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September 4, 2018

**ADVICE LETTER xx**

(San Diego Gas & Electric Company - U902 M)

Public Utilities Commission of the State of California

**SUBJECT**: **SAN DIEGO GAS AND ELECTRIC COMPANY’S 2019 ANNUAL ENERGY EFFICIENCY PROGRAM AND PORTFOLIO BUDGET REQUEST**

San Diego Gas & Electric (SDG&E) hereby submits its 2019 annual energy efficiency (EE) program and portfolio budget advice letter as directed by the California Public Utilities Commission (Commission) Decisions (D.) 15-18-05-041. All necessary supporting documentation is incorporated as Appendix A and has been uploaded to CEDARS.[[1]](#footnote-2)

# BACKGROUND

Regulatory Background on EE Annual Budget Advice Letter:

D.15-10-028

D.18-05-041

## Portfolio Program Budgets

SDG&E is requesting the following budget approved in D.15-01-023 and D.18-05-041. Table 1 provides the authorized 2019 rolling portfolio budget as approved in D.15-01-023 and confirmed by D.18-05-041.

### Table 1: Approved EE and DRP Program Budgets ($000)



### A. 2019 Demand Response Program Budgets

The following are the specific programs and budgets associated with the 2019 Demand Response Program (DRP) IDSM approved budget. These strategies are in response to directions provided for by D.18-05-041.

### Table 2: SDG&E 2019 IDSM DRP Program Budgets

Insert Table here

### B. 20198 Energy Efficiency Program Budgets

The 2019 SDG&E programs are as follows:

### Table 3: SDG&E 2018 EE Program Budgets by Business Sector

|  |  |
| --- | --- |
| **Sector** | **PY 2019 Budget** |
| Residential7 | $18,386,418  |
| Commercial | $33,469,593  |
| Industrial | $2,986,287  |
| Agriculture | $1,792,362  |
| Emerging Tech | $1,370,072  |
| Public | $12,970,205  |
| Codes and Standards | $562,990  |
| WE&T | $774,005  |
| Finance | $372,399  |
| OBF Loan Pool6 | $26,003,565  |
| Cross-Cutting  | $20,437,081  |
| **IOU Subtotal** | $93,121,413  |
| **IOU EM&V**  | $4,658,311 |
| **IOU PY Spending Budget Request1** | $97,779,724 |

Notes: \*

|  |
| --- |
| 6 SDG&E's OBF Loan Pool is not included in the EE Portfolio budget. It is collected through its On-Bill Balancing Accounts. |
| 7 Primary Lighting is incorporated into Residential Sector. |

SDG&E notes that program funding related to the Financial Pilots originally approved in D.13-09-044 that has not been fully expensed due to implementation delays is considered “committed” funding and will be carried over into 2018. In addition, these funds are not included in the 2018 EE portfolio as directed by D.17-03-026. The following provides the relevant Commission direction:

**C. Revenue Requirements**

SDG&E provided its estimated gas and electric EE revenue requirements as reflected in the Budget Filing Appendix Table 2: Rates Revenue.[[2]](#footnote-3) No additional budget is requested to meet the newly adopted energy savings goals.

The final gas and electric EE revenue requirements will be incorporated in the annual electric and natural gas Regulatory Account Update advice letters, which will be filed subsequent to this advice letter.

# SDG&E Requested Portfolio Energy Savings Goals and Cost Effectiveness

SDG&E provides, in the following tables its forecasted energy savings goals/targets and portfolio cost-effectiveness.

**Table 4: 2019 EE Portfolio Energy Savings Goals & Targets**



**Table 5: 2019 EE Portfolio Cost Effectiveness**

|  |  |  |
| --- | --- | --- |
|  | TRC Ratio | PAC Ratio |
| Without C&S | 1.17 | 1.34 |
| With C&S | 1.34 | 3.40 |

SDG&E’s TRC and PAC results reflect the following inputs:

1. Updated 2019 avoided costs and Greenhouse Gas adder consistent with Resolution E-4942.
2. Excludes Emerging Technology, OBF revolving loan pool, and credit enhancements;
3. Includes Market Effects (ME) based on D.12-11-015, which adopted 5% spillover for resource programs;
4. Includes estimated Energy Savings Performance Incentive payments of $3.5 million;
5. Includes indirect labor loaders adopted in SDG&E’s 2016 GRC D.16-06-054;
6. Savings estimates for potential third-party programs are provided.
7. Updated the C&S savings.

**A. Cost Effectiveness Considerations for the 2019 Requested Portfolio and Budget**

Insert discussion after final review of budgets/measures/costs.

### B. SDG&E Portfolio Budget Caps/Targets

SDG&E will provide the final portfolio budget caps and targets for its 2019 EE Portfolio

**Table 6: 2019 Budget Caps and Targets**

Insert Table here

## 2019 PROGRAM CHANGES

SDG&E optimized its EE portfolio to the extent possible considering the limitations of this interim exercise as discussed in the Background section above. These changes generally include:

1. program funding changes to optimize the portfolio;
2. updated measure savings assumptions based on DEER2019, and all applicable deemed measure work paper dispositions;
3. removal of measures due to low cost effectiveness, changes in Codes & Standards, Lighting Dispositions, or lack of demand;
4. updated incentive levels to address changes, e.g., measure savings, measure costs, etc.;
5. consolidation of programs, introduction of new programs, and closing of underperforming programs.

## Current Planning Status—will finalize and incorporated as part of the overarching program changes discussion.

* Significant drop in TRC due to the update to 2019 avoided costs.
* Continue to refine cost effectiveness.
	+ Goal attainment not primary concern
	+ Limit or remove non-cost-effective measures
	+ Need to review unallocated funds to see forecasted market uptake for additional program funds
	+ Aligned incentives with measure cost
* Not all budget currently allocated. Some authorized funds will be held in reserve for future ramp up years for local and Statewide programs.
* Review program requirements such as improved reporting of measure cost for custom projects, investigate potential for deeming measure cost
* Consideration of treatment of Independent Evaluator costs
* Decision guidance regarding incentives will be incorporated into the solicitation process.

Table Sector Savings

## A. Residential Sector

### 1. Single Family Subsector

* Home Upgrade Program:
	+ Eliminate the Basic Home Upgrade path to eliminate offering duplicate measures.
	+ Focus program on the Advanced Home Upgrade path.
	+ The cost effectiveness for this program most likely will not improve with the streamlining of the program offering. We expect a more cost-effective solution through our RFA process
	+ Program offering will continue through PY 2019 or until budget is exhausted.
	+ An RFA for this market is scheduled for Q1 of 2019 with a new program launching around Q2 of 2020.

### 2. Multi Family Subsector

* Consolidated MFEER, MF -HOPPS, MF-EUC, and CMHP into one program. The 2018 combined budget for these four programs is $10,593,353. The combined forecasted budget for 2019’s is $4,993,019 (47% reduction).
* Current cost effectiveness is below a 1.0 TRC. To improve cost effectiveness, exploring custom calculated approach instead of deemed savings. This will allow for savings at existing baseline. Focus on NMEC approach for savings.
* Explore partnerships to co-fund measures with water savings opportunities.
* Program offering will continue through PY 2019 or until budget is exhausted. An RFA for this market is scheduled for Q2 of 2019 with a new program launching around Q3 of 2020.

## B. Commercial Sector

### 1. Large Commercial Subsector

* Realignment of market to remove Public Sector customers and savings opportunities (approximate 15% reduction)
* Program offerings for large commercial customers will continue as status quo for 2019. Per the solicitation schedule we anticipate signing a contract at the end of 2019 with an implementer for this market and will start spending against this contract in 2020.

### 2. Small Commercial Subsector

* Lighting remains dominant end-use, lighting measures are experiencing reduced savings.
* Reintroduced measures (e.g., Network Power Management Software & Vending Machine Controllers) to improve cost effectiveness,
* Added $4M in funds to incorporate IDSM strategies per the decision with no added benefit, therefore resulting in a TRC below 1.0
* Realignment of market to remove Public Sector customers and savings opportunities (approximate 15% reduction)
* Program offerings for small commercial customers will continue as status quo for 2019. Per the solicitation schedule we anticipate signing a contract at the end of 2019 with an implementer for this market and will start spending against this contract in 2020.

## C. Industrial Sector

* Continuing offering of Strategic Energy Management (SEM)
* Program offerings for Industrial customers will continue as the status quo for 2019. Per the solicitation schedule we anticipate signing a contract in the middle of 2021 with an implementer for this market and will start spending against that contract later in 2021.

## D. Agricultural Sector

* Primary Ag program is a 3rd party implemented program. Program designed using concierge approach to help these customers through the entire EE process.
* Focus on specialty vegetative lighting, VFDs, HVAC controls and greenhouse siding measures to improve cost effectiveness.
* Program offerings for Ag customers will continue status quo for 2019, and possibly through 2020 to customers in this sector who are served during the ramp down period. Per the solicitation schedule we anticipate signing a contract in the late 2020 with an implementer for this market and will start spending against that contract early in 2021.

## E. Public Sector

* Program offerings for Public Sector customers will continue as status quo for 2019. Per the solicitation schedule we anticipate signing a contract at the end of 2019 with an implementer for this market and will start spending against this contract in 2020.

### 1. Educational Institutions

* Focus on subsectors: K-12, federal, state, local public agencies and local government partnerships
* As stated in the Commercial Sector, the forecasted savings for this sector is based on previous performance when the public sector was classified under the commercial sector.
* For K-12 and CCC, Prop 39 is sunsetting so momentum on EE upgrades may start slowing down.

### 2. Local Government Partnerships

* Current LGPs are currently operating under their existing contracts.
* SDG&E’s LGPs are non-resource partnerships, as the savings installed for the partners are tracked and reported through SDG&E’s deemed and custom programs.
* SDG&E expects that once the contracts expire, new contracts would follow the new LGP contracts with CPUC-approved standard and modifiable terms.

### 3. Federal Government:

* The last few years have seen lower participation from the military bases since there are many vacancies at decision-making levels for project engagement and support.
* These same vacancy-impacts are also seen in other areas such the post offices and other federal agencies.

### 4. Tribal Nations:

* Good participation levels from the Tribal Nations in the areas of new construction, retrofits (upgrades, maintenance, etc.)

## F. Workforce Education & Training (WE&T)

* SDG&E will continue to manage this program with non-SDG&E support such as collaborations with other organizations that support different aspects of WE&T.
* WE&T Integrated EE Training (formerly Centergies)
* Two subcomponents: Core Energy Education (CEE) and Technical Upskill
	+ CEE will increase reach through an improved process with formal collaboration with community colleges, trade schools, and educational institutions.
	+ Technical Upskill will deliver technical training, continuing education, and industry recognized certification to ensure a skilled workforce can implement quality energy savings projects.

## G. Financing Programs

### 1. On-Bill Financing:

* + Reduced non-incentive budget to allocate to other programs to improve portfolio cost-effectiveness
	+ OBF is a local program that will be coordinated to support the SW financing pilots under CAEFTA’s administration.
	+ With the increase in third party implementation (solicitations), SDG&E will coordinate with third party implementers to continue to make OBF available to qualified program participants.

### 2. Statewide Financing Pilots

* + Pilots are still part of the 2013-2014 EE program cycle and budgeted under that cycle
	+ These pilots will be promoted within SDG&E’s portfolio as applicable.

## H. Integrated Demand Side Management Programs

* SDG&E’s IDSM programs funded through IDSM Demand Response and EE portfolio.
* SDG&E’s approved IDSM DR budget is $4.640 million
* Commission requires
	+ For the residential sector, the energy efficiency and demand response integration efforts should be focused, initially, on HVAC technologies and facilitating automatic response to new time-varying rates, possibly involving customer education on the rates and thermostats. Each IOU shall budget a minimum of $1,000,000 annually from its IDSM budget, to test and deploy such strategies in the residential sector.
	+ For the non-residential sector, including small commercial customers, the energy efficiency and demand response integration efforts should be focused initially on HVAC and lighting controls. At least $20 million annually in IDSM funds shall be divided among the IOU PAs.
	+ Ensure participating customers are enrolled in a DR program.
* IDSM will be incorporated with the sectors, Residential and Commercial, and will be included in the solicitations for these sectors.
* For 2019: Will incorporate within the current third party contracts. For example, IDSM will be incorporated into its Business Energy Savings (BES) program the required HVAC/EMS/Lighting Controls integration.

## I. SDG&E Status of Statewide Programs

* Most Solicitations for SW programs will begin in 2019 and are not expected to be in implementation phase until 2020.
* SDG&E SW program budgets are forecasted to match current expected levels of performance prior to outsourcing to the SW programs.

### 1. Upstream Lighting (SDG&E)

* + SDG&E program budget & quantities have been reduced by approximately 20-30% from 2017 to 2018, and are forecast to be additionally reduced by approximately 20% from 2018 to 2019.
	+ Program offering types for Upstream Lighting will continue as status quo focused on three LED measure types for 2019 but with reduced quantities and budget. Current program design expected to ramp down in 2020.

### 2. Residential and Commercial Upstream/Midstream HVAC

* + Measure development and measure mix optimization will continue to take place in 2019 with the goal of improving cost effectiveness and preparing for SW implementation in 2020.

**EFFECTIVE DATE**

SDG&E believes this filing is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B and D.15-10-028 OP4. SDG&E respectfully requests that this filing become effective on January 1, 2019, which is more than 30 days from the date filed.

In the event that this advice letter is not approved in time for January 1, 2019 implementation, D.15-10-028 OP 5 provides for 2018 program continuation until such time as the advice letter is approved.

**PROTEST**

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received no later than September 25, 2018 which is 20 days of the date this Advice Letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division

Attention: Tariff Unit

505 Van Ness Avenue

San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division at EDTariffUnit@cpuc.ca.gov. A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Megan Caulson

Regulatory Tariff Manager

E-mail: mcaulson@semprautilities.com

**NOTICE**

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties in A.17-01-014 and R.13-11-005, by providing them a copy hereof either electronically or via the U.S. mail, properly stamped and addressed. Address changes should be directed to the emails or facsimile numbers above.

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 CLAY FABER

 Director – California & Federal Regulatory

1. CEDARS is available at <https://cedars.sound-data.com/>. [↑](#footnote-ref-2)
2. The appendix is available at <https://cedars.sound-data.com/>. [↑](#footnote-ref-3)