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***DRAFT WORK PRODUCT***

***IN PREPARATION FOR THE AUGUST 6, 2020 CAEECC MEETING***

September 1, 2020

Advice No. 5xxx

(U 904 G)

Public Utilities Commission of the State of California

**Subject: Southern California Gas Company Request for Approval of Annual Energy Efficiency Budget Filing for Program Year 2021**

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

California Public Utilities Commission (Commission) its 2021 Energy Efficiency (EE) Program Portfolio budget. The EE Program Portfolio, along with supporting documentation, is incorporated as Appendix A, which have been uploaded to the California Energy Data and Reporting System (CEDARS) website.[[1]](#footnote-1)

**Purpose**

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

**Background**

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

On June 6, 2018, the Commission issued D.18-05-041, which approved the PAs Energy Efficiency Business Plans. D.18-05-041 directed the PAs to, beginning with the ABALs due on September 4, 2018, provide the following information in the ABAL submittals[[5]](#footnote-5):

* Forecasted Total Resource Cost (TRC) must meet or exceed 1.25, except during program years 2019-2022, when the forecasted TRC must meet or exceed 1.0;
* Forecasted energy savings goals must meet or exceed Commission established savings goals for each investor-owned utility (IOU);
* Forecasted budget must not exceed the PA’s annual budget in the approved business plans, or (if applicable) the revised annual budget in this ABAL;
* Sector-level Metrics;
* A description of program and portfolio changes; and
* Supplemental budget information in the format of the June 12, 2017 supplemental budget filings.

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

On August 23, 2019, the Commission issued D.19-08-034 which established energy efficiency savings goals for 2020-2030.

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

**SoCalGas’ 2021 Budget and Savings**

SoCalGas’ 2021 program year budget is $106,220,000, consistent with D.18-05-041. The 2021 funding request does not include the program budget for the SoCalGas Statewide Marketing, Education & Outreach (ME&O) program, nor the 2021 program budget for the Statewide Financing Pilots[[6]](#footnote-6). The Southern California Regional Energy Network (SoCalREN) and Tri-County Regional Energy Network (3C-REN) are submitting their own Advice Letter to implement programs and associated budgets for PY 2021. Table 1 lists SoCalGas’ 2021 budget and the forecasted energy savings, by sector.

**Table 1: SoCalGas 2021 Budget and Savings**



SoCalGas’ allocation of the evaluation, measurement & verification (EM&V) budget is in conformance with the direction provided in D.16-08-019,[[7]](#footnote-7) which maintains EM&V budget levels at 4% of the portfolio budget and funding split accessible to Energy Division and PAs of 72.5%/27.5%, respectively.

**SoCalGas Portfolio Cost-Effectiveness**

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

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

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

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

**Table 2: 2021 EE Portfolio Cost-Effectiveness**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Cost-Effectiveness** | | |
| TRC | PAC | RIM |
| **Without Codes & Standards** | 1.15 | 1.48 | 1.48 |
| **With Codes & Standards** | 1.63 | 3.52 | 3.52 |

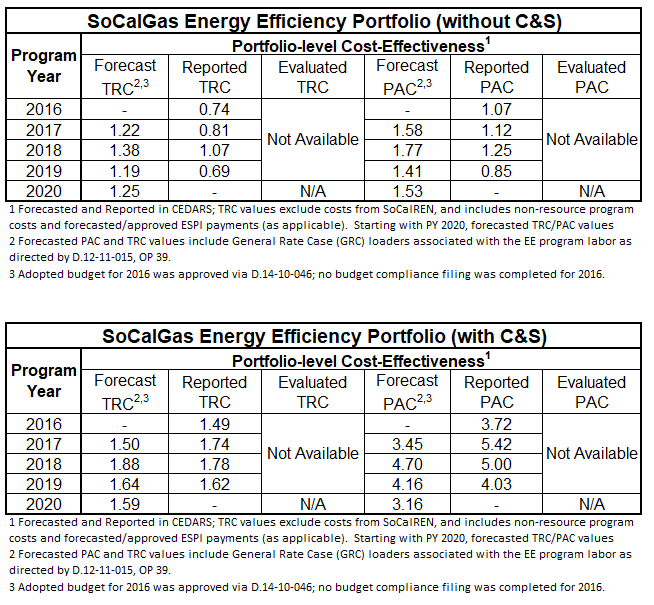
The SoCalGas TRC and PAC cost-effectiveness results reflect the inclusion of the following inputs:

* Uses the updated avoided cost values for 2021 in the Cost-Effectiveness Tool (CET), version ACC\_2020\_v1a, adopted in Resolution E-5077.
* Excludes the 5% market effects adjustment from PA forecasts, as required in D.19-08-034.[[8]](#footnote-8)
* Uses approved workpaper values based on the July 15, 2020 guidance provided by Energy Division.
* General Rate Case (GRC) loaders associated with the EE program labor, as directed by D.12-11-015, OP 39.[[9]](#footnote-9)
* A projected shareholder incentive amount associated with the approved portfolio budget and projected therm savings activity. This assumption conforms to the methodology adopted in the Efficiency Savings and Performance Incentive (ESPI) Mechanism in D.13-09-023.

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

each sector for the two most recent years for which data is available.[[10]](#footnote-10) Claimed TRC and PAC for 2018 and 2019 are available on CEDARS. D.18-05-041 also requires a showing of forecasted, claimed and evaluated TRC and PAC at the portfolio level going back to the beginning of the Rolling Portfolio (2016).[[11]](#footnote-11) SoCalGas provides this information in Table 3 below.

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



SoCalGas’ has taken significant steps in working towards achieving its forecasted TRC.

In PY 2021, SoCalGas will continue its work towards achieving a cost-effective Energy Efficiency portfolio that meets the objectives of D.18-05-041. As part of program year 2020, SoCalGas adopted significant programmatic changes (i.e. more than 40% change in funding) approved through the 2020 ABAL (Advice Letter No. 5510) to better align program offerings, meet expected energy savings, and target a forecasted 1.25 TRC in future years.

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

* Increasing the comprehensiveness of current programs offerings and/or delivery to minimize lost energy efficiency opportunities and reduced program cost.
* Continuing the expansion of program partnerships with municipal electric utilities, water agencies, and air quality districts to drive down administrative costs, develop more holistic program offerings that provide added benefits to customers and increased cost-effectiveness to the PA.
* Continuing with Local Government Partnerships (LGP’s), while consolidating some LGP’s into existing Regional Partnerships with a focus on increasing cost effectiveness of partnerships, while better serving all segments of Public Sector customers within those Regional Partnerships.
* Eliminating or scaling of non-cost-effective programs and approaches based on program level metrics and key performance indicators.
* Continuous improvement of internal processes and program delivery strategies.
* Adding new measures and technologies as they become available.
* Leveraging expanded financing offerings to drive the conversion of energy efficiency project opportunities.

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

**SoCalGas PY 2021 Portfolio and Program Changes**

SoCalGas provides the following discussion regarding significant program changes (i.e., more than 40 percent change in funding) that are necessary to better align with programs offered, meet expected energy savings, and target a forecasted TRC of 1.25, shown in Table 4.

**Table 4: SoCalGas Program Changes for Program Year 2021**

|  |  |  |
| --- | --- | --- |
| **Program Number** | **Program Name** | **Program Change Description** |
| SCG3705 | RES-Home Upgrade Program | In late 2019 a new marketing strategy focusing on management company portfolios, instead of individual property owners, allowed for a steady project pipeline. Some of these projects will see installation completion in 2020. Property managers currently participating through the program are interested in pursuing additional upgrades in 2021 for new property locations. Plus, SoCalGas and LADWP are working on expanding their marketing efforts for this program to continue providing joint projects. This effort is expected to bring in new program interest in 2021. |
| SCG3706 | RES-Residential HVAC | New SW program to launch in 2021, SoCalGas will allocate decreased budget to fund existing local program. |
| SCG3714 | IND-SEM | Industrial SEM program was initiated by all California IOUs in 2018. SoCalGas delivers this program for Industrial customers across Southern California. SoCalGas is increasing the SEM budget to allocate funding for years 3 and 4 of the program to allow for additional cohorts. |
| SCG3750 | PUB- Orange County Cities Partnership | In 2021, SoCalGas will consolidate North Orange County Cities Partnership (SCG3801) into Orange County Cities Partnership. This program will expand to cover Public Sector customers throughout Orange County. |
| SCG3783 | PUB – Western Riverside Energy Partnership | In 2021, SoCalGas will consolidate Riverside County Partnership (SCG3744) into Western Riverside Energy Partnership. This program will expand to cover Public Sector customers in Riverside County. |
| SCG3802 | PUB – San Bernardino Regional Energy Partnership | In 2021, SoCalGas will consolidate San Bernardino County Partnership (SCG3745) into San Bernardino Regional Energy Partnership. This program will expand to cover Public Sector customers throughout the County of San Bernardino. |
| SCG3809 | COM-AB793-CEMTL Program | SoCalGas is decreasing the budget and slowly ramping down this program. |
| SCG3831 | RES-EE Kits | Funding will be transferred to the new solicited Third-Party program. |
| SCG3708 | COM-Energy Advisor | Funding increased for virtual engagement strategies. |
| SCG3713 | IND-Energy Advisor | Funding increased for virtual engagement strategies. |
| SCG3843 | RES-SF Solicitation | Placeholder for program solicitation budget, funding will be transferred to the new Third-Party program(s). |
| SCG3844 | RES-MF Solicitation | Placeholder for program solicitation budget, funding will be transferred to the new Third-Party program(s). |
| SCG\_SW\_  NC\_NonRes | RES-SW-New Construction | SoCalGas will launch a new SW program to align with Commission direction. |

**SoCalGas PY 2021 Program Closures**

As part of SoCalGas’ portfolio, SoCalGas plans to close the following programs in 2021, shown in Table 5. Given the dynamic changes in Energy Efficiency, these programs are no longer viable.

**Table 5: SoCalGas Program Closures for Program Year 2021**

|  |  |  |
| --- | --- | --- |
| **Program Number** | **Program Name** | **Reason for Closure** |
| SCG3703 | RES-Plug Load and Appliances - POS | In an effort to align with D.18-05-041 direction identifying Plug Load and Appliance (PLA) - Point of Sale (POS) - SCG3703 as a statewide program, SoCalGas will close the program to launch the statewide program in 2021. |
| SCG3744 | PUB - Riverside Co Partnership | In collaboration with Riverside County, SoCalGas will sunset this program at the end of 2020 and merge Riverside County Partnership into Western Riverside Energy Partnership (SCG3783) in PY 2021. SoCalGas remains committed to supporting all Public Sector customers in the region with expanded coverage of Western Riverside Energy Partnership Program (SCG3783). |
| SCG3745 | PUB - San Bernardino Co Partnership | In collaboration with San Bernardino County, SoCalGas will sunset this program at the end of 2020 and merge San Bernardino County Partnership into San Bernardino Regional Partnership (SCG3802) in PY 2021. SoCalGas remains committed to supporting all Public Sector customers in the region with expanded coverage of San Bernardino regional Partnership Program (SCG3802). |
| SCG3751 | PUB - SEEC Partnership | As a result of portfolio balancing processes to achieve mandated minimum cost-effectiveness thresholds, SoCalGas and the other partnering IOUs are sunsetting the Statewide Energy Efficiency Collaborative (SEEC). Over the last few years the IOUs funded the development of tools, which will remain available to local governments through the respective NGOs. Continued success in the SEEC Program requires transition of program leadership to the Non-Government Organizations of ICLEI for Local Governments, Institute for Local Governments and the Local Government Commission. As of April 2020, the IOUs and NGOs began collaboratively planning on a stakeholder communication plan, program ramp-down and transition of activities that will provide support to local governments as they increase local capacity of energy efficiency practices. |
| SCG3793 | COM-IDEEA365-Instant Rebates! Point-of-Sale Foodservice Rebate Program | This program will be closed due to the new SW program coming online. |
| SCG3801 | PUB - North Orange County Cities Partnership | In collaboration with North Orange County Partners, SoCalGas will sunset this program at the end of 2020 and merge North Orange County Cities Partnership into the Orange County Cities Partnership (SCG3750) in PY 2021. SoCalGas remains committed to supporting all Public Sector customers in North Orange County with expanded coverage of Orange County Cities Partnership Program (SCG3750). |
| SCG3702 | CLEO | This program will be closed due to the new local program coming online |
| SCG3763 | RES-MF Direct Therm Savings | This program will be closed due to the new local program coming online |
| SCG3805 | COM-Direct Install Program | This program will be closed due to the new local program coming online. |
| SCG3814 | COM-Midstream Water Heating | This program will be closed due to the new SW program coming online. |
| SCG3817 | PUB-Direct Install Program | This program will be closed due to the new local program coming online. |
| SCG3820 | RES-Direct Install Program | This program will be closed due to the new local program coming online. |
| SCG3821 | IND-Direct Install Program | This program will be closed due to the new local program coming online. |

**SoCalGas PY 2021 New Programs**

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

* AG-Agricultural Solicitation
* COM-Large Commercial Solicitation
* RES-Manufactured Homes Solicitation
* SCG\_SW\_WET\_Work – WE&T Career and Workforce Readiness
* SCG\_SW\_IP\_GOV – Institutional Partnerships: DGS & DoC
* SCG\_SW\_WET\_K12 – WE&T K-12 Connections
* SCG\_SW\_ETP\_GAS – Emerging Technologies, Gas
* SCG\_SW\_FS – Food Service POS
* SCG\_SW\_MCWH – Midstream Commercial Water Heating
* SCG\_SW\_PLA – Plug Load and Appliance
* SCG\_SW\_HVAC\_Up – Upstream HVAC (Commercial & Residential)

**SoCalGas’ 2021 Portfolio Budget Caps and Target**

Pursuant to OP 13 of D.09-09-047, the Commission determined that administrative costs are limited to 10% of the total authorized energy efficiency budget, and ME&O costs have a budget target of 6% of the adopted portfolio budget. SoCalGas has calculated its portfolio caps and targets for its 2021 portfolio and included them in Table 6 below.

**Table 6: 2020 EE Portfolio Budget Caps/Targets**

[Table Pending]

SoCalGas notes the following assumptions:

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

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

**Statewide Programs**

Consistent with Energy Division direction, SoCalGas provides the budget allocation for all statewide programs in Appendix C. All of the third-party solicitations for statewide programs where SoCalGas is the statewide lead are in various stages of the solicitation process. These programs are expected to begin implementation in 2021, as such SoCalGas has included a budget in PY 2021 for these specific programs.

When forecasting savings for third-party programs, SoCalGas used the forecasting method used for custom projects, where possible, in compliance with D.19-08-034,[[13]](#footnote-13) otherwise, forecasted savings are based upon available inputs and information from its third-party solicitations and historical program and sector knowledge to inform assumptions and forecasted savings.  SoCalGas’ savings from statewide third-party programs used the funding share method approved in the Joint IOUs Supplemental Advice Letter of the Shared Funding Mechanism Proposal submitted on November 15, 2018 (San Diego Gas and Electric Company (SDG&E) Advice 3268-E-A/2701-G-A; Southern California Gas Company (SoCalGas) Advice 5346-G-A; Southern California Edison Company (SCE) Advice 3861-E-A; and Pacific Gas and Electric Company (PG&E) Advice 5373-E-A/4009-G-A).

**Supplemental Budget Information**

Pursuant to OP 44 of D.18-05-041, SoCalGas must provide its PY Supplemental Energy Efficiency Business Plan Budget Information for 2021. On June 12, 2017, SoCalGas provided its initial supplemental budget information in response to the Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge, dated April 14, 2017. The Scoping Ruling directed PAs IOUs and the non-IOU PAs, to submit supplemental budget information using the common budget template developed in consultation with The Utility Reform Network (TURN) and Public Advocates Office (PAO), as well as the PAs.  SoCalGas’ supplemental budget information for PY 2021 is provided in Attachment B.

**Metrics**

Pursuant to D.18-05-041, SoCalGas’ 2019 sector-level metrics are available through SoCalGas’ website in the following link:

<https://www.socalgas.com/sites/default/files/SCG%202019%20Energy%20Efficiency%20Annual%20Report%20-%205-15-20%20Final.pdf>. [[14]](#footnote-14)

**Revenue Requirements**

Table 7 below summarizes the revenue requirement impact by class of service. In addition, SoCalGas provides herein as Appendix A the Gas Bill Payer Impacts table comparing present and proposed rates associated with the inclusion of SoCalGas’ proposed 2021 budget in its gas transportation rates.

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

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

**Protests**

Anyone may protest this Advice Letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and received within 20 days of the date of this Advice Letter, which is September 21, 2021. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division

Attn: Tariff Unit

505 Van Ness Avenue

San Francisco, CA 94102

A copy of the protest should also be sent via e-mail to the attention of the Energy Division Tariff Unit ([EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)). Due to the COVID-19 pandemic and the shelter at home orders, SoCalGas is currently unable to receive protests or comments to this AL via U.S. mail or fax. Please submit protests or comments to this AL via e-mail to the addresses shown above on the same date they are mailed or e-mailed to the Commission.  For changes to all other service lists, please contact the Commission’s Process Office at 415-703-2021 or by electronic mail at [Process\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov).

**Effective Date**

SoCalGas believes that this Advice Letter is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to General Order (GO) 96-B. This filing is consistent with D.18-05-041. Therefore, SoCalGas respectfully requests that this filing be approved on September 1, 2020.

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Ronald van der Leeden

Director – Regulatory Affairs

Attachments

1. https://cedars.sound-data.com [↑](#footnote-ref-1)
2. D.15-10-028, p. 123. [↑](#footnote-ref-2)
3. D.14-10-046, p. 167. [↑](#footnote-ref-3)
4. D.15-10-028, p. 56. [↑](#footnote-ref-4)
5. D.18-05-041, pp. 124-129 and OP 44. [↑](#footnote-ref-5)
6. Budgets for these programs were approved in D.19-01-005 and Resolution E-5072 respectively. [↑](#footnote-ref-6)
7. D.16-08-019, pp. 79-81. [↑](#footnote-ref-7)
8. D.19-08-034, p. 26. [↑](#footnote-ref-8)
9. D.18-05-041, p. 124. [↑](#footnote-ref-9)
10. D.18-05-041, p. 124. [↑](#footnote-ref-10)
11. D.18-05-041, p. 125. [↑](#footnote-ref-11)
12. D.09-09-047, pp. 50-51. [↑](#footnote-ref-12)
13. D.19-08-034, p.30. [↑](#footnote-ref-13)
14. D.18-05-041, p. 127. [↑](#footnote-ref-14)