiency New Program Design Pilots budget to test new energy efficiency program designs for
5 eventual implementation by third-party implementers. SCE expects these types of Market
6 Support Programs to contribute to decarbonization efforts.

7 Market Support programs will also support growth for energy efficiency contractors,
8 manufacturers, and industry stakeholders. To enable viability across the entire energy efficiency
9 value chain, SCE acknowledges and embraces the key role of PAs to spur innovation, educate
10 the market, and encourage broad and equitable participation. To advance and stimulate the
11 market, SCE will continue leading comprehensive training programs through Workforce,
12 Education, and Training investments. These programs offer a robust catalog of introductory
13 classes to educate end users about clean energy technologies, energy efficiency programs, and
14 rates, all aimed at advancing clean energy objectives. The WE&T programs' growing online
15 offerings, including live webcasts and on-demand content, will provide easy-to-access education.
16 In addition to these online channels, the mobile education unit (MEU) and the newly developed
17 Contractor Demand Building Program will continue to conduct outreach to end users throughout
18 SCE's service area in a high-touch manner.

19 Helping foster collaboration among stakeholders is another avenue of market support, an
20 area that SCE will continue to emphasize. Market vitality centers on building and maintaining a
21 healthy ecosystem of participants that share a common vision for energy efficiency. SCE's role
22 in fostering collaboration across customers, contractors/suppliers/manufacturers, and
23 community-based organizations through the Workforce, Education and Training, Contractor
24 Demand Building and Emerging Technologies Programs demonstrate its overall stewardship to
25 advance the market and solidify the foundation for future energy efficiency viability.

1 c) Equity Segment

2 Equity segment programs deliver energy savings primarily to populations not historically
3 well-served by energy efficiency programs or Income Qualified Programs (IQP). SCE will offer
4 five Equity programs designed by third-party implementers focused on direct installation of
5 energy efficiency measures on eligible residential customers and small/medium businesses
6 (commercial, industrial, agricultural, public). These programs will focus on HTR, DAC, and
7 other underserved customers, such as Disadvantaged and Vulnerable Communities (DVC). SCE
8 will solicit these Equity Segment Programs with a focus on contracting with third-party
9 implementers that design and propose programs intended to provide direct benefits to target
10 populations for the adoption of EE technologies. SCE will also prioritize third-party Equity
11 program proposals that place significant emphasis on fuel substitution to ensure that target
12 populations are part of California’s decarbonization efforts and that underserved communities
13 receive associated benefits of such efforts.

14 **2. Accelerate Fuel Substitution Interventions**

15 Fuel substitution is a key driver of SCE’s portfolio and the major growth opportunity for
16 energy efficiency over the Business Plan period. Through the goals adopted in D.21-09-037,²⁹
17 the Commission encouraged IOUs to focus significantly more on fuel substitution measures than
18 it had in the past. In fact, the TSB goal is now comprised of more than 30 percent fuel
19 substitution, which SCE anticipates will continue to increase as a percent of the goal, as SCE
20 continues to transition its portfolio to support more fuel substitution.³⁰ Given this shift in the EE
21 landscape and goals, SCE has appropriately shifted its EE portfolio plan toward a greater
22 emphasis on fuel substitution.

²⁹ D.21-09-037, OP 1.

³⁰ See Updated 2021 Energy Efficiency Potential and Goals Study Results – 2021 Avoided Costs (Table 18) available at <https://file.ac/56AkVk-48hU/>.

1 SCE's energy efficiency portfolio will focus on driving fuel substitution measures in
2 existing energy efficiency programs and standing up new energy efficiency programs with an
3 emphasis on fuel substitution. SCE's existing statewide and local Resource Acquisition
4 programs include new fuel substitution measures where those measures can be achieved cost-
5 effectively. Additionally, SCE is standing up a new Fuel Substitution Midstream Program to
6 focus on incentivizing the purchase of more heat pumps. SCE will also leverage new Equity
7 programs to encourage adoption of fuel substitution measures by hard-to-reach customers,
8 disadvantaged communities, and underserved populations. Lastly, SCE plans to increase Market
9 Support programs (WE&T and Statewide Electric Emerging Technologies) to include a greater
10 focus on fuel substitution measures to encourage growth in those markets and foster a skilled
11 workforce that can install these measures.

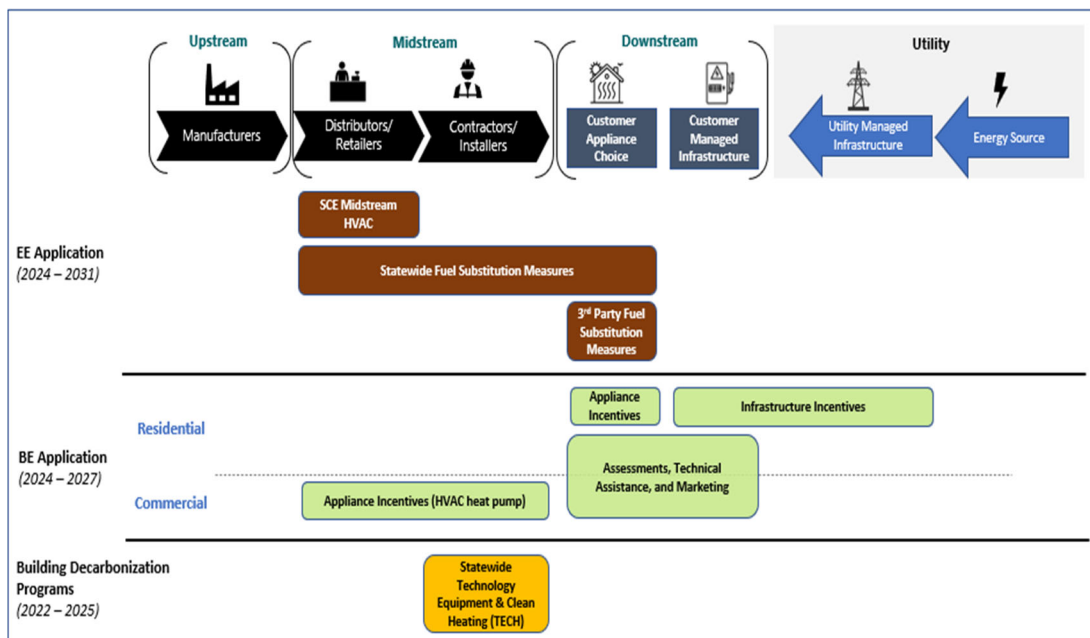
12 a) Coordination with SCE's Building Electrification Application

13 To accelerate customer uptake, SCE will drive inclusion of fuel substitution in the energy
14 efficiency portfolio, while also coordinating energy efficiency efforts with SCE's recently filed
15 Building Electrification Application.³¹ The energy efficiency portfolio will maximize fuel
16 substitution adoption by implementing programs within current policy to capture existing
17 potential and achieve required goals. For instance, the Four-Year Portfolio Plan will include fuel
18 substitution Equity programs for certain residential and small/business commercial customers to
19 implement direct installation strategies that deliver energy savings. The Building Electrification
20 Application will complement that effort by layering incentives to achieve greater adoption as
21 well as removing barriers, such as the need for panel upgrades, that are challenging within
22 current energy efficiency programs. Together, these efforts will play an immediate and essential
23 role in driving the State's progress toward its ambitious decarbonization goals. Figure III-3
24 below provides an illustration of how SCE's Business Plan and the Building Electrification

³¹ See A.21-12-009, SCE Application for Approval of Its Building Electrification Programs filed on December 9, 2021.

1 Application will coordinate to address different markets. SCE will work with third parties
 2 through the solicitation process to evaluate and ensure coordination and layering incentives
 3 across all funding sources to manage risk of double-incentive and/or customer confusion. SCE
 4 will follow the guiding principles and requirements for incentive layering of various building
 5 decarbonization programs as adopted in D.21-11-002.³² These principles state that “[i]f an
 6 Energy Efficiency incentive was received, all credit for energy savings must be attributed to the
 7 Energy Efficiency programs alone, unless and until the Commission adopts a different approach
 8 in this proceeding.”³³ All programs under SCE purview will be monitored to ensure eligibility
 9 compliance and optimization of customer offerings.

Figure III-3
Coordination of The EE Portfolio and Other SCE Building Decarbonization Efforts



10 In addition, the Fuel Substitution Midstream Program proposed in this Application will
 11 support the equipment incentives proposed in the BE Application by making high efficiency fuel

³² See D.21-11-002, OP 1.

³³ See *Id.*, p. A-3.

1 substitution equipment readily available. This new Program will engage manufacturers and
2 distributors to promote the warehousing of high efficiency equipment and help educate
3 contractors on the installation of high efficiency electric alternatives. The Program will also
4 provide midstream incentives that may include time of sale discounts to end use customers to
5 address cost barriers.

6 **3. Solicit for Third-Party Offerings**

7 SCE plans to outsource the majority of its energy efficiency portfolio to third-party
8 implementers unless there is a compelling reason or a strategic advantage to insource
9 implementation. Examples of scenarios where insourcing may be advantageous include
10 construction of unique educational facilities or expanding new customer approaches into
11 untapped markets. Additional business cases for SCE-implemented initiatives may arise, but
12 SCE expects to commit more than 60 percent of its energy efficiency portfolio budget to third-
13 party implemented contracts through this Business Plan period. In SCE's 2022 and 2023 Annual
14 Budget Advice Letter³⁴ 81 percent and 85 percent of SCE's PY 2022 and 2023 portfolio budget,
15 respectively, are committed to third-party implemented programs. These commitments exceed
16 the 60 percent threshold that the Commission directed IOUs to meet by the end of 2022.³⁵ SCE's
17 Business Plan anticipates achieving and exceeding the minimum outsourcing requirement to
18 third-party implementers.

19 SCE's third-party contracts are primarily structured as pay-for-performance to minimize
20 risks of expending funds without receiving commensurate customer benefits and products. This
21 contract structure protects customers from downside financial risk, but if implementers under-
22 deliver, SCE faces the risk of not meeting portfolio metrics (e.g., TRC and TSB). To mitigate
23 the risk of under-performance, SCE has various contractual protections and remedies, but its risk

³⁴ See Advice Letter 4633-E-A, Supplement to Advice 4633-E, Southern California Edison Company's Energy Efficiency Program and Portfolio Annual Budget Advice Letter for Program Years 2022 and 2023.

³⁵ See D.18-01-004, OP 1.

1 of not achieving TSB savings goals in this scenario remains until new third-party programs are
2 solicited, contracted, implemented, and delivered. Market dynamics, customer behavior, and
3 unforeseen events, like COVID-19, all introduce additional risk and unpredictability of future
4 performance. SCE, therefore, will utilize prudent portfolio management practices to balance
5 underperformance of individual contracts against larger portfolio objectives. For example, some
6 contracts may fall short of their overall energy savings targets while remaining cost-effective,
7 and in such cases, SCE may maintain such contracts to ensure sufficient customer coverage with
8 the least amount of market disruption. This type of cost/benefit analysis and discipline serve as
9 strategic guideposts as SCE navigates the continuing transition to the third-party contracting and
10 implementation model.

11 Because all of SCE's current third-party program contracts are set to conclude during this
12 Four-Year Portfolio Plan, SCE will consider entering into contract extensions with successful
13 program implementers. Alternatively, contract termination, contract reassignment, or new
14 solicitations are additional options available to SCE for maintaining the portfolio's third-party
15 implemented program goals and objectives.

16 For new solicitations, SCE emphasizes the need for agility to maintain market continuity,
17 to reduce risk portfolio underperformance, and to ensure sufficient EE opportunity coverage
18 across all segments/sectors. SCE agrees, as noted in D.21-12-011, that the two-stage solicitation
19 process takes too long and is no longer necessary.³⁶ From the time a solicitation begins, 18
20 months or more may elapse. In this period, SCE may miss savings opportunities, and market
21 confusion or a market freeze may ensue. For these reasons, SCE requests in Section IX.B below
22 that the Commission allow utilities to conduct, at their discretion, a single-stage solicitation, as
23 permitted in D.21-12-011.³⁷

³⁶ See D.21-12-011 p. 35.

³⁷ *Id.*, OP 4.

1 a) Solicitation Strategy, Scope and Schedule

2 SCE expects that third-party designed and implemented programs will be the primary
3 means of delivery of energy efficiency resource programs for the entire Business Plan period.
4 As described in Section IX.B below, SCE seeks to implement a streamlined solicitation process
5 that would include a single stage to improve speed-to-market of programs that fill gaps or
6 replace non-performing programs. This solicitation process differs from the two-stage
7 solicitation approach proposed in SCE’s prior Business Plan,³⁸ and SCE discusses the reasons for
8 proposing a one-stage solicitation process in this Exhibit. Details about SCE’s solicitation
9 schedule and approach for the Four-year Portfolio Plan are further discussed in SCE-02.

10 SCE will conduct solicitations for Equity segment programs, with a focus on DAC, HTR
11 customers, and customers traditionally underserved, including:

- 12 • a residential program serving single and multi-family customers,
- 13 • a small/medium business (SMB) program serving commercial, industrial, and
14 agricultural customers, and
- 15 • a public sector program targeting HTR public sector customers (as described in SCE-
16 02 Section IV.B.5.d).

17 SCE expects to conduct solicitations for these Equity programs with the objective of
18 executing contracts as part of the EE Portfolio by 2024, subject to Commission approval and
19 other factors. To align with statewide decarbonization goals, SCE will prioritize and coordinate
20 offerings around key fuel substitution measures, such as Heat Pump Water Heaters and Heat
21 Pump HVAC units, through new gap filling Resource Acquisition offerings. SCE will support
22 additional fuel substitution offerings where possible, including in the new Equity segment
23 programs. For more details on SCE’s planned solicitation schedule, please refer to SCE-02.

³⁸ See A. 17-01-013, SCE’s Energy Efficiency Rolling Portfolio Business Plan for 2018-2025 (January 17, 2017).

1 **4. Leverage Traditional Delivery Approaches by Sector**

2 As described above, the energy efficiency landscape is divided into six sectors defined in
3 D.15-10-028: Residential, Commercial, Industrial, Agricultural, Public, and Cross-cutting.³⁹

4 As described in SCE-02, Section IV.A, SCE plans to pursue EE programs in each of the
5 six sectors. SCE further segments these sectors to a sub-sector level and develops specific
6 strategies to address each sector and sub-sector. SCE-02, Chapter IV, expands on SCE’s specific
7 sector and sub-sector goals, objectives, intervention strategies, coordination, and program details.

8 SCE has distributed its EE Application portfolio budget among sectors primarily based
9 on two factors: (1) existing and forecasted future contracts with third-party implementers; and
10 (2) potential and goals. The budget amounts attributable to third-party contracts were
11 determined by using contractual commitments pursuant to contracts executed through a
12 competitive solicitation process. Because SCE has not completed solicitations for all of the
13 expected third-party programs and also plans to fill gaps through SCE-implemented programs,
14 the remaining budget for Resource Acquisition programs for each sector was determined by the
15 EE potential and goals, as adopted in D.21-09-037.⁴⁰ For Equity programs, the budget
16 distribution across sectors was primarily driven by the distribution of the EE potential and goals,
17 with adjustments made for delivering savings to those most in need of energy efficiency (i.e.,
18 Residential, Commercial, Agricultural, Industrial, and Public sectors). SCE developed budgets
19 for Market Support programs, which primarily fall under residential, commercial, and cross-
20 cutting activities,⁴¹ as follows: third-party contract forecasts, forecast provided by the lead PA of
21 statewide programs, and bottom’s up zero-based calculations for local SCE-implemented
22 programs. Additional details regarding budget distribution for each sector by year from 2024-
23 2031 are provided in the budget tables in Appendix A of SCE-03.

³⁹ See, D.15-10-028, pp. 47-51.

⁴⁰ See, D.21-09-037, OP 1.

⁴¹ Cross-cutting activities include Emerging Technologies, Workforce Education and Training, Codes and Standards, etc.

1 Market intervention strategies are focused on targeted points of intervention designed to
2 encourage adoption of energy efficiency measures. Table III-3, below, identifies SCE’s market
3 intervention strategies along with the sectors to which they are likely to be applied. Sector-
4 specific trends and market intervention strategies are discussed in the more detail in SCE-02,
5 Chapter X. This list provides historical market intervention strategies and may not include new,
6 innovative approaches proposed by third-party implementers. SCE’s portfolio will continue to
7 be designed, delivered, and implemented by third-party implementers via competitive
8 solicitations where respondents may design and propose different or additional market
9 interventions.

Table III-3
Market Intervention Strategies⁴²

| Strategy | Description | Applicable Sectors |
|--|--|--------------------|
| Delivery Strategies | | |
| Upstream Incentives | Financial incentives directly to manufacturers, distributors, or retailers to buy down the cost and increase the sales of energy efficient products and reducing complexity/difficulty of participating for high volume | All |
| Midstream Incentives | Financial incentives directly to vendors or distributors to buy down cost and increase the sales of energy-efficient products | All |
| Downstream Customer Incentives | Payments made to customers to encourage the installation of energy efficient measures. | All |
| Downstream Direct Install | Payments made to vendors to install energy efficient measures at the customer's site. Access to Direct Install Programs benefits customers by removing technical and search burdens by providing vendors that have already been vetted and can be leveraged for customer touch points | All |
| Savings/Incentive Methodologies | | |
| Deemed Incentives | Incentives or rebates paid to customers to adopt energy efficiency measures based on measure package values that establish savings based on typical installation conditions. Typically allows for customer friendly program designs with rebates for qualifying products. | All |
| Custom Incentives | Incentives paid to customers to adopt energy efficiency measures based on the circumstances of installation that require calculations. Typically designed as a rate for the unit of energy saved (kWh, kW, Therm, etc.) and used for more complex energy efficiency measures with more variable savings. | All |
| Normalized Metered Energy Consumption (NMEC)/Meter Based Savings | Provide incentives for customers to install comprehensive energy efficiency measures that will be measured at the meter utilizing Site Level, Population, Randomized Control Trial (RCT) methodologies to arrive at savings. | All |
| Strategic Energy Management | An organization-wide strategic energy management approach that sets long-term energy savings goals and uses rigorous tracking and reporting systems can drive greater savings, reach across entire building portfolios, and institutionalize such practices to sustain long-term savings | Non-residential |
| Outreach Strategies | | |
| Demonstration Projects | Demonstrate best practices and disseminate technical expertise in order to overcome knowledge gaps for market actors or industry | All |
| Intelligent Outreach | A targeted marketing approach using analytic tools to deliver specific messages to specific customer groups in order to increase energy efficiency adoption | All |
| Partnering | Identification and recruitment of key partners and market actors needed to support and reach various customer groups and drive adoption of energy efficiency | All |

⁴² Market Intervention strategies addressed here cover all three segments identified in D.21-05-031.

| Strategy | Description | Applicable Sectors |
|--|---|--|
| Outreach Strategies | | |
| Hard-to-Reach, Disadvantaged, and Underserved Community Outreach | Outreach to hard-to-reach, disadvantaged and underserved communities and relax certain program parameters that hinder energy efficiency program participation | All |
| Enabling Strategies | | |
| Financing | Designed to assist customers in acquiring the capital necessary to procure and install energy efficiency measures | All |
| Single Point of Contact | Streamline program offerings for market actors in order to reduce burden to participate in program offerings | All |
| Technical Assistance | Professional assistance with energy efficiency project identification (e.g., audits and virtual audits), development, and management that will facilitate the implementation of energy efficiency and IDSM projects. | All |
| Information Strategies | | |
| Building Energy Benchmarking Data Access | Leverage customer data to benchmark facilities and provide a roadmap for energy efficiency retrofit opportunities; allow sub-metering costs to be included in project costs; identify solutions to help identify savings potential and manage energy use | Commercial Industrial Agricultural Public |
| Community Data Access | Development of CATALENA/Energy Atlas community energy usage. Participate on Energy Data Access Committee (EDAC) to influence policy in order to make data more user-friendly to local governments (within Commission and California state law requirements for data privacy). | Public |
| Customer Data Access | Green Button "Download My Data" function for access to usage from individual accounts and Green Button "Connect My Data" function for customer to authorize SCE to send their energy usage and billing data to registered third parties | All |

1 **5. Spur Innovation and Encourage Broad Market Participation**

2 SCE employs or plans to employ numerous approaches to encourage innovation,
3 including: (1) raising awareness and emphasizing innovation by third-party implementers during
4 third-party solicitations; (2) utilizing new and traditional Market Support and Equity programs to
5 enable early-stage energy efficiency concepts; (3) supporting and advancing fuel substitution
6 efforts in coordination with the Building Electrification Application; and (4) coordination with
7 demand response proceedings.

8 First, SCE’s third-party competitive solicitation process provides an opportunity and
9 mechanism to drive innovation in delivery approaches, technology, measure mixes, and cost
10 efficiencies. A model focused on third-party design and implementation is expected to benefit

1 the energy efficiency market by “encouraging innovation and producing program delivery cost
2 savings.”⁴³ SCE’s solicitation process encourages innovation proposed by third-party
3 implementers and is evaluated during SCE’s review and scoring of proposals submitted by the
4 third-party implementers. This inclusion has resulted in signed contracts with innovative
5 concepts, such as applying Strategic Energy Management to new sectors and adjustments to
6 programs to address the increased viability of fuel substitution within the portfolio. The
7 solicitation process affords SCE some degree of flexibility as “portfolio designer[], but not
8 necessarily program designer [].”⁴⁴ In this role as portfolio administrator and designer of the
9 entire portfolio, rather than individual programs, SCE intends to seek new and innovative
10 programs with targeted solicitations that should encourage third-party implementers to propose
11 and advance innovative program designs.

12 Second, SCE spurs innovation by enabling early-stage concepts through Market Support
13 and Equity sector programs. SCE’s Business Plan is a robust portfolio of Market Support and
14 Equity programs that helps drive innovation in the EE marketplace. For example, local
15 Workforce Education & Training programs serve as a channel to introduce and promote novel
16 technologies. Additionally, the Statewide Electric Emerging Technology Program assesses the
17 feasibility of new measures. These programs provide a platform for SCE to reach market actors
18 at scale and will continue to be leveraged to advance savings and environmental goals. As
19 discussed in SCE-02, SCE allocates funding for a New Program Design Pilots budget to test new
20 program designs, savings methodologies, and policy approaches, which may not yet be ready for
21 market implementation.⁴⁵ Piloting programs or technologies that may not yet be cost-effective,
22 conducting proofs of concept, or demonstrating scalability are a few examples of approaches to
23 catalyze innovation in the market and help accelerate pathways to scalable cost effectiveness.

⁴³ See D.16-08-019, p. 70.

⁴⁴ See *Id.*, at p. 71.

⁴⁵ See SCE-02, Section III.C.6.

1 For these reasons, SCE intends to allocate sufficient budget for pilots or new programs to
2 demonstrate viability first and then ultimately sustainability, so that these initiatives can be
3 broadly scaled through third-party implementation. SCE will also be standing up new Equity
4 programs targeting residential and non-residential equity eligible customers. SCE intends to
5 solicit these programs in 2022, with an emphasis on encouraging innovative program designs and
6 participation by novel market entrants with unique abilities to target equity eligible customers.
7 Program details can be found in the Program Cards for each of the programs offered in SCE's
8 portfolio in Attachment 1 of SCE-02.

9 Third, as discussed above, SCE will continue to promote building electrification and fuel
10 substitution efforts that complement SCE's recently filed Building Electrification Application.⁴⁶
11 The recently adopted energy efficiency Potential and Goals Study elucidates the effects of fuel
12 substitution on the market as a whole and on its growing share of SCE's energy efficiency
13 portfolio in the future.⁴⁷ SCE has developed a robust Building Electrification Application and
14 has developed proposals in this application to complement the BE Application. To exploit this
15 opportunity, SCE plans to support this transition through its enhancements to the Workforce
16 Education and Training Integrated Energy Efficiency Training Program, an effort recently
17 pursued to increase demand for fuel substitution measures from building contractors and
18 tradespeople. In this Application, SCE also proposes a new Fuel Substitution Midstream
19 Program to increase adoption of HVAC fuel substitution measures, such as Heat Pumps.

20 Lastly, SCE intends to spur innovation through close coordination with DR programs and
21 through additional funding that drives technologies which help deliver both EE and DR benefits.
22 The recent transition from traditional kWh/kW savings goals to TSB goals encourages a more
23 integrated approach. Third-party implementers can identify novel Integrated Demand Side

⁴⁶ See A.21-12-009, SCE Application for Approval of Its Building Electrification Programs filed on December 9, 2021.

⁴⁷ See, D.21-09-037, p. 18.

1 Management (IDSM) opportunities and propose, during the solicitation process, how IDSM
2 funds can stimulate the integration of energy efficiency and DR. This funding can be used to
3 drive EE/DR integration to install equipment that will help cut peak demand usage and assist
4 customers with additional bill management resources to increase grid reliability. This continued
5 exploration of opportunities to cross-promote technologies in both the energy efficiency and DR
6 landscapes may yield TSB more rapidly than pursuing benefits separately.

7 **6. Align with the Environmental and Social Justice (ESJ) Action Plan**

8 In Draft Version 2.0 of the Environmental and Social Justice Action (ESJ) Plan, the
9 Commission clearly defines its objectives and goals to reduce “barriers to access to clean, safe,
10 and affordable utility services”⁴⁸ in ESJ communities with unwavering conviction. The
11 Commission further defines “equity” as “increasing access to power, redistributing and providing
12 additional resources, and eliminating barriers to opportunity, to empower low-income
13 communities of color to thrive and reach full potential.”⁴⁹ SCE fully supports the ESJ Action
14 Plan and intends to utilize the Equity segmentation of its portfolio to “foster equity for
15 marginalized communities, including addressing historic underinvestment that has allowed
16 inequity to flourish.”⁵⁰ SCE has been a vocal proponent of enabling Equity opportunities
17 separate from traditional resource-based portfolio programs because of challenges in meeting
18 cost effectiveness requirements while pursuing equity goals. SCE appreciates the latitude it is
19 afforded through the new segmentation model and has budgeted \$126 million for Equity-based
20 programs. SCE’s Equity offerings will be coordinated with, yet distinct from, complementary
21 offerings, such as the Energy Savings Assistance (ESA) Program Building Electrification Pilots
22 and Building Electrification equity focused offers. SCE plans to solicit third-party designed and

⁴⁸ Draft CPUC Environmental and Social Justice Action Plan, 10/26/21, p. 7, *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>.

⁴⁹ *Id.*

⁵⁰ *Id.*

1 implemented programs that will directly address the goals and objectives of the ESJ Action Plan.
2 However, if market-based solutions do not materialize, SCE intends to stand-up in-house
3 initiatives to serve ESJ communities.

4 **7. Coordinate Across the Portfolio and with Other PAs**

5 SCE will coordinate Equity and Market Support Programs to maximize market adoption,
6 avoid duplication, and enhance efficiencies. SCE may, for instance, follow an integrated
7 approach where Market Support Programs act as foundational non-resource services that buoy
8 efforts in equity targeted populations. SCE will prioritize Market Support and Equity Programs
9 budget allocation based on: (1) funding for Statewide Programs designated as Market Support or
10 Equity; (2) providing most value to customers most in need; and (3) remaining under the 30
11 percent cap for combined Market Support and Equity segment programs.⁵¹

12 SCE will coordinate these activities across the portfolio (sector, segment, program type),
13 across regional and statewide programs, across PAs (IOU and non-IOU PAs), and across demand
14 side management proceedings (Income Qualified Programs, Demand Response Programs, the
15 Building Electrification Application, Building Decarbonization, etc.).

16 SCE's portfolio management approaches address coordination across segments, sectors,
17 and programs where appropriate. For example, the Emerging Technology program will focus on
18 studying and assessing new technologies to drive measures into the Resource Acquisition and
19 Equity programs. Equity programs can benefit from WE&T training activities by seeking
20 participating contractors and employees, as well as funneling personnel into those training
21 activities, for a mutually beneficial relationship. Equity programs can drive participants to focus
22 on greater energy efficiency activities through Resource Acquisition programs. Conversely,
23 Resource Acquisition programs can provide leads to customers that may benefit from new
24 Equity programs and can leverage financing and other market support activities. For more

⁵¹ Pursuant to D.21-05-031, p. 42, the Market Support and Equity segments of the portfolio, combined, must not exceed 30% of the total budget.

1 specifics on coordination across segments and sectors, see SCE-02, Sections IV.A and IV.B,
2 respectively.

3 SCE will continue to coordinate with other PAs to manage areas of potential overlap in
4 program offerings. The primary objectives of these coordination efforts will be to minimize the
5 cost of administration, ensure that the benefits of a measure are only reported once, and provide
6 clear communication to customers to simplify participation. For Regional Energy Networks
7 (RENs) and Community Choice Aggregators (CCAs) that deliver energy efficiency offerings
8 within SCE's service territory, Joint Cooperation Memos (JCMs)⁵² outline how portfolios of
9 each PA support each other and how specific programs may interact to provide a positive
10 customer experience. SCE will also continue to coordinate with the other funding IOUs to
11 administer Statewide Programs through the Statewide Energy Efficiency Team (SWEET).

12 SCE will also continue to be an active participant in Project Coordination Groups (PCGs)
13 coordinated by the Commission's Energy Division to help identify areas that would benefit from
14 policy clarifications, process efficiencies, and transparency across all energy efficiency market
15 participants. The PCGs regularly convene to seek input and provide guidance on program
16 delivery models, such as Strategic Energy Management, Normalized Meter Energy Consumption
17 (NMEC), Custom Calculated, and On Bill Financing. For more information on specific
18 coordination activities, including how SCE plans to coordinate among PAs, regional programs,
19 statewide programs, and other customer programs, see SCE-02, Section IV.D.

20 Finally, SCE will coordinate energy efficiency efforts with other demand-side programs
21 to collaborate on program strategies, combined incentives, and enhancement of the customer
22 experience where applicable. SCE has built this portfolio to be complementary of other DSM
23 programs and to minimize duplication of activities. SCE's internal subject matter experts in
24 energy efficiency, demand-side reduction, and other customer programs (i.e., building
25 electrification application, building decarbonization, solar, transportation electrification, low

⁵² A copy of the latest JCMs is *available at* <https://www.caecc.org/joint-cooperation-memos>.

1 income, and resiliency programs) will review new and existing programs, share information
2 about potential program synergies, and determine how to minimize program overlap or
3 duplication. Subject matter experts within Cross-Cutting programs will also be deeply engaged
4 to ensure that new and proposed programs, including details about design, incentive structure
5 (including incentive layering as outlined in D.21-11-002⁵³), and target market, are well
6 understood to maximize efficiency. After sharing and reviewing the program information, SCE
7 will evaluate potential coordination efforts to maximize energy efficiency and demand response
8 opportunities.

9 **D. Key Outcomes**

10 SCE aligns its desired portfolio outcomes with its key objectives. Metrics to quantify
11 performance and achievement of these outcomes are described in SCE-03, Attachment A.

12 **1. Achievement of TSB Goals**

13 Total System Benefit is a dollar-based metric that represents the entirety of avoided costs
14 by utilities and customers for energy savings and fuel substitution benefits. TSB “combines and
15 optimizes the energy and peak demand savings goals, along with greenhouse gas benefits of
16 energy efficiency, into one metric that can be forecasted and tracked.”⁵⁴ It broadens the reach of
17 energy efficiency to include interventions that accrue benefits outside the bounds of kWh and
18 kW savings alone and into GHG reduction, time specific utility benefits, and accounting for fuel
19 substitution. TSB was conceived to consider the nuances of electricity usage at different times of
20 the day and in different months of the year. Additionally, TSB reflects the value associated with
21 greenhouse gas emissions reduction based on the time of day. This dynamic encourages EE
22 investment to follow time periods when greenhouse gas emissions and energy costs are highest.
23 TSB, in short, measures savings in dollar value of the totality of benefits that accrue to the entire

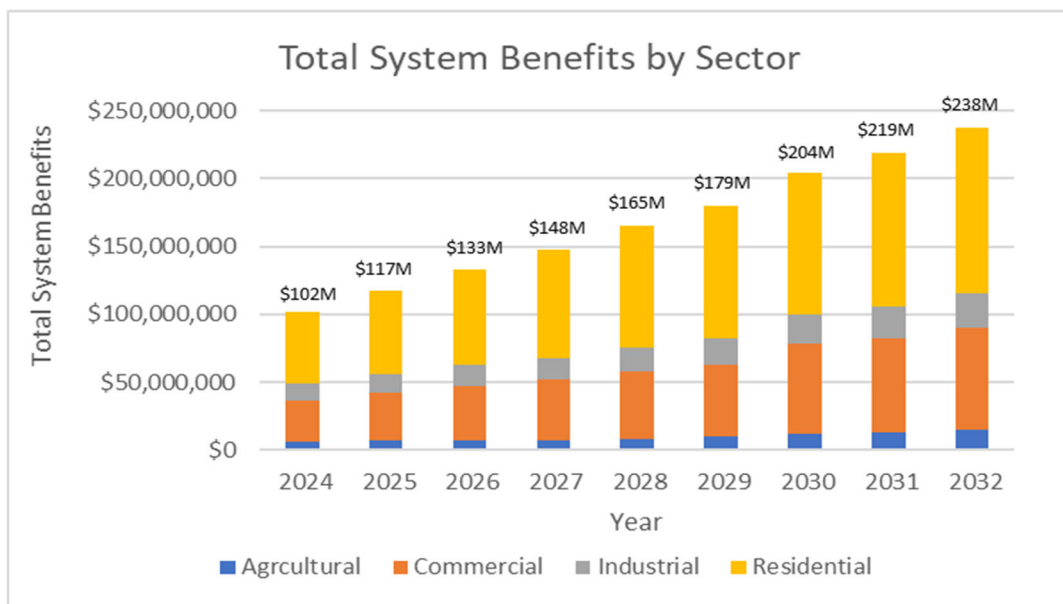
⁵³ See D.21-11-002, OP 1.

⁵⁴ D.21-05-031.

1 system and encourages PAs to influence customer behavior to drive optimal total system benefits
2 and not kWh savings alone.

3 SCE forecasts achieving TSB in 2024 and future growing TSB goals through to 2031 by
4 way of cost-effective Resource Acquisition programs with a concentration of potential in
5 Residential and Commercial sector savings each year as indicated by the graph below. SCE's
6 Achievement is further detailed in Table 5. SCE's expected outcomes of the portfolio (2024-
7 2031) with more details outlined in SCE-02.

Figure III-4
SCE TSB Savings from 2024-2032



8 **2. Broader Awareness and Participation in the EE Market**

9 Market Support segment programs are intended to drive viability and vitality of the EE
10 marketplace. Awareness of EE availability and customer participation trends are metrics that can
11 be tracked to gauge whether SCE's Market Support initiatives are driving intended outcomes.
12 Through customer outreach and surveys, third-party performance reports, and analysis of
13 customer coverage, SCE can track penetration of EE measures across its entire service territory
14 (and statewide where SCE is a lead) and make course corrections as needed. Additionally, as

1 SCE employs outreach strategies, such as demonstrations and targeted customer group
2 engagement, participation data can be captured and analyzed against promotions and marketing
3 efforts to determine efficacy of outreach. This type of analysis is bolstered by internal systems
4 that have been established to leverage customer/market information to inform how SCE can
5 pursue more efficient and effective outcomes for customers. Through these mechanisms, and as
6 guided by the California Energy Efficiency Coordinating Committee (CAEECC) Market Support
7 Metric Working Group (MSMWG), SCE will track direct outcomes and report on metrics
8 established by the working group.

9 Three near-term programs exemplify SCE’s commitment to market support. The first is
10 the Workforce, Education and Training program. This program provides training and education
11 to customers and industry stakeholders about the energy efficiency benefits and technologies
12 with an emphasis on fuel substitution. The second is the Statewide Emerging Technologies
13 Program. This program is intended to bring novel technologies to mainstream customers through
14 product demonstrations, evaluations, and proof of concepts. SCE is also proposing a New
15 Program Design Pilots budget for 2024-2027 to test the effectiveness of new program designs
16 that are novel and may not yet be proven. Finally, SCE expects that by 2027, there will be a
17 robust offering of financing options for customers, a capability that will be delivered through
18 Market Support, Resource Acquisition, and Equity programs. Market Support programs, in
19 particular, will provide financing that supports residential and non-residential customers through
20 OBF and New Finance Offerings Programs. SCE will also evaluate the suite of financing
21 options to help customers overcome financial barriers. For specific outcomes of each of the
22 Market Support programs, please refer to the respective program in the relevant sector chapter.

23 **3. Increased Penetration of EE Measures in Hard-to-Reach and Disadvantaged**
24 **Communities**

25 The Equity segment of the Application is intended to drive differentiated Equity
26 programs to address key customer, technology, and policy needs of hard-to-reach,

1 disadvantaged, and underserved customers.⁵⁵ SCE anticipates that Equity segment programs will
2 deliver some savings toward the TSB goals, but savings achievement and cost effectiveness are
3 not the primary goals of these programs. Rather, Equity programs are designed to complement
4 Resource Acquisition and Market Support programs through targeted and policy-oriented
5 approaches to deliver energy efficiency improvements for customers who otherwise would not
6 be served.

7 SCE will track increased penetration of EE interventions in these under-served markets
8 by monitoring three categories of metrics. The first category is metrics that assess who and how
9 target populations are served. The second category consists of metrics that measure how much
10 savings are generated by the Equity programs. And the third category are metrics that evaluate
11 the holistic benefit, a new indicator proposed by the Equity Metrics Working Group, to capture
12 combined total benefits that include energy and non-energy factors (health, safety, comfort, etc.).
13 Details on these metrics can be found in SCE-03, Attachment A.

⁵⁵ See, D.21-05-031, OP 1.

1 IV.

2 **Portfolio Management**

3 SCE frames the structure of its Portfolio as depicted in Figure 4 below. This illustrative
4 chart highlights the myriad nuances and complexities of portfolio design and orchestration.

5 There are two primary pivots to the portfolio. The first is a Segment horizontal “slice” that
6 examines how SCE approaches the market from a Resource Acquisition, Market Support,

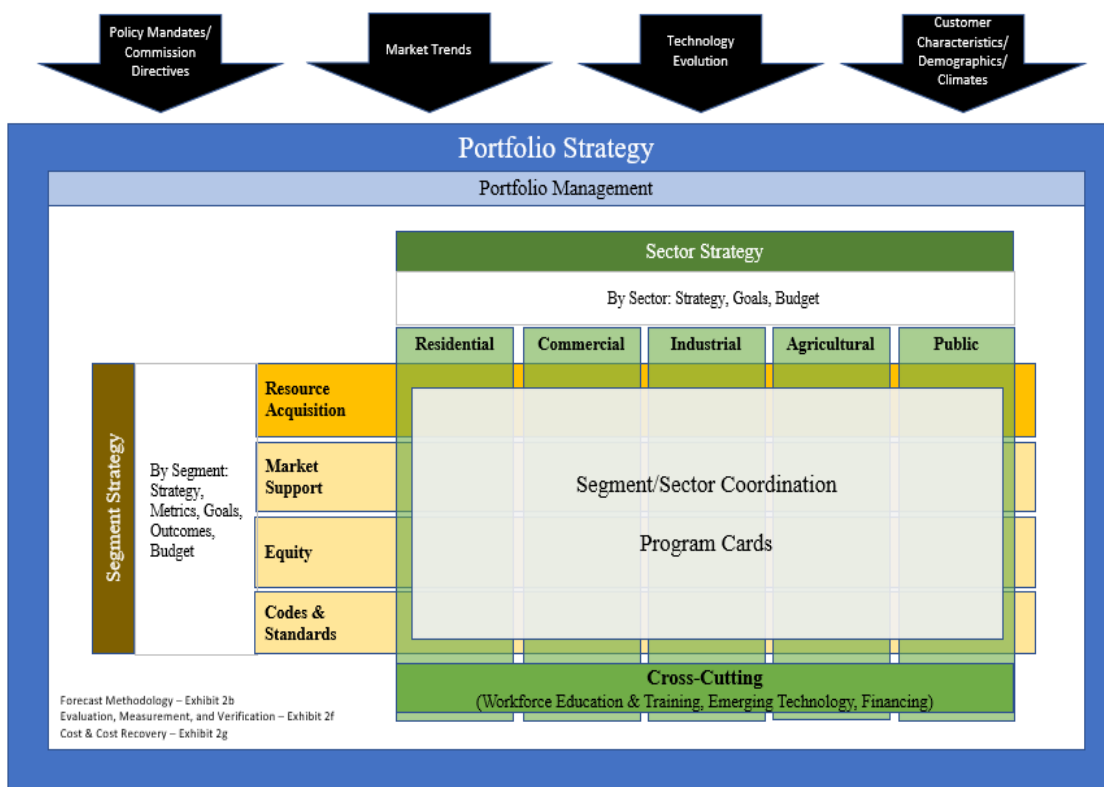
7 Equity, and Codes and Standards perspective. Each segment has different requirements and
8 objectives and hence necessitates separate discussion as structured in this application. The

9 second pivot is a vertical Sector “slice” that examines specific strategies and interventions that
10 apply to each sector. These Sectors are Residential, Commercial, Industrial, Agricultural, Public,

11 and Cross-Cutting. Detailed descriptions, strategies, metrics, goals, and outcomes for both

12 Segments and Sectors can be found in SCE-02, Sections IV.A and IV.B.

**Figure IV-5
Framework of SCE's Portfolio**



1 SCE must compose a portfolio that balances risks and benefits across multiple
 2 dimensions of requirements, goals, and objectives. To do so effectively demands diligent
 3 portfolio management practices. For instance, the intersection points between segment and
 4 sector require deep coordination to ensure efficiency and maximum value accrual. Budgets are
 5 another consideration within this framework and have been developed using a bottom's up
 6 approach. Notably, the majority of the budget is allocated to the Residential and Commercial
 7 sectors due to the potential in those sectors and the outcomes of the third-party contracting
 8 process. This allocation is consistent with what would be expected from the Potential and Goals
 9 Study adopted in D.21-09-037.

10 To reiterate, SCE's overall goal for this Business Plan is to lead the development of a
 11 robust energy efficiency portfolio to address key customer, technology, and policy needs to meet

1 the State’s overall energy and environmental goals. To advance this goal, SCE has developed
2 the following portfolio management strategies: (1) serve as an administrator for an optimized EE
3 portfolio, (2) function as a market enabler for early-stage ideas, (3) ensure that all market sectors
4 have reasonable coverage, and (4) continue to look for opportunities to strengthen current control
5 measures, as discussed below.

6 **A. Optimizing the EE Portfolio**

7 SCE plans to continue in its role as administrator for an optimized EE portfolio in which
8 a majority of program implementation will reside with third parties. As portfolio administrator,
9 SCE intends to monitor the market, customers, and third-party performance through continuous
10 performance tracking and analytics to ensure customer experience and needs are adequately
11 addressed. Operationally, SCE has transitioned specific roles to focus on solicitations
12 processing, contract/performance management, analysis and reporting, and quality
13 control/assurance. This shift aligns with the third-party designed and implemented operating
14 model. Through this structure, SCE believes it is better equipped to adjust and adapt programs
15 and the direction of the portfolio as market conditions change and/or as third-party implementers
16 deliver (or do not deliver) expected results. This agility provides SCE the opportunity to explore
17 alternative options and pivot as needed to achieve portfolio metrics and objectives as effectively
18 and efficiently as possible.

19 SCE will continue to conduct solicitations as the primary means of delivering energy
20 efficiency programs and will continually improve the solicitation process by gathering feedback
21 from the independent evaluators, Peer Review Group (PRG), and the bidder community. In the
22 near term, SCE will continue to proactively manage and administer the existing portfolio of
23 programs and third-party contracts while also expanding to include targeted gap-filling Resource
24 Acquisition solicitations, new Equity, and new Market Support programs. As the EE portfolio
25 evolves and performance of third-party implemented programs is evaluated, SCE will consider
26 conducting new solicitations as needed for expiring contracts, pursue contract amendments,

1 contract renewals and/or modifications to ensure SCE’s customers receive the benefits of the EE
2 expenditures, while also seeking to meet Commission metrics and goals.

3 **B. Enabling Early-stage Ideas and Concepts**

4 SCE will function as a market enabler for early-stage ideas and concepts. SCE describes
5 the expected strategies that spur innovation in Section III.C.5, above. These initiatives include
6 Market Support and Equity programs, new fuel substitution activities, and increased coordination
7 between EE and DR.

8 **C. Addressing Gaps within the Portfolio**

9 SCE will pursue programs across market sectors where gaps in customer segments/sub-
10 segments are identified and market coverage can be accomplished across the Resource
11 Acquisition, Market Support, and Equity segments. SCE is mindful that, as the majority of the
12 Resource Acquisition portfolio transitions to third-party implemented programs, gaps in the
13 portfolio may arise. SCE will either solicit additional third-party designed programs to fill these
14 areas or, as appropriate, may stand up SCE-implemented programs to quickly fill gaps. SCE also
15 will assess whether unaddressed markets, and particularly hard to reach or under-served
16 communities, can be better served by Market Support or Equity programs (SCE-led or
17 outsourced).

18 **D. Implementing Controls for Program Administration**

19 Lastly, SCE will continue to seek opportunities to strengthen current control measures
20 and develop new control processes, as needed, to review and assess projects submitted by
21 implementers. SCE will ensure that its projects, programs, and contracts continue to perform at
22 the highest quality and deliver energy savings as expected. Current quality and other controls
23 include:

- 24 • Monitor contractual requirements and ensure enforcement by contract and program
25 managers,
- 26 • Verify measure eligibility to ensure implementers cannot submit ineligible measures,

- 1 • Inspect sites (in-person and virtual) both at pre- and post-installation stages, as
- 2 applicable,
- 3 • Conduct early-screening review for customized calculated and NMEC-based site-
- 4 specific projects, as needed,
- 5 • Review custom measures and projects in accordance with D.11-07-030,⁵⁶
- 6 • Exercise measure package development oversight and review in accordance with
- 7 CPUC energy efficiency rules and policies,
- 8 • Conduct upfront review of Cost Effectiveness Tools (CETs) submitted by the
- 9 implementers,
- 10 • Develop and require use of job aids and checklists for SCE operations personnel to
- 11 approve and progress, or reject, measures and projects,
- 12 • Require management-level personnel to review and approve savings for each measure
- 13 and project,
- 14 • Implement standardized verification process to confirm accuracy of invoices, and
- 15 • Require management-level personnel to review and approve all invoice payments.

16 The portfolio metrics from this Business Plan period (TSB, kW, kWh, Therms, and Cost-

17 effectiveness) can be found in Attachment A, Appendices 17 and 18 of SCE-03, which contain

18 all segment specific and sector specific metrics, including the common metrics adopted in D.18-

19 05-041⁵⁷ and the metrics proposed in the CAEECC Equity and Market Support Metrics Working

20 Groups.⁵⁸

⁵⁶ See D.11-07-030, Attachment B.

⁵⁷ See D.18-05-041, OP 9.

⁵⁸ See D.21-05-031, OP 14.

1 V.

2 **Forecasting and Quantification Methodology**

3 SCE’s Business Plan contains budget and cost-effectiveness showings required by D.21-
4 05-031,⁵⁹ including budget and cost effectiveness showings separated by program
5 implementation and program administration.⁶⁰ The decision also requires that all budgets “be
6 zero-based, meaning that all expenses must be justified for each year of the new four-year
7 period, after analyzing each function within the budget for its needs and costs.”⁶¹ The
8 forecasting approaches outlined below cover all years of the EE Business Plan period with
9 additional details for years 2024-2027.

10 SCE bases third-party programs’ budgets and savings forecasts on SCE’s contracted
11 obligations for each third-party implementer contract.⁶² These contract values were assessed and
12 negotiated as a part of SCE’s solicitation process to validate engineering assumptions and
13 accounting for program costs. Third-party program implementers provide measure level Cost-
14 effectiveness Tool (CET) inputs and outputs to deliver updated and accurate forecasting values
15 based on updates to engineering values or the appropriate avoided cost implementation year.

16 The initial terms of all currently executed third-party contracts end during the 2024-2027
17 timeframe. SCE utilizes current portfolio assumptions under contracts to inform future
18 solicitation savings, cost-effectiveness, and potential scale of the portfolio. This approach is
19 reasonable because SCE has multiple options at the end of a contract. SCE will determine
20 whether to conduct additional solicitations, extend a contract’s term, or close a program, which

⁵⁹ See *Id.*, pp. 32-35.

⁶⁰ See *Id.*, pp. 32-33.

⁶¹ See *Id.*, OP 8.

⁶² In 2024, 71% of SCE’s portfolio budget is forecast to be designed and implemented by third parties. SCE will continue to prioritize third-party designed and implemented programs as the preferred route to market. As described in D.21-05-031, “implementation costs associated with competitively-solicited third-party contracts will be considered per se reasonable, without the administrator needing to justify the costs using a zero-based approach.” D. 21-05-031, COL 21.

1 justifies projecting similar savings levels and ratios to inform future planning assumptions. If
2 bidders are meeting their contract targets, SCE would expect a new solicitation to improve on the
3 current program. If a bidder is underperforming at the end of its contract period, SCE would
4 consider a new solicitation and update program and portfolio assumptions through the
5 appropriate mid-cycle reporting. Beyond those contract end dates, SCE forecasts programs of
6 comparable size and budget throughout the Business Plan period and allocates budgets and
7 savings based on the relative sector potential from the Potential & Goals Study; SCE only scales
8 its portfolio budget by three percent in 2028 and beyond.

9 For locally implemented Resource Acquisition programs, SCE utilizes its program
10 management team's knowledge and understanding of market conditions, such as historical
11 performance, barriers through market characterizations, and market potential to forecast savings
12 and budgets. Existing programs and contracts establish a set of initial conditions that support
13 near-term forecast years based on the latest engineering and avoided cost assumptions. SCE
14 scales these programs in outer years to account for inflation and increasing goals identified in the
15 P&G Decision.⁶³ More discussion on SCE's approach to its Resource Acquisition programs can
16 be found in SCE-02, Section IV.A.2.

17 For statewide programs administered by other California investor-owned utilities (IOUs),
18 SCE's forecasted savings and budgets utilize data provided by the statewide lead administrator.
19 The lead administrators will include forecasts savings and budgets for their respective programs
20 in their EE application and provide additional rationale and justifications for their proposed
21 budgets.

22 Market Support programs include three categories: 1) Statewide SCE-led programs, 2)
23 Statewide non-SCE led programs, and 3) Local SCE-operated programs. For Statewide SCE-led
24 third-party programs, implementers provide expected budgets and results/metrics for each year,
25 consistent with their contract terms. These contract terms were vetted and negotiated by SCE

⁶³ See D.21-09-037, OP 1.

1 through the contract solicitation process to ensure that the number of projects and scale of the
2 efforts were reasonable for the activity. For Statewide Market Support programs operated by
3 other PAs, SCE leveraged the data provided and justified by the lead IOUs. Finally, for local
4 SCE-operated programs, SCE staff followed a zero-based, bottom-up budget methodology that
5 captures each expected cost with sufficient justification. SCE utilized historical cost and
6 program data to inform an updated forecast for the overall budget and quantification of the
7 activities. Additional details for the initial four-year period can be found in SCE-02, Chapter III.
8 While not the primary driver of these programs, savings and benefits may be attributed to these
9 programs and may be supported by measure level CET inputs and outputs, where appropriate.
10 Further details are included in the workpapers found in SCE-03. When a contract is due to
11 expire during the eight-year Business Plan, SCE forecasts budgeting levels similar to the first
12 four years, with the expectation that any contract extensions or new solicitations will align with
13 changes in the marketplace or in policy. SCE scales its portfolio budget for market support
14 activities by three percent in the last four years of the Business Plan to account for inflation.

15 For Equity programs, SCE forecasts energy savings by developing a representative CET
16 file that contains anticipated program quantities that will be solicited. The forecast for these
17 programs is derived in the same manner as that of Market Support programs: a zero-based,
18 bottom-up budget detailing each expected cost with sufficient justification. SCE developed its
19 estimates for Equity program budgets utilizing similar cost structures and measures as historical
20 programs that include a high touch approach to reaching Disadvantaged Customers, Hard-To-
21 Reach or underserved customers. For example, both non-residential and residential Equity
22 program forecasts are based on historical direct installation programs that provide a turn-key
23 service to customers and deliver EE savings, albeit at a higher cost. These forecasts describe any
24 additional expected outcomes/metrics for each of these programs. Additional details on SCE's
25 approach to its Equity program can be found in SCE-02, Section IV.A.4. SCE scales its portfolio

1 budget for equity activities by three percent in the last four years of the Business Plan to account
2 for inflation.

3 For portfolio administration costs defined in D-21-05-031, SCE follows a zero-based,
4 bottom-up budget approach to identify each expected cost with sufficient justification, as
5 explained in SCE-02, Chapter III. Supporting workpapers can be found in SCE-03, Attachment
6 B. The portfolio administration budget is based on requirements identified in testimony and
7 workpapers to ensure adequate resources to support solicitations, contract management, quality
8 assurance/control, and reporting for an energy efficiency portfolio largely delivered by third-
9 party implementers. Additionally, SCE includes budget to account for modest levels of program
10 operations and policy activities associated with managing the portfolio such as responding to
11 Energy Division data request, rulings, or additional regulatory work.

12 For the last four years of the Business Plan (2028 to 2031), SCE uses 2027 as a base year
13 from which to scale the remaining years' forecasts based on a three percent escalation to account
14 for inflation. SCE recognizes that a variety of market conditions, avoided costs, and engineering
15 assumptions will change over the timeframe of the Business Plan. D.21-05-031, which
16 established the eight-year strategic plan and four-year application process, provides various
17 opportunities to update, course correct, and revise inputs associated with the EE portfolio.⁶⁴ This
18 approach provides an effective means of forecasting budgets and savings over the last four years
19 of the Business Plan period to manage the uncertainty of the energy efficiency market, future
20 economic conditions, and regulatory or statutory changes in these outer years.

⁶⁴ See D.21-05-031, p. 3, COL 15, 26, 29, 30, OP 10 and Attachment B.

1 **VI.**

2 **Evaluation, Measurement, and Verification (EM&V)**

3 SCE will continue providing EM&V services and support for energy efficiency programs
4 developed and implemented during the 2024-2027 program years. Despite substantial changes
5 to the portfolio, and the increased number of third party-implemented programs, the EM&V
6 function remains critical to maximizing the effectiveness of programs and understanding their
7 impacts. As the state continues to invest in clean energy programs and advocate for aggressive
8 GHG reduction goals, evaluations play an increasingly important role. SCE will continue the
9 core EM&V function of collaborating closely with Commission Staff on independent portfolio
10 evaluations conducted under the Commission’s oversight, including actively participating in the
11 Response to Recommendation (RTR) processes where recommendations from Independent Ex
12 Post Evaluations are provided to IOUs. SCE anticipates collaborating in a similar manner with
13 Commission Staff on independent evaluations of third-party managed programs as they start
14 gaining maturity in the next few years.

1 **VII.**

2 **Alignment with Legislative and CPUC Requirements and Relevant Action Plans**

3 When planning and developing its EE portfolio, SCE considered recent California
4 regulatory and legislative policies, as well as relevant action plans, such as Pathway 2045 and
5 SCE's Mind the Gap policy papers. Table VII-4 identifies the important policies that shaped the
6 development of SCE's EE portfolio proposals in this Business Plan:

Table VII-4
Key Regulatory and Legislative Policy Drivers

| Policy | Goals / Requirements | SCE Action |
|---|--|---|
| Integrated Energy Policy Report (IEPR) | <ul style="list-style-type: none"> • EE’s Potential and Goals support the forecasting assumptions in the California Energy Commission’s IEPR report. • IEPR establishes the baselines and accounting for assessment of SB350’s Doubling Energy Efficiency legislation. | <ul style="list-style-type: none"> • SCE meets the cost-effectiveness requirement, TSB goals and kWh savings levels that support the planning assumptions in IEPR. |
| D.21-09-037 - Decision adopting Energy Efficiency Goals for 2022-2032 | <ul style="list-style-type: none"> • Establishes a Total System Benefit Goals for IOUs • Establishes a 1.0 Total Resource Cost test threshold for the EE resource acquisition portfolio. • Establishes new segmentation for the EE portfolio to include resource acquisition, market support and Equity • Additional elements in the portfolio like Codes and Standards will remain separate from the resource acquisition | <ul style="list-style-type: none"> • SCE’s portfolio is segmented as described. • SCE meets the cost-effectiveness requirement and TSB goals. |
| California Long-Term EE Strategic Plan (CLTEESP) | <ul style="list-style-type: none"> • Presents a roadmap to achieve maximum energy savings across all major groups and sectors in California • Requires all new construction, and 50 percent of existing buildings, to be zero net energy (ZNE) by 2030 (residential new construction by 2020) • In addition to ZNE, includes action plans for: Codes & Standards, Research and Technology, and Lighting. • Additional action plans in development for Industrial Sector and Local Government | <ul style="list-style-type: none"> • SCE’s portfolio still manages to address specific components of the CLTEESP, where relevant. |
| Senate Bill (SB) 350 <i>(Clean Energy and Pollution Reduction Act of 2015)</i> | <ul style="list-style-type: none"> • Doubling of EE savings in the state’s buildings by 2030 • Requires the California Energy Commission (CEC) to adopt a responsible contractor policy to ensure that customer-funded EE measures meet high quality performance standards and reduce energy savings lost due to poor quality workmanship • Addresses workforce development and job training in disadvantaged communities | <ul style="list-style-type: none"> • SCE’s portfolio is forecasted to meet and exceed the CPUC’s Potential and Goals study which is a key contributor to SB350’s doubling goals. |

| Policy | Goals/Requirements | SCE Action |
|---|---|--|
| Assembly Bill (AB) 802 | <ul style="list-style-type: none"> • Authorizes IOUs to count all energy savings including for to-code measures • Authorizes IOUs to provide incentives based on NMEC as a measure of savings • Requires large, nonresidential, mixed-use, and multifamily buildings to disclose benchmarking data and for utilities to provide individual or aggregate whole-building energy usage data upon request for qualified buildings (implementation requirements currently under development at CEC) | <ul style="list-style-type: none"> • SCE's EE portfolio has leveraged NMEC throughout its own programs and 3P solicitations to capture additional savings opportunities presented by AB802. |
| AB 793 | <ul style="list-style-type: none"> • Requires IOUs to provide education on energy management technologies to residential and small / medium commercial customers and to provide incentives to acquire energy management technologies | <ul style="list-style-type: none"> • SCE's EE portfolio has program offerings that meet the legislative mandates of AB793. |
| AB 758 <i>(Comprehensive EE in Existing Buildings Law)</i> | <ul style="list-style-type: none"> • Requires the CEC to develop and implement a program to achieve cost-effective EE savings in existing state buildings that fall significantly below Title 24 standards | <ul style="list-style-type: none"> • SCE's EE portfolio leverages key strategies laid out in the CEC's Action Plan such as utilizing existing conditions throughout the portfolio. |

| Policy | Goals/Requirements | SCE Action |
|--|--|--|
| Executive Order B-18-12 | <ul style="list-style-type: none"> • Directs state agencies to reduce grid-based energy purchases for state-owned buildings by at least 20 percent by 2018 • Requires state-owned buildings to participate in demand response programs and use clean onsite power generation (if > 10,000 sq. ft.) • Requires state agencies to identify and pursue available financial and project delivery mechanisms to achieve these goals • Includes GHG abatement and ZNE goals for state buildings (ZNE by 2025) | <ul style="list-style-type: none"> • SCE's EE portfolio remains a key financial and project delivery mechanism for government agencies. • For example, Statewide solicitations for UC/CSU, Departments of corrections, |
| AB 32 (<i>CA Global Warming Solutions Act</i>) SB32 expansion | <ul style="list-style-type: none"> • Requires California to reduce its GHG emissions to 1990 levels by 2020 (later expanded to 40 percent below 1990 levels by 2030 by SB 32); plan to be implemented and developed by the California Air Resources Board (CARB)Local governments define how they comply with the CARB's GHG emission reduction standards in Climate Action Plans | <ul style="list-style-type: none"> • EE is a key contributor to the State's GHG reductions that are implemented at the utility service territory. |

VIII.

Annual Portfolio Budgets

For this Business Plan, SCE forecasts a total budget of \$3,224 million for the 2024-2031 period. Table VIII-5 below provides the expected outcomes of SCE’s portfolio for the 2024-2031 period, including requested budgets, TSB, cost-effectiveness in TRC and PAC, and savings in kWh, kW, and Therms. The requested budget and expected outcomes (TSB and key savings metrics) for program year 2023 are included for reference. A detailed explanation of program specific budgets is found in SCE-02, Chapter III. The budget tables in SCE-03 contain all segment specific and sector specific metrics, including the common metrics adopted in D.18-05-041⁶⁵ and the metrics proposed in the CAEECC Equity and Market Support Metrics Working Groups.⁶⁶

***Table VIII-5
SCE Expected Outcomes of the Portfolio (2024-2031)
(excludes Codes and Standards, except in budget)***

| | Requested Budget (in millions) | Total System Benefit (TSB) (in millions) | Total Resource Cost (TRC) | Program Administrator Cost (PAC) | Savings Energy (GWh) | Savings Demand (MW) | Savings Gas (MMTherm) |
|--------------------------|---|---|----------------------------------|---|-----------------------------|----------------------------|------------------------------|
| 2023 ¹ | \$457 | \$397 | 1.02 | 1.11 | 514 | 91 | 6 |
| 2024 | \$385 | \$318 | 0.85 | 0.92 | 698 | 125 | 5 |
| 2025 | \$389 | \$325 | 0.87 | 0.93 | 693 | 143 | 5 |
| 2026 | \$394 | \$344 | 0.88 | 0.97 | 735 | 139 | 4 |
| 2027 | \$392 | \$388 | 0.91 | 1.09 | 704 | 162 | 1 |
| 2028 | \$401 | \$397 | 0.91 | 1.09 | 721 | 165 | 2 |
| 2029 | \$411 | \$407 | 0.91 | 1.09 | 726 | 167 | 3 |
| 2030 | \$421 | \$416 | 0.91 | 1.09 | 756 | 173 | 2 |
| 2031 | \$430 | \$426 | 0.91 | 1.09 | 773 | 177 | 2 |
| Total (2024-2031) | \$3,224 | 3,021 | 0.89 | 1.04 | 5,807 | 1,253 | 24 |

¹ PY 2023 is used for reference.

⁶⁵ See D.18-05-041, OP 9.

⁶⁶ See D.21-05-031, OP 14.

1 To build its budget forecast, SCE applied two different approaches for each of the four
2 years within the eight-year portfolio. For 2024-2027, SCE’s utilized a zero-based budget
3 approach as directed in D.21-05-031.⁶⁷ For 2028-2031, SCE’s budget forecast builds on the
4 2027 program year by using the 2027 budget forecast and adding the standard three percent⁶⁸
5 inflation rate.

6 To develop the forecast savings, costs, and budgets for the portfolio associated with third-
7 party programs, SCE leveraged the best available third-party contract data and information
8 provided through the updated 2022 Potential and Goals Study and Beyond.⁶⁹ SCE’s 2022 and
9 2023 Annual Budget Advice Letter⁷⁰ EE portfolio forecasts that 81 percent and 85 percent of
10 SCE’s portfolio budget will be contracted to third-party programs in PYs 2022 and 2023,
11 respectively. These third-party implementers contracts end in 2024 or 2025. SCE utilized
12 existing contracts that are expected to be in place through 2024, as well as forecasted amounts
13 for programs that SCE expects to solicit over the next two years, to generate a “test” year for the
14 start of SCE’s 2024-2031 Business Plan period. These test year calculations inform the budget
15 and savings estimates for the duration of the Business Plan period. Starting for PY 2026, SCE
16 leveraged contracted values to inform future estimates of program costs, savings rates, and
17 budgets – recognizing that the portfolio will undergo new solicitations and potential contract
18 amendments for over/under performing programs. The forecasts in the later years also
19 incorporate anticipated changes in market conditions and apply appropriate adjustments to
20 avoided cost and savings assumptions. As third-party contracts expire, SCE will continue to
21 pursue new savings opportunities to achieve and exceed the Commission’s TSB and other goals

⁶⁷ See D.21-05-031, OP 8.

⁶⁸ Three percent is a standard level of inflation.

⁶⁹ See D.21-09-037.

⁷⁰ See Advice Letter 4633-E-A, Supplement to Advice 4633-E, Southern California Edison Company’s Energy Efficiency Program and Portfolio Annual Budget Advice Letter for Program Years 2022 and 2023.

1 for the EE portfolio. SCE will leverage data available from the market and its programs to
2 inform cost/benefits associated with future years in the portfolio.

3 For 2028-2031, SCE's forecast considers the increasing focus on Fuel Substitution,
4 Behavioral, Retro-commissioning, and Operational (BROs) measures, and a decline in traditional
5 EE widgets as the market has undergone significant transformation. SCE believes this approach
6 is the most effective means of forecasting expected budgets and savings for the last four years
7 due to the uncertainty regarding the EE market, overall economy, and regulatory paradigms in
8 those years.

1 IX.

2 **Recommendations for New or Modified Energy Efficiency Policy**

3 In this section, SCE identifies additional policy recommendations with the intent of
4 improving EE programs to better meet the needs of customers and the climate objectives of
5 California. These recommendations include a process to phase down energy efficiency
6 incentives for targeted gas appliances, transitioning to a single-stage third-party solicitation,
7 modifying Statewide programs to increase flexibility, fill gaps, and close the Statewide Lighting
8 program, eliminating the 25 percent budget requirement for statewide programs, modifying the
9 current Hard-to-Reach definition to include the Public Sector, and modifying, retiring and/or
10 sunsetting several energy efficiency compliance requirements.

11 **A. Phase Down of Gas Appliance Incentives**

12 On January 13, 2022, Sierra Club filed a Motion requesting the Commission end the
13 growing misalignment between California’s appliance efficiency programs and decarbonization
14 policies by clarifying that energy efficiency funds may not be used for non-cost-effective gas
15 appliance incentives measures. In response to the Motion, SCE expressed support for the Motion
16 as a critical step in aligning with the State’s decarbonization policies and suggested that the
17 Commission utilize the upcoming 2024 Potential & Goals Study as the process to remove gas
18 measures associated with air and water heating⁷¹ because there are commercially available
19 electric technologies. If the Commission grants the motion, this request is moot, but to the extent
20 the Commission does not grant the Motion, SCE makes the following recommendation as part of
21 this Application’s proceeding.

22 SCE recommends that the Commission not permit energy efficiency funds to be spent on
23 gas appliance incentives if a similar electric measure is reasonably commercially available and
24 can demonstrate a reduction in greenhouse gas emissions. SCE recommends utilizing the

⁷¹ Residential water heating and HVAC as well as non-residential HVAC package units should be targeted for elimination of gas incentives.

1 upcoming 2024 Potential & Goals Study as the process to remove gas measures associated with
2 air and water heating. The Commission should also adjust the EE goals for gas utilities to
3 account for the elimination of incentives for specific gas measures to ensure the gas utilities are
4 able to properly align their portfolios with the new incentive structure. This approach would
5 minimize impacts to gas utilities' energy efficiency portfolio, support the Commission's current
6 fuel substitution guidance, and accelerate the State's building decarbonization efforts.

7 The Commission should adopt this recommendation because gas measures have a
8 particularly long lifecycle which locks in gas consumption for years, if not decades, thereby
9 restricting California's ability to electrify at the pace necessary to meet GHG targets. For
10 example, HVAC package units, including furnaces, have an effective useful life of 15 years.
11 Continuing to provide incentives for this measure at the time of replacement will limit the
12 opportunity to replace these units with electric alternatives prior to 2039 (assuming the measure
13 is installed in 2024) or will require retiring the unit early with increased costs to customers and
14 the State.

15 The Commission also recognizes the importance of actions for furthering the state's
16 GHG reduction goals in the Phase 3 Ruling of the Building Decarbonization Proceeding
17 (R.19-01-011), with a Staff Proposal that recommends the elimination of gas line extension
18 allowances, refunds, and discounts for all customer classes.⁷² The purpose of that
19 recommendation is to "discourage construction of gas infrastructure and lead to more all-electric
20 new construction that will aid in reducing GHG emissions and improving air quality."⁷³
21 Similarly, removing incentives for residential gas space and water heating would discourage
22 actions that clearly obstruct the state's climate objectives. For example, continued funding for
23 local programs offering non-cost-effective gas measures for new construction opportunities when

⁷² Phase III Amended Scoping Memo and Ruling, November 16, 2021, R.19-01-011, *available at* <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M423/K516/423516230.PDF>.

⁷³ *Id.*

1 a Statewide program exists with a viable electric alternative and an offering that provides
2 sufficient dual fuel options is a clear example of the misalignment between EE policy and the
3 State’s decarbonization goals. Enabling local new construction programs to allow non-cost-
4 effective gas measures that have different or elevated incentive levels and lower code
5 compliance margins than a Statewide offering further compounds the problem of stranded gas
6 infrastructure under the guise of energy efficiency programs. Investment in the expansion of gas
7 infrastructure conflicts with the State’s energy and environmental priorities. new construction
8 programs are the ideal area to maximize new electrification efforts and reduce investment in non-
9 cost-effective gas energy efficiency spend.

10 Continuing incentives for replacement gas measures where electric alternatives are
11 available will likely hinder the Commission’s ability to reach California’s GHG reduction
12 targets, including California’s 2030 and 2045 GHG targets. SCE recommends that the
13 Commission adopt an actionable, targeted, and sequenced approach to phasing out gas incentives
14 that meet specific criteria, as described above.

15 **B. Single Stage Solicitation**

16 SCE recommends the Commission extend its reasoning in D.21-12-011 to make
17 permanent the ability of the IOUs, in consultation with their respective PRGs, to elect to use a
18 single-stage solicitation process, rather than requiring the two-stage process for all third-party
19 solicitations. In August 2021, SCE requested this policy change in response to the Ruling
20 Requesting Comments/Proposals to Address Governor’s Proclamation of July 30, 2021
21 (Ruling).⁷⁴ In response to the Ruling, the Commission acknowledged that a two-stage approach
22 takes longer than necessary and found it reasonable to move to a single-stage solicitation to save
23 time in addressing the Governor’s Proclamation.⁷⁵ For the reasons set forth below, the

⁷⁴ See SCE Opening Comments on Ruling Requesting Comments/Proposals to Address Governor’s Proclamation of July 30, 2021, *available at* <https://docs.cpuc.ca.gov/PublishedDocs/Efile/G000/M404/K292/404292508.PDF>.

⁷⁵ See D.21-12-011.

1 Commission should not limit that policy change only to emergency reliability efforts, but should
2 make it a permanent option for the IOUs.

3 In D.18-01-004, the Commission established a two-stage solicitation process: a Request
4 for Abstract (RFA) followed by a Request for Proposal (RFP). The RFA stage seeks to assess
5 and gauge the capabilities in the market. Specifically, the RFA phase of the solicitation is
6 designed to collect high-level information about prospective programs and bidders’
7 qualifications, which the PAs use as a screen before bidders engage in the more rigorous RFP
8 process. Pursuant to D.18-01-004, the timeline for the two-stage solicitation process, from RFA
9 preparation to program mobilization, is estimated to be 15-25 months long.⁷⁶

10 While the RFA process can be useful for some solicitations, including those in specific
11 niche market areas, bypassing the RFA process and proceeding directly to the RFP stage would
12 likely produce the same results as the two-stage process in a shorter time period. The RFA
13 process adds several months to the solicitation process, which may unnecessarily delay program
14 implementation. This policy change is appropriate now because, as the EE market has matured
15 in its transition to third-party implementers, the IOUs and stakeholders have gained sufficient
16 understanding of the solicitation process, such that a longer, two-stage solicitation is not
17 typically necessary to achieve the same intended results. Additionally, SCE’s experience
18 demonstrated that a shorter, single-stage solicitation process may in fact increase market
19 participation, particularly for smaller and less-resourced companies, because prospective bidders
20 likely weigh the cost/benefits of participation based, in part, on timing considerations. A shorter
21 solicitation timeframe would also allow the IOUs to more quickly fill portfolio gaps as programs
22 evolve, re-solicit in the event of a default, and accelerate the achievement of energy goals. SCE
23 also notes that the two-stage solicitation process is not typically used in other utility solicitations
24 (i.e., power procurement, supply management), except in limited circumstances.

⁷⁶ See D.18-01-004, p. 8.

1 Finally, under the new EE paradigm, the timing of achievement of cost-effective energy
2 efficiency savings is closely correlated with the timing of contracting with third-party
3 implementers, so that they can begin performance under the relevant contracts. SCE can better
4 hedge against underperformance risk if it is able to enter into new contracts more quickly
5 through a single-stage solicitation process. SCE estimates that this policy change would reduce
6 the average time of a solicitation by at least six months and will allow the market to more
7 quickly adapt to changing dynamics.

8 **C. Statewide Program Policy Changes**

9 In D.16-08-019, the Commission established the definition and basic structure of
10 statewide programs.⁷⁷ Statewide programs include programs that are designed to be delivered
11 uniformly throughout the four large IOU service territories by third-party implementers under
12 contract to a single lead PA. Further, the decision indicated that statewide programs would
13 generally target upstream or midstream, though they may include downstream approaches in
14 some markets. In 2018, the Commission updated the statewide program structure with
15 governance and management, budget mechanics, and lead PA assignments.⁷⁸ This section
16 includes recommendations to determine whether changes to statewide programs are warranted;
17 close current statewide programs that are not and don't anticipate being cost-effective; and
18 guidance on whether statewide programs are the only programs in a PA's EE portfolio that can
19 offer upstream and midstream measures.

20 **1. The Process to Determine Adjustments to Statewide Programs**

21 In the December 23, 2021, Amended Scoping Memo and Ruling (Ruling), the
22 Commission included "oversight and continual development of the statewide administration of
23 energy efficiency programs" in the scope of issues to be addressed in the EE Rulemaking (R.13-
24 11-005). SCE recommends that, as part of this issue, the Commission undertake an assessment

⁷⁷ See D.16-08-019, OP 5.

⁷⁸ See D.18-05-041, OPs 18-27.

1 process to evaluate statewide programs and make any necessary changes prior to the start of the
2 new Business Plan. This assessment process could address (1) if one or more new statewide
3 programs should be created, (2) if one or more existing statewide programs should be closed or
4 transitioned to local IOU programs, (3) if it would be beneficial to combine complementary
5 Statewide Programs, and (4) if it would be appropriate to transition from one statewide lead PA
6 to another. This process could also allow the Commission to evaluate whether statewide
7 program objectives are working towards achieving California’s clean energy goals or if changes
8 are necessary to align with state policy. SCE further recommends the Commission hold
9 workshops as part of this Application’s proceeding to further develop and finalize this
10 assessment process.

11 In D.18-05-041, the Commission noted that “statewide lead PA assignments are expected
12 to remain in place through the end of this first Business Plan (i.e., through 2025) until or unless
13 new Business Plans are filed by one or more PA with proposals for new or different statewide
14 leads.”⁷⁹ Since then, some statewide programs have recently launched into market, some are still
15 in their ramp up phase or have not yet started, and some statewide lead PAs are currently in the
16 process of contracting with third-party implementers to implement other statewide programs.
17 Given the current state of these programs and solicitations, it is too soon to propose new
18 statewide leads in this new Business Plan. The late start of statewide programs has, however,
19 made it difficult to determine either if statewide programs will succeed in delivering substantial
20 savings across the state or if the appropriate IOU is assigned as lead PA for specific statewide
21 programs. Rather than address these broad issues here, the Commission should assess the
22 statewide programs to determine whether adjustments should be made to these programs as part
23 of the issue from the Ruling identified above.

⁷⁹ D.18-05-041, p 92.

1 **2. Eliminate 25 Percent Budget Requirement for Statewide Programs**

2 The Commission should eliminate the requirement from D.16-08-019 that each IOU PA
3 devote at least 25 percent of its EE portfolio budget to statewide activities because meeting the
4 requirement is largely outside the control of a single IOU. Furthermore, the original intent of
5 this requirement was to ensure that there was “no dramatic shift” in the implementation of the
6 upstream and midstream programs identified in that decision.⁸⁰ However, the expansion of the
7 new Market Support and Equity segments have changed the overall EE framework resulting in
8 larger portfolio budgets that were not anticipated when statewide programs were solicited for and
9 funded. All of these programs, with the exception of the Statewide Upstream Lighting Program,
10 will be contracted by the end of 2022 across the IOUs, meeting the broader intent in D.16-08-019
11 to establish statewide programs through the new third-party solicitation process, meaning the
12 budget requirement is no longer necessary to ensure the intent of the decision is met.⁸¹

13 In the Four-Year Portfolio Plan (see SCE-02, Chapter III), SCE’s Statewide budget
14 ranges from 11% to 12% of the total Portfolio. Three-quarters of this budget is forecasted by the
15 other IOUs, and SCE cannot fill the gap by expanding or proposing new SCE-led statewide
16 programs. The IOUs should not be required to lower their total portfolio budget to meet the
17 Statewide budget requirement, nor is it prudent to add budget for new or expanded statewide
18 programs at the expense of cost-effective local programs. Likewise, the IOUs should not feel
19 compelled to keep a Statewide program open simply to meet the budget requirement. For
20 example, SCE requests below to close the SW Lighting program in 2024 because the program is
21 not cost-effective.⁸² It would not be in the interest of affordability and rate-payer benefits to
22 keep the program open just to help meet the Statewide budget percentage requirements. SCE

⁸⁰ See D.16-08-019, pp. 62-65.

⁸¹ *Id.*, COL 44.

⁸² Not closing the SW Lighting program would increase SCE’s Statewide budget percentage to 12% to 13% between 2024-2027.

1 supports reviewing and updating the Statewide program guidance as referenced in the Ruling.⁸³
2 The Commission, the IOUs, and other stakeholders have identified issues and opportunities with
3 the Statewide program model over the course of its implementation, such as Statewide vs. local
4 precedence and reviewing and changing Statewide program leads, and these should be addressed
5 through new Statewide program guidance. Maintaining a Statewide program budget requirement
6 will not advance the Statewide program model, and therefore SCE recommends eliminating the
7 25 percent Statewide budget requirement starting in 2024.

8 **3. Discontinuance of Statewide Lighting Program**

9 Notwithstanding the assessment process proposed in the prior section, the Statewide
10 Lighting Program should be closed without further assessment because SCE already has
11 ascertained that the program is not expected to be cost effective. SCE requests authorization to
12 close the Resource Acquisition Statewide Lighting program after the initial contract term ends in
13 2024 or the contract is terminated for any other reason. While the Statewide Lighting program is
14 still in its first few years of operation, the forecasts for years 2024 show that the program is not
15 cost effective and is not expected to improve cost effectiveness. The closure of this statewide
16 program will better enable local programs to address more specific site level needs based on the
17 conditions of the customer’s sites and remove the issue of statewide precedence for lighting
18 measures across the various PA’s EE portfolios. SCE remains committed to the transformation
19 of the lighting market and will continue to assess market needs and opportunities in the future.

20 **4. Upstream and Midstream Program Offerings**

21 SCE also recommends the Commission allow IOUs the ability to offer local programs
22 with midstream or upstream measures if the lead PA, or its implementer, does not offer the
23 measures in the corresponding statewide program. As the Commission stated in D.16-08-019,
24 “Upstream (at the manufacturer level) and midstream (at the distributor or retailer level, but not

⁸³ See Assigned Commissioner and Administrative Law Judge’s Amended Scoping Ruling, December 23, 2021, p. 5.

1 the contractor or installer level) interventions are required to be delivered statewide.”⁸⁴ There
2 may be instances, however, where a lead PA or its contracted implementer, is not offering a
3 particular measure or measure class through the statewide program and an upstream or
4 midstream⁸⁵ delivery channel would be the most efficient means of delivering these programs.
5 The non-lead IOUs have limited input or authority to require the statewide lead PA’s
6 implementer to offer particular measures. For example, based on the available information, the
7 Statewide HVAC Program is not addressing fuel substitution measures for key heat pump
8 technologies in proportion to the opportunity identified in the Potential and Goals Study. As
9 described in SCE-02, Chapter IV, SCE proposes a focused, local midstream program to help
10 drive the adoption of these measures to support EE and decarbonization goal attainment. SCE
11 requests that the Commission grant non-lead PAs the discretion to offer upstream or midstream
12 programs for measures not offered by the Statewide Program. The non-lead PAs would file a
13 Tier 2 advice letter to implement the proposed local programs consistent with D.21-05-031.⁸⁶

14 **D. Modifications to Hard-to-Reach Definition**

15 Currently, the Commission defines Hard-to-Reach⁸⁷ for both residential and small
16 business customers as those customers meeting two of the following criteria if the criteria met is
17 the geographic criteria defined below:

- 18 • Those customers who do not have easy access to program information or generally do
19 not participate in energy efficiency programs due to a combination of language,
20 business size, geographic, and lease (split incentive) barriers. These barriers to
21 consider include:

⁸⁴ See D.16-08-019, OP 5.

⁸⁵ Since D.16-08-019, midstream programs also require customer site data collection which increases the downstream nature of these types of offerings and also makes operating these programs across PA territory more challenging from a data privacy standpoint.

⁸⁶ See D.21-05-031, pp. 46-47.

⁸⁷ See Resolution G-3497, pp. 63-64.

- 1 ○ Language – Primary language spoken is other than English, and/or
- 2 ○ Geographic – Businesses or homes in areas other than the United States Office of
- 3 Management and Budget Combined Statistical Areas of the San Francisco Bay
- 4 Area, the Greater Los Angeles Area and the Greater Sacramento Area or the
- 5 Office of Management and Budget metropolitan statistical areas of San Diego
- 6 County.
- 7 • For small business customers, the following is considered, in addition to the above:
- 8 ○ Business Size – Less than ten employees and/or classified as Very Small
- 9 (customer whose annual electric demand is less than 20kW, or whose annual gas
- 10 consumption is less than 10,000 therm, or both), and/or
- 11 ○ Leased or Rented Facilities – Investments in improvements to a facility rented or
- 12 leased by a participating business customer
- 13 • For residential customers, the following is considered in addition to the above:
- 14 ○ Income – Those customers who qualify for the California Alternative Rates for
- 15 Energy (CARE) or the Family Electric Rate Assistance Program (FERA).

16 This was modified in D.18-05-041, which added Disadvantaged Communities as defined
17 by the California Environmental Protection Agency (CalEPA) as part of the geographic
18 criteria.⁸⁸

19 In July 2020, CAEECC convened an Underserved Working Group, “[t]o investigate what
20 groups of customers are currently underserved by energy efficiency programs (i.e., because they
21 face significant barriers to doing so), and to then devise (with CAEECC members and other
22 stakeholders) the appropriate strategies and forums to address these problems.”⁸⁹ The
23 Underserved Working Group requested that the various university researchers analyze

⁸⁸ See D.18-05-041, p. 48.

⁸⁹ CAEECC Underserved Working Group Summary Memo, p. 1. More information *available at* <https://www.caeccc.org/underserved-working-group-2020>.

1 residential, small and medium business customers, and public sector customers. The analysis on
2 the public sector was led by University of California, Santa Barbara. This analysis found that
3 there were certain public sector customers that were underserved by traditional energy efficiency
4 programs. The report concluded that “program participation in more rural counties and cities
5 tend to have smaller investments and lower energy savings.”⁹⁰ Additionally, the report found
6 that, “For K-12 schools, school poverty proxy variables, including the percentage of eligible
7 students for a free and reduced meal plan and the percentage of Title 1 schools, explain
8 differences in investment and savings.”⁹¹

9 SCE requests that the hard-to-reach definition be modified to include public sector as a
10 third qualifying category of hard-to-reach customers. Specifically, the Commission should
11 include public sector customers as “hard-to-reach” if they are classified as a local government
12 and meet the geographic criteria approved in G-3497 and updated in D.18-05-041. Additionally,
13 the Commission should include K-12 schools, community colleges, tribal lands, and Catalina
14 Island public sector customers as hard-to-reach regardless of geographic criteria.⁹² SCE
15 recommends the Commission adopt SCE’s proposed modifications to address the Underserved
16 Working Group’s analysis while also maintaining a simple and impactful definition of “hard-to-
17 reach.” This modification to the definition strikes the appropriate balance of simplicity and
18 impact while being mindful of the results of the Underserved Working Group.

19 Adding the public sector to the hard-to-reach definition will encourage Resource
20 Acquisition program implementers to focus on hard-to-reach public sector customers because of
21 the increased cost-effectiveness adjustments. This addition will also allow Equity sector
22 programs, as described in Section III.D.3 above, to better serve public sector customers that meet
23 these criteria.

⁹⁰ UCSB “Participation Gap Analysis Among Energy Efficiency Programs in California’s Public Sector
— DRAFT Report”, p. 23, *available at* draft_report (caeccc.org).

⁹¹ *Id.*

⁹² D.14-10-046, OP 9.

1 **E. Sunsetting and Modifying of Energy Efficiency Compliance Requirements**

2 For the upcoming Business Plan cycle, SCE recommends improvements related to the
3 compliance requirements contained in EE resolutions and decisions to increase efficiency and
4 reduce administrative burden. SCE has reviewed the compliance requirements in light of the
5 changing EE landscape and has identified those requirements that the Commission should either
6 modify due to changes that have occurred since the adoption of specific requirements, or sunset
7 (remove) upon approval of this Application. SCE's list of these compliance requirements, and
8 justifications for proposed modification and sunseting of requirements, can be found in
9 Attachment C of SCE-03. SCE requests that the Commission make these requested
10 modifications to streamline the EE process and create a more efficient administration,
11 implementation, and reporting system.