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September 1, 2021

ADVICE _______-E

(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

SUBJECT: Southern California Edison Company's Energy Efficiency Program and Portfolio Annual Budget Advice Letter for Program Year 2021

In compliance with Decision (D.)18-05-041, Southern California Edison Company (SCE) hereby submits its Energy Efficiency (EE) Program and Portfolio Annual Budget Advice Letter (ABAL) for Program Year (PY) 2021. This ABAL contains the information required by the California Public Utilities Commission[1] (Commission or CPUC), including, but not limited to, SCE's budgets for PY 2021 for various EE and EE/demand response (DR) integration activities,[2] SCE's forecasts for the Total Resource Cost (TRC), Program Administrator Cost (PAC), and Ratepayer Impact Measure (RIM) tests,[3] and its forecast of energy savings for PY 2021.[4] This ABAL also discusses SCE's transition to at least 40 percent third-party designed and implemented programs by December 31, 2020, as directed in D.18-01-004.[5] SCE requests that Commission Staff issue a disposition approving the 2021 budget request in the ABAL as detailed below, as well as the requested program closures.[6]

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1 See, e.g., D.18-05-041, D.18-10-008, D.19-05-019, and D.19-08-034 Decision Adopting Energy Efficiency Goals for 2020-2030 (Potential and Goals Decision).

2 In SCE's 2019 ABAL (Advice 3859-E), SCE referred to funding for EE/DR Integration activities as "Integrated Demand Side Management (IDSM)" activities and budgets. This should not be confused with the IDSM Program (Program ID: SCE-13-SW-006) funding that SCE received approval to close in Advice 3859-E and 3859-E-A. IDSM activities and budgets detailed in the 2019 ABAL are now be referred to as EE/DR Integration activities and budgets.

3 The TRC test is performed for each program and sector and at the portfolio level. PAC and RIM tests are portfolio level only.

4 See D.18-05-041, D.18-10-008, D.19-05-019, and D.19-08-034.

5 See D.18-01-004, p. 56.

6 See D.18-05-041, pp. 134-135.

I. PURPOSE

The purpose of this advice letter filing is to propose detailed budgets for cost recovery, transfer, and contracting purposes for PY 2021, in compliance with D.18-05-041.[7] SCE's EE annual budget and associated forecasted energy savings and cost-effectiveness for PY 2021 are summarized below and exclude market effects:

- SCE proposes a portfolio budget of $222.27 million for 2021, as shown in Table 1, which is $44.53 million below SCE's PY 2021 true-up budget amount.[8] SCE requests cost recovery of $XX.XX million in funding for PY 2021, as shown in Table 2.
- Without Codes & Standards, SCE's 2021 Portfolio results in a forecasted TRC of 1.22.
- Including Codes & Standards, SCE's 2021 Portfolio results in a forecasted TRC of 2.57.
- Without Codes & Standards, SCE's portfolio yields forecasted energy savings of 474 GWh, which is 141 percent of goal; and 110 MW of forecasted demand reduction, which is 159 percent of goal.[9]
- Including Codes & Standards, SCE's portfolio yields forecasted energy savings of 1,356 GWh, which is 136 percent of goal; and 302 MW demand reduction, which is 148 percent of goal.[10]
- SCE proposes closing specific programs to improve portfolio cost-effectiveness and to prepare for new programs entering the market as a result of Local and Statewide solicitations.

This ABAL meets all Commission directed and Energy Division staff requirements as described below in Section III. SCE requests that the Commission Staff issue a disposition approving the ABAL, including the proposed program closures as described below in Section VIII and Attachment TBD and the portfolio and statewide budgets. The

[7] Id., p. 58.

[8] D.18-05-041 authorized a PY 2021 budget of $266.80 million. The PY 2021 authorized amount was updated to $270.60 million per the Annual Rolling Portfolio Budget Forecast - True-up Table (in SCE's 2019 ABAL Attachment TBD Commission Developed ABAL, Table 2a) in SCE Advice 3859-E-A submitted on October 29, 2018.

[9] Potential and Goals Decision states that SCE's goals (without Codes and Standards) for PY 2021 are 336 GWh and 69 MW.

[10] Potential and Goals Decision states that SCE's goals (*including* Codes and Standards) for PY 2021 are 998 GWh and 204 MW.

Commission Staff disposition should approve the requested budget in full in order to minimize impacts to customers, the EE market, and to ongoing statewide programs and activities, such as Statewide Codes and Standards Advocacy and new construction programs.

II. KEY UPDATES

A. SCE's Transition to New Third-Party Energy Efficiency Programs

SCE expects to have at least 25 percent of the EE program budget under contract with third-parties by September 30, 2020 and at least 40 percent programs under contract by December 31, 2020, consistent with the Commission's requirements set forth in D.18-01-004.[11] SCE is in the process of conducting multiple solicitations for third-party energy efficiency programs, two of which – the local Residential, Commercial and Industrial (RCI) solicitation and the Statewide Lighting solicitation – are scheduled to result in executed contracts on or before September 30, 2020. In addition, solicitations for new Statewide programs are being conducted by other Investor-Owned Utilities (IOUs) in California. The results of these solicitations will also contribute to meeting the Commission requirement that 25 percent and 40 percent of SCE's EE budget be under contract to third-party implementers. SCE intends to meet the requirement that at least 60 percent of its EE budget be allocated to third-party programs by December 31, 2022 through additional solicitations, as well as through funding for statewide solicitations conducted by other California IOU statewide leads. Details of SCE's EE Third-Party solicitation activities are posted on the CAEECC website.[12]

To help ensure a smooth transition to new statewide and third-party programs from existing program offerings, SCE will continue to operate several existing programs until new programs are launched and available to the market. SCE has included several programs in its forecast that will continue to operate through Q1 2021 or until programs are launched in these markets or to fill market gaps not filled by the new programs. Launch dates and details on the new programs are not fully known at this time. Should any program(s) continue beyond Q1 2021, SCE will utilize its fund shifting ability to continue these programs. These programs are discussed in Section VIII.

As final third-party contract values are not known at the time of submittal of this advice letter, SCE is including an estimate of the anticipated budget and cost-effectiveness for third-party programs in aggregate without disclosing confidential and market sensitive information. The total estimated budget, benefits, and costs resulting from SCE local solicitations are distributed evenly across the Residential, Commercial, and Industrial sectors where applicable in this ABAL. The Statewide Lighting program estimate is also

[11] See D.18-01-004, OP1. Pursuant to D.18-01-004, the Energy Division extended the deadline for SCE to have at least 25% of the EE program budget under contract to September 30, 2020 in a letter from Alice Stebbins dated November 25, 2019.

[12] https://www.caeecc.org/third-party-solicitation-process

presented in aggregate, but the values are shown within the sector where applicable in this ABAL. SCE also included the estimated budget, savings, and cost-effectiveness results from statewide third-party solicitation results.

B. SCE Will File a Supplemental Advice Letter in Q4 2020

SCE will file a supplemental ABAL that will replace the third-party estimates described above with contracted third-party program descriptions and their forecasted budget, savings, and cost-effectiveness. SCE plans to update the tables in the ABAL, as well as Attachment TBD, to reflect the third-party programs for which contracts are ultimately executed.

Commission staff may proceed with reviewing the 2021 ABAL submission prior to the supplemental update, and the narrow focus of the supplemental filing will expedite the resulting disposition letter. As stated in Section I, this ABAL meets Commission requirements for budget, cost-effectiveness, and savings goals. SCE does not expect the portfolio-level forecasts to change substantially with the supplemental update because the estimates in this ABAL are an aggregate of contracts in the final stage of review. Therefore, providing additional detail about the third-party program descriptions will not necessitate re-opening the protest period.

SCE will file Tier 2 advice letters for any third-party contracts executed valued at $5 million or more and/or with a term of longer than three years.[13] Key information related to budget, savings, and cost-effectiveness in the supplemental ABAL and the Tier 2 advice letters will be the same. The Tier 2 advice letters are the appropriate venue for Commission review and approval of large third-party contracts, including their costs and expected savings, as directed in D.18-01-004.[14] If the Commission rejects a Tier 2 advice letter for a specific contract after the Commission's disposition of SCE's 2021 ABAL, SCE will return any excess funds collected from ratepayers in the next ABAL.

C. The Impact of COVID-19 on the 2021 Portfolio

The unprecedented impacts of COVID-19 and California's shelter-in-place order affected SCE and some third-party vendors' ability to operate EE programs in 2020. On March 20, 2020, SCE paused on-site customer contacts in some energy efficiency programs, in support of the California stay-at-home order. As a result, during the months of March, April and May 2020, some SCE-managed programs were negatively impacted due to the initial California shelter-in-place order. On May 29, 2020, SCE lifted these suspensions and has not sent new suspension notices for any programs. SCE and its business partners began implementing mitigation measures during this time, such as virtual inspections for Custom and Deemed projects and virtual workshops for

[13] See D.18-01-004, OP 2.

[14] See D.18-01-004, p. 33 and OP 2.

Strategic Energy Management. It is difficult to estimate the COVID-19 impacts on the final 2020 results and to separate participation impacts of COVID from other recent trends in energy efficiency. For example, as noted in previous filings, SCE Custom project volumes continue to be down 90 percent from 2014 due to multiple reasons separate from COVID-19.[15] SCE continues to monitor COVID-19 and its impact on the portfolio.

As discussed in this ABAL, SCE's 2021 portfolio reflects a transition to new programs in many portions of the portfolio, while maintaining portions of SCE's existing portfolio for some or all of the year. SCE's 2021 forecasts of budget and savings estimates reflect the best available information from both market participants and SCE. SCE anticipates that it will continue to utilize virtual methods, as necessary, to support the success of the 2021 programs and beyond. SCE will continue to manage its 2020 and 2021 EE portfolios to reflect market realities of COVID-19 and any other factors.

III. BACKGROUND

A. Commission Directed ABAL Requirements

In D.15-10-028, the Commission ordered each Program Administrator (PA) to file a Tier 2 advice letter in September of each year with the PA's annual EE budget for the following year.[16] Each ABAL must contain the following:

- Portfolio cost-effectiveness statement; and
- Application summary tables with forecast budgets and savings by sector and program/intervention.

Beginning with the ABAL due on September 4, 2018, the Commission directed the PAs to provide the following information:[17]

- A forecasted TRC that meets or exceeds 1.25, except during program years 2019-2022, when the forecasted TRC must meet or exceed 1.0;
- Forecasted energy savings that meet or exceed Commission-established savings goals for each PA;

[15] See Advice 3992-E, p.1.

[16] See D.15-10-028, Ordering Paragraph (OP) 4.

[17] See D.18-05-041, p. 133.

- A forecasted budget that does not exceed the PA’s annual budget in the approved business plans, or (if applicable) the revised annual budget in the current ABAL;

- Sector-level metrics;[18] and

- A description of program and portfolio information.[19]

D.18-05-041 requires the ABAL to include historical portfolio, sector, and program-level budget requests and actual expenditures over the life of the business plan.[20] This information is provided in Attachment TBD.

In D.19-05-019, issued in the Integrated Distributed Energy Resources (IDER) proceeding, the Commission directed the PAs to provide the Ratepayer Impact Measure (RIM) and PAC cost-effectiveness estimates,[21] and therefore SCE has included these estimates in Table 7.

In a scoping ruling issued in R.13-11-005 on July 3, 2020, the Commission recognized the immediate and long-term impacts of COVID-19 and ordered all PAs to file new business plans by September 1, 2021.[22] The Commission also discussed the 2021 and 2022 ABALs as serving a “narrower purpose”[23] and that each PA should make their “best efforts” to meet the ABAL requirements, as listed in this section. The Commission asked Staff to take current events into consideration when reviewing the 2021 and 2022 ABALs.[24]

[18] Pursuant to D.18-05-041, OP 11, PAs reporting and assessments of metrics and targets are included in PA’s EE Annual Reports. SCE’s latest report on metrics and targets was included in its 2019 EE Annual Report for Program Year 2018. SCE’s EE Annual Report is posted on http://eestats.cpuc.ca.gov/.

[19] See D.18-05-041, p. 124-129, &133.

[20] See id., p. 125.

[21] D.19-05-019, p. 24 states” (“[W]e require the review and consideration of the RIM and PAC tests results during deliberation of all distributed energy resources proceedings and advice letters where cost-effectiveness analyses are required.”).

[22] Ruling issued in R.13-11-005 on July 3. OP 6.

[23] Ruling issued in R.13-11-005 on July 3. P. 9, states “the 2021 and 2022 ABALs will serve a narrower purpose, to notify the Commission and stakeholders of the budget and cost recovery requests and expenditures that each program administrator forecasts for 2021 and 2022.”

[24] Ruling issued in R.13-11-005 on July 3. OP 5.

B. Energy Division Staff ABAL Requirements

Additionally, the Commission directed Commission Staff to develop templates and further guidance as needed for ABAL submissions.[25] On July 19, 2018, the Commission's Energy Division (Energy Division) issued its guidance for the PAs' ABAL submissions. The Energy Division instructed the PAs to include the following additional information in their ABALs:

- PA's Program Year Budget and Forecasted Savings; and
- A Narrative of Program and Portfolio Information, including:
  - Proposed program changes;
  - Proposed portfolio changes; and
  - Additional explanations if the PA's TRC is between 1.0 and 1.25 or if the forecasted energy savings is below Commission established goals.

On June 30, 2020, the Energy Division asked the PAs to include a table that clearly defines the budget uploaded to CEDARS and to identify the difference between the budget and the revenue requirement. This information is presented in Table 3.

In addition, the Energy Division instructed the Investor Owned Utility (IOU) PAs to include their allocations for EE/DR Integration activities (also referred to as Integrated Demand Side Management or IDSM), pursuant to Ordering Paragraph (OP) 10 of D.18-05-041.

In support of the transition to new statewide programs, Energy Division also requested that the PAs submit a table, based upon the Joint IOUs' Advice Letter of their Shared Funding Mechanism Proposal, to include 2020 and 2021 forecasted budgets for each statewide program and the proportional shares and budgets for each utility.[26] This table is contained in Attachment TBD.

[25] See D.18-05-041, OP 40.

[26] Energy Division (ED) Staff requested IOUs to update funding percentages and amounts. ED Staff provided IOUs a template, based upon Table 5 (page 9) from 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 (SoCal Gas) 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), to be included in their 2020 ABAL.

The Energy Division also asked PAs to address the impact of the COVID-19 pandemic in its forecast. SCE discusses its approach to COVID-19 impacts and mitigations in Section II.C.

C. CAEECC ABAL Requirements

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IV. 2021 EE PORTFOLIO SUMMARY

A. Meeting CPUC Requirements

As part of SCE's ABAL planning and development process, SCE developed a portfolio and optimized the budget for each of the CPUC metrics, including but not limited to meeting the Commission's required cost-effectiveness, savings goals, budgets, and budget caps and targets. SCE continues to support "California's longstanding commitment and actions to achieve energy savings."[27]

To continue optimizing its portfolio for its goals and cost-effectiveness requirements, SCE proposes the following adjustments to its 2021 EE portfolio:

- Optimizing all measures and programs to maximize savings and cost-effectiveness;
- Eliminating or reducing non-cost-effective programs and programs where new programs are expected to launch in 2021;
- Contracting at least 40 percent third-party proposed, designed, and delivered programs; and
- Continuing to reduce and shift SCE labor costs in support of third-party proposed, designed, and delivered programs.

These modifications focus on delivering a cost-effective portfolio while transitioning to the new statewide and third-party model that the Commission adopted in D.18-01-004 to improve the overall cost-effectiveness of California EE programs and markets.

The result of SCE's optimization efforts — the proposed portfolio budget, savings, and cost-effectiveness, based upon currently approved energy savings and cost-

[27] See D.19-08-034 Potential and Goals Decision, p. 6.

effectiveness inputs to its measure and program mix — are contained in Sections V, VI and VII.

B. Reasonableness of Forecasts Given Uncertainties in PY 2021

While forecasting by definition requires the use of assumptions based on uncertain future outcomes, forecasting the 2021 portfolio contains more uncertainty because the EE programs are transitioning to statewide and third-party-implemented programs and because of the impacts of COVID-19, as well as other factors discussed in more detail in Sections II and IX.

In D.18-05-041, the Commission recognized that due to multiple non-trivial uncertainties regarding third-party programs, program years 2018 through 2022 should be treated as ramp-up or transition years.[28] When statewide programs, SCE's new third-party programs, and other programs and policy changes are fully implemented, SCE anticipates that it will have more information on these programs to forecast to meet the Commission-adopted goals cost-effectively and within the budget parameters of its revised and approved business plan.

Specific examples of uncertainties relating to the 2021 ABAL are:

- Timing, costs, benefits, and energy savings associated with Statewide programs;
- Timing, costs, benefits, and energy savings associated with contracting for implementation of new third-party programs;
- Timing and impact of workpaper dispositions and of Evaluation, Measurement, and Verification (EM&V) dispositions.

In D.18-01-004, the Commission ordered IOUs to ensure that their energy efficiency portfolios contain at least 40 percent third-party proposed, designed, and implemented programs by the end of 2020.[29] SCE expects to exceed this target at the conclusion of a third-party solicitation process on September 30, 2020 when contracts for the RCI and Statewide Lighting programs are awarded. SCE is also incorporating new statewide programs managed by other PAs into its 2021 budget and TRC forecast. Based on the actual and estimated values used for this filing, SCE is forecasting significant savings in

[28] See D.18-05-041, p. 71.

[29] See D.18-01-004, p 56. Conclusion of Law no. 4 states "40 percent minimum by no later than December 31, 2020."

2021 for new local and Statewide third-party programs, which are substantial contributors to the portfolio TRC of greater than 1.0.[30]

SCE's third-party programs underwent a robust and collaborative Request for Abstract (RFA) and Request for Proposal (RFP) process with SCE's EE Procurement Review Group (PRGs) and Independent Evaluators (IEs), as well as other measures discussed in Section XI. To help ensure a smooth transition to the new statewide and third-party programs, SCE will continue to operate several existing programs until the new programs are launched and available to the market; therefore, SCE has included several programs in its forecast that will continue to be open to new enrollments through Q1 2021 as discussed in Section VIII. It is necessary to maintain these programs to ensure a smooth transition to new programs and to ensure there are not gaps in the market. At this time, SCE cannot ascertain the exact timing of the new third-party programs that will be launched across the state of California. As these details become available, SCE will modify its portfolio accordingly. Should there be a need to continue any program(s) beyond Q1 2021, SCE will shift sufficient funds to continue these programs. The source of additional funds may be from any projected underspent sectors, including funds set aside for third parties which are not yet in the market. SCE will not file an additional request to close these programs. SCE is requesting approval in this advice letter to close these programs once new provider(s) are in these markets and SCE has assessed the coverage in these markets.

While SCE forecasts a specific cost-effectiveness, savings, and measure mix in the ABAL, this mix and resulting cost-effectiveness may change as the Commission Staff releases measure dispositions, Database for Energy Efficient Resources (DEER) updates, and other key inputs which could reduce or improve portfolio savings and cost-effectiveness.

Dispositions with negative impact measures, in high-volume programs, could have a significant impact on SCE's ability to achieve its savings forecasts. Early notifications of such dispositions would assist SCE and the market in responding to such changes.

SCE is committed to working closely with the Commission and its Staff to utilize the most recent measure and program forecasts while also providing the market with sufficient certainty in making EE investment decisions. As cost-effectiveness inputs change, SCE will continue to evaluate the available mix of measures and make portfolio adjustments as necessary to cost-effectively meet savings goals.

[30] SCE will update Attachment TBD in the supplemental ABAL with actual forecasted TRC values for new third-party programs.

V. 2021 EE PORTFOLIO BUDGET

Table 1 below provides SCE's forecast for 2021 EE portfolio budget. Please see Attachment TBD for SCE's 2021 EE Portfolio Budget in the Commission-issued ABAL template.

Table 1: Forecasted 2020 EE Portfolio Budget[31]

Sector	2021 Budget
Residential	$ 59,165,862
Commercial	$ 56,625,344
Industrial	$ 39,800,111
Agriculture	$ 1,155,357
Emerging Technologies	$ 7,802,281
Public	$ 9,552,324
WE&T	$ 5,406,765
Finance	$ 2,134,609
OBF Loan Pool	$ 15,000,000
Codes and Standards	$ 16,143,827
IOU/CPUC EM&V[32]	$ 9,478,651
Total 2021 Budget	**$ 222,265,131**

[31] The estimated $105.09 million in local third-party programs' costs are included in Residential, Commercial and Industrial sectors. Another estimated $5.10 million for Statewide Lighting is included in the Commercial sector.

[32] IOU/CPUC EM&V budget does not include EM&V funding allocated to Southern California Regional Energy Network (SoCalREN) of $0.201 million, Tri-County Regional Energy Network (3CREN) of $0.025 million.

Table 2 below provides SCE's 2021 EE portfolio budget and cost recovery by funding source.

Table 2: Budget and Cost Recovery by Funding Source

Budget and Cost Recovery by Funding Source	**Amount**
SCE's Forecasted 2021 EE Portfolio Budget (includes SCE's funding share of statewide programs)	$222,265,131
SCE's Unspent/Uncommitted Program Carryover Funds from Prior Years[33]	(TBD)
Tri-County Regional Energy Network's (3CREN) Funding Request for 2021 EE Portfolio	$2,262,059
3CREN's EM&V	$25,919
Southern California Regional Energy Network's (SoCalREN) Funding Request for 2021 EE Portfolio	$18,015,395
SoCalREN's EM&V	$206,426
Total PA's Funding Request for 2021 EE Portfolio	**(TBD)**

In addition to the $XX.XX million requested for cost recovery for EE programs in 2021, SCE requests DR funding in the amount of $9.68 million for 2021 to continue EE/DR Integration activities directed in D.18-05-041.[34] In D.18-05-041, the Commission approved SCE's Business Plan Application, which included DR balancing account

33 Unspent/Uncommitted Program Carryover funds includes $15.00 million as detailed in Table 4 for On Bill Financing Loan Pool.

34 See D.18-05-041, OP 10.

funding for EE/DR Integration activities.[35] Further, 3CREN and SoCalREN will submit their own Advice Letters for each PA's respective 2021 budget. Lancaster Choice Energy (LCE) is not submitting a 2021 budget.

Table 3 below shows the budget uploaded to CEDARS and identifies the difference between the budget and the revenue requirement.

Table 3: Summary of Funding Request and CEDARS Budget

SCE's 2021 Funding Request	
Funding Source	**Amount**
SCE's Forecasted Portfolio Budget	222,265,132
3CREN's EM&V	25,919
SoCalREN's EM&V	206,426
Total Funding Request	**222,497,368**
SCE's 2021 CEDARS Budget	
Funding Source	**Amount**
SCE's Funding Request Total	222,497,368
Less OBF Loan Pool	(15,000,000)
Less 3CREN's EM&V	(25,919)
Less SoCalREN's EM&V	(206,317)
Total CEDARS Budget	**207,265,132**

A. On-Bill Financing Loan Pool

For 2021, SCE will continue to offer its On-Bill Financing (OBF) Program which provides customers with zero-interest financing for the purchase and installation of qualifying energy-efficient measures. Loans are available to qualifying nonresidential customers, including commercial, industrial, government, and institutional customers, who repay their OBF loan as a line item on their electric bill. The Commission and the Energy Division have previously granted SCE the authority to retain funds from prior EE and OBF program cycles to use in subsequent program cycles.[36] Consistent with this precedent and due to the continued success of the OBF program, SCE is requesting

[35] Budgets and cost recovery for demand response programs and activities are recovered and recorded to SCE's Preliminary Statement Y, the Demand Response Programs Balancing Account (DRPBA).

[36] See SCE Advice 3880-E.

authority to retain unspent uncommitted funds from prior funding cycles to use for the 2021 funding cycle within the OBF program only.

SCE requests authorization to retain $15.00 million from repayments, unspent, and uncommitted funding from the 2013-2015 and 2016 funding cycles, in order to fund OBF Program commitments for the 2021 program year. SCE proposes to retain approximately $12.63 million from the 2013-2015 cycle and $2.37 million from the 2016 program cycle to make up the $15.00 million needed for PY 2021. Table 4 includes the authorized budgets, loans issued, commitments, repayments and funds needed from the 2013-2016 program period.

Table 4: OBF Loan Pool Funding Needed for PY 2021

Program Cycle[37]	Authorized Budgets (a)	Loans Issued[38] (b)	Write Offs (c)	Repayments (d)	Commitments[39] (e)	Retained for 2018-2020 OBF Loan Pool[40] (f)	Available Balance (a)-(b)-(c)+(d)-(e)-(f)	Proposed to Retain for 2021
2013-2015	$54,724,863	$47,251,050	$393,872	$34,043,817	$0	$27,988,880	$13,134,878	$12,634,878
2016	$11,000,000	$10,659,322	$0	$4,415,060	$947,792	$0	$3,807,946	$2,365,122
								$15,000,000

VI. 2021 EE PORTFOLIO SAVINGS

Table 5 and Table 6 below provide SCE's forecast of energy savings and demand reduction for its 2021 EE portfolio. Please see Attachment TBD for SCE's 2021 EE Portfolio Savings in the Commission-issued ABAL template. All savings and cost-effectiveness figures used in this ABAL are direct outputs taken from the Commission-provided Cost-Effectiveness Tool (CET) on the CEDARS,[41] which excludes a 5 percent adjustment for market effects.

[37] SCE was previously granted authority to retain funds from prior OBF program cycles to use in subsequent program cycles. See SCE Advice 3880-E.

[38] Cumulative amount of loans issued during the program cycle.

[39] Commitments are based on the total number of OBF projects that already have committed/reserved funds set aside.

[40] Funds retained for the 2018-2020 Program Cycles.

[41] https://cedars.sound-data.com/

**Table 5: 2021 EE Portfolio Forecasted Savings
(SCE Programs Only, excluding Codes & Standards)**

	2021 Forecast		
	Savings	**Goal**[42]	**% of 2020 Goal**
Energy Savings (Net GWh)	474	336	141%
Demand Reduction (Net MW)	110	69	159%

**Table 6: 2021 EE Portfolio Forecasted Savings
(SCE Programs Only, including Codes & Standards)**

	2021 Forecast		
	Savings	**Goal**[43]	**% of 2020 Goal**
Energy Savings (Net GWh)	1,356	998	136%
Demand Reduction (Net MW)	302	204	148%

In Table 6, the 2021 goal (the Goal column) includes SCE's C&S goals from the Potential and Goals Decision (D.19-08-034), whereas SCE's 2021 forecasted savings (the Savings column) reflects SCE's funding load share of the total 2021 C&S goals.[44] If the Potential and Goals Decision were to reflect SCE's load share, SCE's 2021 goals, including C&S, would be 919 Net GWh and 190 Net MW, and SCE's forecast, including C&S, would be 147 percent of Net GWh and 159 percent of Net MW.[45]

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[42] See D.19-08-034 Potential and Goals Decision, Figure 3, Tables 1 & 2, p. 23.

[43] Id., p. 23.

[44] D.18-05-041, Ordering Paragraph (OP) 22 states "All utility program administrators shall fund statewide programs at levels consistent with their proportional share based on load."

[45] See D. 19-08-034 Potential and Goals Decision at p. 25 which states: "…the distribution of codes and standards savings goals among the IOUs is not currently aligned with statewide administration policy. Energy Division is not required to reject an IOU's ABAL if its codes and standards savings forecast does not match its IOU-specific goal in the final potential study."

VII. 2021 EE PORTFOLIO COST-EFFECTIVENESS

Table 7 below sets forth the results of the TRC, PAC, and RIM tests for SCE's 2021 EE portfolio. These estimates exclude impacts from SCE's Codes and Standards programs, Statewide Marketing, Education & Outreach, and SCE's low-income EE program, the Energy Savings Assistance (ESA) Program. Please see Attachment TBD for SCE's 2021 EE Portfolio TRC, PAC, and RIM in the Commission-issued ABAL template.[46]

Table 7: 2021 EE Portfolio TRC, PAC, and RIM (excluding Codes & Standards)

Cost-Effectiveness Test	2021 Forecast
TRC	1.22
PAC	2.84
RIM	0.87

VIII. PROPOSED PROGRAM AND PORTFOLIO CHANGES

SCE's ABAL is optimized to maximize cost-effective energy savings, taking into account uncertainties, such as the timing of savings associated with statewide programs and new third-party programs, and other regulatory and market changes. D.18-05-041 requires IOUs to meet a minimum forecasted TRC ratio of 1.0 through 2022.[47] SCE will continue to optimize the portfolio in order to achieve a TRC ratio of 1.25 and meet other mandated targets in 2023 under the current 2018-2025 business plan. SCE will also use the new business plan due on September 1, 2021 as an opportunity to consider operational and policy changes intended to help meet Commission-required goals and cost-effectiveness of EE overall.[48]

SCE's proposed PY 2021 portfolio budget of $222.27 million is lower than the IOU portfolio budget included in SCE's Annual Rolling Portfolio Budget True-Up for PY 2021 of $266.80 million.[49] SCE's 2021 budget is higher than the approved 2020 budget of $147.40 million due to the inclusion of new third-party programs and associated costs and savings. Some SCE local programs and existing statewide programs are forecast

[46] See D.18-05-041, OP 40.

[47] See D.18-05-041, Conclusion of Law (COL) 36.

[48] See R.13-11-005 dated 7/3/2020.

[49] See Table 2a (IOU Budget True-Up) in Attachment TBD of SCE's 2019 ABAL Advice Letter 3859-E-A.

through Q1 2021 to accommodate the expected ramp-up timing for new third-party EE programs. As third-party programs are launched in the market, corresponding SCE programs or sub-programs will close to new activity.

To help meet the Commission's goals for EE, SCE is proposing to reduce its non-resource program portfolio, eliminate and reduce low-performing programs, and maximize savings from cost-effective programs and measures. Some non-cost-effective programs will remain open for market coverage while new third-party solicitations are underway and associated programs come online, but SCE worked with its existing third-party partners to reduce costs in these programs.

SCE is transitioning a significant portion of its portfolio to third-party proposed, designed, and delivered programs in 2021, including third-party delivered statewide programs, as directed in D.15-10-028, D.16-08-019, D.18-01-004, and D.18-05-041. As discussed in Section II.A., SCE's local Residential, Commercial and Industrial solicitation activities and the Statewide Lighting solicitation are under contract negotiation. In addition, solicitations are occurring at other California IOUs and SCE has included the budget and savings to account for SCE's portion in this Advice Letter. To prepare for the implementation of the new third-party proposed, designed, and delivered programs, SCE's 2021 budget accounts for approximately $105.09 million in funding for new, local third-party programs and approximately $26.29 million in funding for new statewide programs and activities. In addition, SCE has budgeted funding through Q1 2021 to continue current SCE EE programs until the portfolio has transitioned to include the new third-party local and statewide implemented programs.

Other efforts taken by SCE to improve its portfolio's cost-effectiveness include further actions to reduce SCE labor and associated non-labor. SCE is forecasting labor reductions and realignments to manage the significant shift to local third-party and statewide programs, resulting in a 23 percent reduction in SCE labor expenses across the EE portfolio from 2020 to 2021. Notably, SCE's Business Customer Division labor will be reduced significantly from 2020, and even further from previous years, to reflect the transition to third-parties and in coordination with a shift of specific activities to the General Rate Case.[50] As shown in Table 8, these actions also resulted in a reduction in General & Administrative (G&A) labor and non-labor expenses by 18.4 percent from 2020 to 2021.

Table 8 shows the 2021 administrative budget and compares it to the 2019 and 2020 budget. Total administrative expenses went down 16 percent from 2019 to 2020, and 35 percent from 2018 to 2019, largely due to reductions in SCE labor expense as SCE closed non-cost-effective and non-resource programs. 2021 total administrative expenses increased by an estimated 94 percent from its 2020 budget, largely due to the

[50] SCE committed to reduce "[f]unding for BAM account managers in SCE's 2021 ABAL … by at least $5.169 million (compared to 2018 ABAL funding levels)" at A.19-08-013, SCE-19, p. 54, lines 6-7. SCE further committed to confirming the reduction in its Opening Brief in the 2021 GRC proceeding (A.19-08-013).

addition of administrative expenses included in contracted statewide and local third-party programs.

Like SCE-led programs, statewide and local third-party contracts include administrative expenses that follow the guidelines included in the EE Policy Manual.[51] The substantial increase in these administrative expenses corresponds with the increase in statewide and local third-party programs in SCE's 2021 EE portfolio. As explained in Section II.A., the Third-Party/Partner administrative expenses - and a portion of the Statewide Labor and Non-Labor administrative expenses associated with Statewide Lighting – listed in Table 8 are an estimate in this ABAL, and they will be updated in a supplemental filing.

In order to improve cost-effectiveness, SCE is committed to managing its administrative and other non-resource-related costs while ensuring appropriate oversight of its portfolio during and after the transition to the statewide and local third-party program implementation model. There is a small increase in IOU Program Labor to account for the realignment of SCE labor to manage the growing number of statewide and local third-party programs.

For all programs, SCE will maintain the required levels of technical review and quality control to ensure sufficient ratepayer protections and rigor around the claimed savings from SCE's portfolio. SCE will continue to evaluate and make labor adjustments through 2022 as the remaining statewide and local third-party solicitations are completed and more information is available.

Table 8: Administrative Cost Comparison

Administrative Budget	2019 ABAL [A]	2020 ABAL [B]	2021 ABAL [C]	2019 to 2020 Increase (Reduction) [B - A]	2020 to 2021 Increase (Reduction) [C - B]
G&A Labor	5,789,583	5,211,793	4,442,624	(577,790)	(769,169)
G&A Non-Labor and Consultant	1,904,412	1,798,816	1,276,079	(105,596)	(522,737)
IOU Program Labor	995,569	478,879	866,576	(516,690)	387,697
IOU Program Non-Labor	292,159	153,281	116,823	(138,878)	(36,458)
SW Program Labor	-	-	321,624	-	321,624
SW Program Non- Labor	-	-	1,660,091	-	1,660,091
Third Party/Partner	821,113	563,198	7,275,667	(257,915)	6,712,469
Total	9,802,836	8,205,967	15,959,485	(1,596,869)	7,753,518

Table 9 below provides a list of SCE's programs categorized by programs proposed to be new or closed in 2021, programs with enhanced budgets (>40 percent increase from 2020 budgets) or reduced budgets (>40 percent decrease from 2020 budgets), and continuing programs that are not cost-effective (TRC <1.0). A detailed discussion of these programs is provided in subsections A-D below and in Attachment TBD. Of the

[51] See EE Policy Manual, p. 9 and Appendix F, p. 87.

information contained in Table 9, SCE is seeking Commission Staff approval for program closures only, including for programs that will close in 2021 when new third-party local and statewide programs are ramped-up and operational. All other information is for information purposes only as required in D.18-05-041.[52]

Table 9: Summary of Program Changes

Program ID	Program Name
INCENTIVE PROGRAMS PROPOSED TO BE CLOSED IMMEDIATELY	
SCE-13-SW-001C	Multifamily Energy Efficiency Rebate Program
INCENTIVE PROGRAMS PROPOSED TO BE CLOSED UPON COMPLETION OF EXISTING COMMITMENTS	
SCE-13-TP-007	Primary and Fabricated Metals
SCE-13-TP-008	Nonmetallic Minerals and Products
SCE-13-TP-010	Comprehensive Petroleum Refining
INCENTIVE PROGRAMS PROPOSED TO BE CLOSED AFTER Q1 2021[53]	
SCE-13-SW-001B	Plug Load and Appliances Program
SCE-13-SW-001F	Residential New Construction Program
SCE-13-SW-002F	Nonresidential HVAC Program
SCE-13-SW-002G	Savings By Design
SCE-13-SW-002C	Commercial Deemed Incentives Program
SCE-13-SW-003B	Industrial Calculated Energy Efficiency Program
SCE-13-SW-003C	Industrial Deemed Energy Efficiency Program
SCE-13-SW-002H	Midstream Point of Purchase
NON-RESOURCE PROGRAMS PROPOSED TO BE CLOSED IMMEDIATELY	
SCE-13-L-002I	Energy Leader Partnership Strategic Support
SCE-13-SW-004A	Agriculture Energy Advisor Program (including Pump Test sub-program)
NEW THIRD-PARTY PROGRAMS	
SCE-13-TP-026	Residential 3P Solicitation
SCE-13-TP-027	Commercial 3P Solicitation
SCE-13-TP-028	Industrial 3P Solicitation

[52] See D.18-05-041, p. 128

[53] SCE is seeking approval to close these programs in this ABAL with the plan that will continue to operate through Q1 2021 or until new statewide and third-party programs are launched in these markets. Should any program(s) continue beyond Q1 2021, SCE will utilize its fund shifting ability to continue these programs until the new statewide and third-party programs are launched in the market. SCE will not file an additional request to close these programs. SCE is requesting approval in this Advice Letter to close these programs once new provider(s) are in these markets.

NEW SCE-LED STATEWIDE RESOURE PROGRAMS	
SW_UL	Lighting (Upstream)
SW_UL_PA	Lighting (Upstream) - SCE Costs
EXISTING PROGRAMS WITH ENHANCED BUDGETS (>40% BUDGET INCREASE) TO CONTINUE IN 2021	
SCE-13-TP-024	AB793 Residential Pay for Performance
SCE-13-SW-004C	Agriculture Deemed Energy Efficiency Program
SCE-13-SW-007C	New Finance Offerings
SCE-13-TP-022	Water Infrastructure Systems EE Program[54]
SCE-13-TP-003	Healthcare EE Program[55]
SCE-13-TP-004	Data Center Energy Efficiency[56]
SCE-13-TP-006	Food & Kindred Products[57]
Codes and Standards	
SCE-13-SW-008C	Compliance Improvement
SCE-13-SW-008E	Planning and Coordination
Local Government Partnerships	
SCE-13-L-002F	Gateway Cities Energy Leader Partnership
SCE-13-L-002L	Orange County Cities Energy Leader Partnership
SCE-13-L-002P	South Santa Barbara County Energy Leader Partnership
SCE-13-L-002R	Western Riverside Energy Leader Partnership
SCE-13-L-003C	County of Los Angeles Energy Efficiency Partnership
SCE-13-L-002V	North Orange County Cities
EXISTING PROGRAMS WITH REDUCED BUDGETS (>40% BUDGET DECREASE) TO CONTINUE IN 2021	
SCE-13-SW-001A	Energy Advisor Program
SCE-13-SW-001G	Residential Direct Install
SCE-13-SW-003E	Market Based Incentive
SCE-13-TP-025	Facility Assessment Service Program
SCE-13-TP-005	Lodging EE Program[58]
Local Government Partnerships	

[54] SCE was approved to close and stop accepting new enrollments for this program in the 2020 ABAL. See SCE Advice Letter 4068-E, p. 17-18.

[55] SCE was approved to close and stop accepting new enrollments for this program in the 2019 ABAL. The program continues to be funded to complete committed projects in the pipeline as of the end of 2018. See SCE Advice Letter 3859-E, p. 11 and 3859-E-A, p. 7.

[56] Id.

[57] Id.

[58] Id.

SCE-13-L-002B	City of Long Beach Energy Leader Partnership
SCE-13-L-002H	Eastern Sierra Energy Leader Partnership
SCE-13-L-002J	Desert Cities Energy Leader Partnership
SCE-13-L-002K	Kern County Energy Leader Partnership
SCE-13-L-003D	County of Riverside Energy Efficiency Partnership
SCE-13-L-003E	County of San Bernardino Energy Efficiency Partnership
SCE-13-L-002W	San Bernardino Association of Governments
SCE-13-L-002S	High Desert Regional Energy Leader Partnership
Institutional Partnerships	
SCE-13-L-003B	California Dept. of Corrections and Rehabilitation EE Partnership
SCE-13-L-003F	State of California Energy Efficiency Partnership
Non-Resource Programs	
SCE-13-SW-003A	Industrial Energy Advisor Program

A. Program and Subprogram Closures

Proposed program closures are driven by cost-effectiveness considerations, opportunities to contract with third parties, and transition to statewide offerings. Further discussion and details of these programs are in Attachment TBD.

SCE requests Commission Staff approval to close the Multifamily Energy Efficiency Rebate Program as it is no longer cost-effective due to most measures moving to Codes and Standards. The program currently lacks electricity measures to support keeping the program open. In addition, this market is available to be served in SCE's Residential solicitation occurring concurrent with this Advice Letter.

SCE requests Commission Staff approval to close Primary and Fabricated Metals, Nonmetallic Minerals and Products, and Comprehensive Petroleum Refining, which have not proven to be cost-effective. It is expected that these existing third-party implemented programs will be superseded by new program offerings obtained through SCE's third-party solicitation. These programs will stop accepting new enrollments at the end of 2020 but will honor committed projects submitted by year end.[59]

SCE forecasts several existing programs to continue through Q1 2021 to avoid disruption to the respective customer markets and ensure a smooth transition to new local and statewide third-party programs. It is necessary to maintain these programs to ensure smooth transition to new products and to ensure there are not gaps in the market. At this time, SCE cannot ascertain the timing, nor details of the new third-party

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59 Industrial customers have three years to complete their projects under these three programs.

programs which will be launched across the state of California. As these details become available, SCE will modify its portfolio accordingly. These programs include Plug Load and Appliances, Residential New Construction, Nonresidential HVAC, Savings by Design, Commercial Deemed, Industrial Calculated, Industrial Deemed, and Midstream Point of Purchase. Should there be a need to continue any of these program(s) beyond Q1 2021, SCE will shift sufficient funds to continue these programs. The source of additional funds may be from any projected underspent sectors, including funds set aside for third parties which are not yet in the market. SCE will not file an additional request to close these programs. SCE is requesting approval in this Advice Letter to close these programs once new provider(s) are in these markets.

SCE requests to close the non-resource portion of the Energy Leader Partnership (ELP) Program, which is Energy Leader Partnership Strategic Support. SCE collaborated with the other IOUs to improve the cost-effectiveness of the ELP by eliminating this non-resource cost. It is the expected that the new third-party solicitations in this sector will yield cost-effective savings.

SCE also requests to close Agriculture Energy Advisor program as a result of removing all costs for the Pump Test sub-program, also referred to as Hydraulic Services. In its 2021 General Rate Case (GRC) SCE committed to eliminate funding for the sub-program in its 2021 ABAL.[60] Activities performed in this non-resource sub-program are more appropriately funded by the GRC.

B. New Programs and Sub-Programs

As noted above in Section II.A., SCE will conclude its solicitations for third-party Residential, Commercial, and Industrial programs and Statewide Lighting programs by September 30, 2020 in order to meet the minimum third-party percentages required in D.18.01.004.[61] SCE will continue to host solicitations and move towards the mandated 60 percent third-party spending goal through 2022. SCE is also responsible for funding a portion of new statewide programs where other IOUs are the lead PA. SCE's costs and savings from statewide 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.[62]

New local and statewide third-party programs contracted by SCE will provide cost-effective energy efficiency solutions to a broad range of customers. SCE plans to file a supplemental ABAL after contracts are executed, which will include third-party program descriptions and their forecast 2021 budget, savings, and cost-effectiveness. The

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[60] See A.19-08-013, SCE-03, Vol. 5, pp. 27-28 and SCE-19, p. 67, footnote 157.

[61] See D.18-01-004, OP1.

[62] See San Diego Gas and Electric Company (SDG&E) Advice 3268-E-A/2701-G-A; Southern California Gas Company (SoCal Gas) 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).

method for forecasting costs and savings of third-party programs is described in Section XII below. SCE will include specific program descriptions for the new third-party programs in Attachment TBD with the supplemental ABAL.[63]

The solicitation process and design of the new third-party programs is not intended to be a one-for-one replacement of existing programs. The new solicitations are intended to offer new programs to a broad range of customers. As such, SCE is closing certain non-cost-effective programs with the expectation that new third-party and statewide programs will support these customers. If SCE learns that certain customer groups are not being served by the new programs, SCE will consider maintaining existing programs in these markets or conducting targeted third-party solicitations to provide EE solutions to these customers.

C. Reduced and Expanded Programs

Pursuant to D.18-05-041, the list set forth in Table 9 reflects reduced and expanded programs whose total budget is proposed to increase or decrease by more than 40 percent. Please see Attachment TBD for details of programs in Table 9. The continuation of these programs may be impacted by the next round of third-party EE solicitations, which is scheduled to be completed in Q4 2021.[64] If any third-party programs start earlier than expected, SCE will ramp-down and close existing programs or corresponding program offerings as needed.

SCE will prepare a new solicitation in consultation with SCE's PRG and IEs for AB793 Residential Pay for Performance. This third-party implemented program did not gain customers under its former design. SCE expects to have a new third-party under contract in Q4 2021 for this compliance program.

The budget for the Agriculture Deemed EE Incentive Program increased due to a forecasted increase in customer incentive payments. The Agriculture Deemed program offers eligible agricultural customers rebates to upgrade their existing equipment to more efficient technologies. Deemed retrofit measures have fixed rebate amounts per measure unit and are intended for projects that have well-defined energy and demand savings.

The New Finance Offerings, which include the Residential Energy Efficiency Loan (REEL) program and other pilots, offer California customers attainable financing options for the installation of Energy Efficiency measures, particularly in under-served market sectors. The New Finance Offerings are administered by the California Alternative

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[63] In accordance with D.18-01-004, OP2, SCE will file Tier 2 advice letters for new third-party contracts valued at $5 million or more and/or a contract term longer than three years. The key information related to budget, savings, and cost-effectiveness in the supplemental ABAL and the Tier 2 advice letters will be the same.

[64] See Attachment TBD for the SCE Third-Party Solicitation Schedule.

Energy and Advanced Transportation Financing Authority (CAEATFA) in collaboration with California Hub for Energy Efficiency Financing (CHEEF), a public-private partnership among state agencies, utilities, lenders, contractors, and borrowers. Resolution E-5072 approved the transition of REEL from a pilot to a full-scale program in April 2020 and authorized the large IOUs to utilize the ABAL process by including funds for the program and pilots in the authorized annual energy efficiency budget.[65] This forecast includes SCE's portion of increased budget for the REEL program and pilots, which continues to be administered by the CHEEF, as well as allocation for SCE's portion of the IT and Marketing co-funding agreement with SCG for 2021. This allocation maintains the same level of funding received from 2017 through 2020.[66] SCG is the lead utility for the finance contract for ME&O to support the EE finance program and pilots.

SCE was approved to close and stop accepting new enrollments for the Water Infrastructure Systems EE Program in SCE's 2020 ABAL.[67] SCE has increased its budget forecast for 2021 to accommodate vendor performance payments for in-flight projects that were committed in prior program years.

SCE expects the Plug Load and Appliances program to transition to the statewide program operating under San Diego Gas & Electric.[68] The 2021 program budget increased from 2020 due to the addition of cost-effective heat pump water heater and HVAC heat pump fuel substitution measures that became available in 2020. This addition leads to an increased budget of more than 40 percent even though the program is only forecast for Q1.

SCE was approved to close and stop accepting new enrollments for several programs with TRCs below 0.85 in SCE's 2019 ABAL: Healthcare Energy Efficiency, Data Center Energy Efficiency, Lodging Energy Efficiency, and Food and Kitchen Products.[69] 2021 is the last year for existing customers to submit for project completion, and the relatively small budgets for these programs increased or decreased based on the final estimated costs.[70]

SCE increased the budgets of two successful Codes & Standards sub-programs: Planning and Coordination and Compliance Improvement. Planning and Coordination

[65] Resolution E-5072, OP 7.

[66] Resolution E-5072, OP 5.

[67] See SCE Advice Letter 4068-E, p. 17-18.

[68] The Plug Load and Appliances program is listed in Table 9 under "Incentive Programs Proposed to be Closed After Q1 2021," though it is also a program with an enhanced budget (>40% budget increase).

[69] See SCE Advice Letter 3859-E, p. 11 and 3859-E-A, p. 7.

[70] The programs will close out on March 31, 2022.

has previously been identified by the CPUC as a vehicle to expand the coordination role of Codes & Standards in the market adoption cycle for energy efficiency technologies and practices.[71] The program accelerates market acceptance and ultimately the adoption of successful, cost-effective technologies or practices into code. In 2021, SCE will lead statewide collaboration in three main areas: (1) public programs modernization, (2) building energy modeling (BEM), and (3) building-grid harmonization.

Through Compliance Improvement, SCE leverages its experience and expertise to (1) develop proposed language so that new codes and standards are easier for local jurisdictions and implementers to understand and enforce and (2) develop and implement education and training resources for market actors, including designers, contractors, builders and building inspectors. In 2021, SCE plans to roll out a full catalog of all-electric design training for both residential and nonresidential sectors as the 2019 Energy Code provided the opportunity for moving the market towards decarbonization with the all-electric baseline modification. SCE will also be supporting the development of the multifamily and Codes and Standards Enhancement (CASE) code language for the 2022 update to Title 24, Part 6. SCE will continue to engage with local chapters of Industry Organizations and support Energy Code Ace (ECA), which has become a lead resource for energy compliance support.

Local Government Partnerships (LGPs), through SCE's Energy Leadership Partnership (ELP) Program, support local governments in achieving their energy efficiency and sustainability goals. While SCE is transitioning away from the ELP program structure, replacing it through a new third-party solicitation, SCE is committed to continue supporting local governments through the ELP while being mindful of the impacts on the cost-effectiveness of SCE's portfolio. In 2021, SCE will continue offering enhanced incentive amounts to assist local government customers to develop and complete EE projects at their facilities.[72] SCE realized additional cost-reductions in these programs, including for the programs with increasing budgets, by offering technical assistance through internal engineering resources and SoCalREN's Public Sector Programs. Additionally, SoCalREN has decided to use their Public Sector programs to continue to pay implementers of certain LGPs to continue to host meetings to discuss EE projects and programs. As shown in Table 9, budgets for SCE's LGPs increased or decreased to the extent that SCE expects projects with enhanced incentives to be installed or reserved in 2021. As described in Section VIII.D., this sector is expected to be served by new third-party programs following a Local Public third-party solicitation.

Like LGPs, Institutional Partnerships support large state-run institutions in achieving their energy efficiency and sustainability goals. As shown in Table 9, budgets for these

[71] A.17-01-013, Chapter IX includes an "outline of the relevant roles of each of the Codes and Standards sub-programs relative to other IOUs programs and non-IOUs initiatives" as required by D.12-05-015, OP 91.

[72] Incentive tiers will be based on final estimated tier levels from Q1 2020, which SCE communicated to ELP participants via email on 8/1/2019.

programs decreased based on the projects in the pipeline. As described in Section VIII.D., this sector is expected to be served by new third-party programs following a Statewide Public third-party solicitation.

Four additional incentive programs are forecast to have a budget reduction of more than 40 percent in 2021: Home Energy Advisor Program, Residential Direct Install, Market Based Incentive (MBI) Pilot, and Facility Assessment Service.

SCE is significantly reducing the budget of the Home Energy Advisor Program because SCE expects that a new third-party-designed program will replace the behavioral portion of this program. SCE plans to continue implementing the Universal Audit Tool (also known as the Enhanced Energy Audit Tool) and the Online Buyer Guide portions of the program, as required under various Commission decisions and rulings.[73]

While Residential Direct Install remains cost-effective, HVAC measures have seen reductions in achievable energy savings due to dispositions and avoided costs updates, rendering them cost-prohibitive. The budget for this program decreased due to a relative reduction in the program's cost-effectiveness. SCE will continue to review this program and its measures for potential cost-effective improvements.

The MBI Pilot opened in 2020 to assess market-based opportunities to re-engage participants in the large Commercial & Industrial segment. Due to the expected timing of awarded bids in late 2020 and a two-year project development cycle, expected project savings and incentives are not expected until 2022 to 2023. As such, estimated budget needs are minimal during 2021.

SCE created the Facilities Assessment Service program pursuant to AB793 and the associated Commission Resolution E-4820. This third-party implemented program targets small-to-medium business (SMB) customers who modify practices and behaviors to reduce energy usage and meet energy savings goals under a pay-for-performance model. The forecasted budget for this program decreased due to a reduction in expected engineering support. In 2021 SCE will evaluate whether to continue with the current implementer or offer a new targeted solicitation.

Finally, the Industrial and Commercial Energy Advisor non-resource programs offer building benchmarking and technical support in compliance with AB802 regulations for covered buildings within SCE territory.[74] The program budgets are decreasing due to low participation by small-to-medium businesses in the Energy Efficiency Audit Tool, and the subsequent discontinuation of the tool.

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[73] See, for example, D.09-09-047 and Ruling filed by CMMR/GREUENEICH/CPUC on 10/30/2008

[74] Commercial Energy Advisor's budget is forecast to decrease by 37 percent, and it is therefore not included in Table 9.

D. Continuation of Non-Cost-Effective Programs

As shown in Table 10, SCE is proposing to continue several non-cost-effective programs in 2021 in order to comply with various regulatory mandates, achieve 2021 savings goals, and/or support customers through the transition period to third-party programs. In addition, SCE will continue to evaluate its portfolio of programs in response to the competitive solicitations, cost-effectiveness, and the ability to achieve goals and metrics, as well as other factors, and may propose changing or eliminating programs in the future.

As described in Section VIII.C., SCE will prepare a new solicitation for AB793 Residential Pay for Performance, which is expected to launch in Q4 2021. While there will be expenditures for the program in 2021, SCE does not expect to realize savings until 2022 and beyond. This compliance program is historically non-cost-effective, and SCE hopes that the new solicitation will improve results.

Per the Commission's guidance in D.16-08-019, there should be no funding gaps for programs which have been identified as future statewide programs.[75] In addition, D.18-05- 041 states that PAs cannot opt out of statewide programs and are required to fund all statewide programs.[76]

SCE will complete a third-party solicitation for Agricultural and Local Public Sector programs by October 31, 2021, and SCE will complete a third-party solicitation for Statewide Programs of Higher Education and Water/Wastewater by January 31, 2022.[77] These solicitations are expected to serve the markets currently served by SCE's Local Government Partnership (LGP) and Institutional Partnership programs.

SCE is continuing its customized and deemed agricultural programs in 2021, although they are not cost-effective, to allow agricultural customers to submit energy efficiency projects without a gap in the market. LGP programs, while not cost-effective, will continue to receive enhanced incentives for submitted projects until new third-party programs are in place. As described in Section VIII.C., cost-reductions in LGP programs have led to increased cost-effectiveness. Largely, the measures associated with both LGP and Institutional Partnership programs are not cost-effective.

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[75] See D.16-08-019, p.66.

[76] See D.18-05-041, OP 22.

[77] See Attachment TBD

Table 10 – Non-Cost-Effective Resource Programs Continuing in 2021

Program ID	Program Name	2021 TRC
Non-Cost-Effective Programs to Continue due to Regulatory Mandate		
SCE-13-TP-024	AB793 Residential Pay for Performance	0.02
Non-Cost-Effective Programs to Continue Until New Third-Party Programs Operate		
SCE-13-SW-004B	Agriculture Calculated Energy Efficiency Program	0.45
SCE-13-SW-004C	Agriculture Deemed Energy Efficiency Program	0.82
Local Government Partnerships[78]		
SCE-13-L-002B	City of Long Beach Energy Leader Partnership	0.56
SCE-13-L-002F	Gateway Cities Energy Leader Partnership	0.34
SCE-13-L-002L	Orange County Cities Energy Leader Partnership	0.58
SCE-13-L-002M	San Gabriel Valley Energy Leader Partnership	0.79
SCE-13-L-002N	San Joaquin Valley Energy Leader Partnership	-
SCE-13-L-002O	South Bay Energy Leader Partnership	-
SCE-13-L-002Q	Ventura County Energy Leader Partnership	0.67
SCE-13-L-002R	Western Riverside Energy Leader Partnership	-
SCE-13-L-002T	West Side Energy Leader Partnership	0.29
SCE-13-L-002V	North Orange County Cities	0.52
SCE-13-L-002W	San Bernardino Association of Governments	-
Institutional Partnerships		
SCE-13-L-003A	California Community Colleges Energy Efficiency Partnership	0.07
SCE-13-L-003B	California Dept. of Corrections and Rehabilitation EE Partnership	0.58
SCE-13-L-003F	State of California Energy Efficiency Partnership	0.29
SCE-13-L-003G	UC/CSU Energy Efficiency Partnership	0.06

[78] Local Government Partnership programs with no TRC value have limited projects planned for 2021.

IX. DISCUSSION OF SCE'S 2021 FORECASTED TRC RESULT

A. Why SCE is Forecasting a TRC Below 1.25

SCE continuously strives to enhance its EE portfolio to improve customer participation, optimize portfolio cost-effectiveness, and address long-term planning and near-term delivery objectives. SCE is unable to forecast a portfolio that can reasonably meet a TRC above 1.25 for 2021 for the following reasons:

1. 2021 is a transition year for third-party programs

As discussed above, 2021 is the first year in which SCE will begin its transition from its role as a program administrator and implementer to one of principally an administrator.[79] As such, SCE expects new statewide and third-party programs to drive sizable cost-effective savings contribution once they are fully operational; however, SCE will continue to operate several non-cost-effective programs until the new third-party programs are available in the market to ensure no gaps in program offerings exist for customers as much as possible.

2. The market opportunity for cost-effective savings is declining

The Decision adopting the 2020 Potential Study[80] acknowledges a reduction in energy efficiency potential and correctly states, "we view this as a product of California's longstanding commitment… achieve energy efficiency savings." Over the past ten years, the electrical grid has become significantly "cleaner" through rapidly increasing renewable sources and the transition of savings to building and appliance code standards. Additionally, as DEER peak shifted from 2pm – 6pm to 4pm – 9pm, savings opportunities shifted with it from commercial and industrial sectors to the residential sector. The residential sector, however, has limited potential because of cost-effectiveness challenges overall and specifically because most plug load opportunities lie outside of the purview of the IOUs and are driven by code requirements.

In line with declining market potential, SCE has experienced a decrease in customer participation in downstream programs. Specifically, there has been a significant decline in the participation of SCE's large industrial and commercial customers. SCE's primary EE program offerings for large business customers (Core Calculated and targeted Commercial and Industrial Third-Party programs) experienced a 90 percent decrease in net energy savings from 2014 to 2018, despite these large

[79] See Potential and Goals Decision, p. 14. "…the IOUs are in a state of transitioning an increasing proportion of programs to third-party implementers, among other changes to their portfolios."

[80] See D. 19-08-034, page 6

customers representing 85 percent and 46 percent of the annual energy consumption of all industrial and commercial customers, respectively.

3. Exclusion of codes and standards savings attribution creates a higher hurdle

Historically, SCE's portfolio could support more non-cost-effective programs and non-resource costs because of the availability of highly cost-effective measures within other programs in the portfolio (e.g., Primary Lighting) and the attribution of savings from Codes and Standards (C&S) Advocacy. However, elimination of C&S savings from portfolio goals has created savings pressure in other areas, namely in resource programs. While third-party implementation may help bridge the savings gap, without C&S savings attribution, achievement of a minimum 1.25 TRC will remain challenging, based on EE savings opportunities available today.

4. Commission directed requirements for non-cost-effective programs create additional challenges to meet TRC

The Commission mandated the IOUs to continue to fund non-resource programs that do not yield measurable savings benefit. For 2021, SCE budgeted $18.87 million for WE&T, Commercial and Industrial Energy Advisor, On-Bill Financing, New Finance Offering, WE&T and EM&V, which are non-resource program costs that require cost-effective counter-balancing by resource programs.

SCE acknowledges the value of these non-resource programs and activities and agrees with the Commission that they often complement resource programs. But given their overall cost burden on the portfolio, they will continue to make achievement of a 1.25 TRC challenging, especially in light of declining market potential for resource-based savings.

B. Ability to Achieve an Evaluated TRC of 1.0

For 2021, SCE forecasts a 1.22 TRC. With a 0.22 TRC margin above 1.0, SCE expects achievement of an evaluated TRC of 1.0 as reasonable. Three primary drivers instill confidence in meeting this cost-effectiveness benchmark.

1. Third-party proposed, designed and delivered programs

SCE supports the Commission's guidance to contract for third-parties, primarily through pay-for-performance models, to deliver savings towards the energy efficiency goals of California, both through SCE local and the IOU's statewide solicitations. By September 30, 2020, SCE will have at least 25 percent of its EE budget contracted to third parties. As discussed in Section XI.B, SCE performed rigorous due diligence on vendors and their proposals during the RFP process and incorporated feedback from the PRG and IEs in its selections. Additionally, by December 31, 2020, at least 40 percent of its portfolio budget will be third-party.

Even after factoring in ramp up and wind down contingencies, SCE remains confident that these third-party administered programs will contribute sizably to achieving an evaluated TRC of 1.0.

2. Reduction in labor costs

As it transitions its role as a program administrator and implementer to primarily a program administrator, SCE anticipates a 23 percent reduction in its 2021 labor costs versus its 2020 ABAL, building upon the reductions it has implemented in past ABALs. This reduction in costs will reflect a transition from program administrator and implementer to an increasing role of program administrator only. These savings will contribute to the overall portfolio TRC and help decrease the risk of underperforming to the evaluated 1.0 TRC.

3. Program closures and budget reductions

As detailed above, SCE proposes several program closures and significant budget reductions in non-cost-effective programs to improve overall portfolio cost-effectiveness. By eliminating non-cost-effective programs in whole or as part of the third-party solicitation process, downside risk to an evaluated TRC decreases. Additionally, significant budget reductions in non-cost-effective programs still in the market will contribute to this risk reduction as well. These interventions will help optimize for cost-effectiveness overall while reducing the risk of achieving less than an evaluated 1.0 TRC.

C. Progress Towards Achieving A Forecasted TRC of 1.25

SCE is on track to complete its plan to achieve at least 60 percent third-party implemented programs by December 31, 2022 as a key step in achieving a TRC above 1.25. As SCE brings on new, cost-effective third-party and statewide programs, we will continue to close existing programs that are not cost-effective. Furthermore, SCE expects third-party cost-effectiveness to improve over time as they mature, achieve full scale operations, incorporate lessons learned and best practices, and become more efficient.

As noted above, SCE will continue to work under the current policy framework to optimize its portfolio in response to competitive solicitations, cost-effectiveness challenges, changes in the marketplace, and other factors, in order to maximize the TRC of its portfolio and make our best effort to achieve a forecasted TRC of 1.25. SCE appreciates the Commission's recognition of the difficulty of showing cost-effective portfolios and the additional uncertainty introduced by COVID-19.[81] SCE looks forward to working with the Commission on future policy guidance and filing a new EE portfolio business plan application in 2021. SCE expects such policy reviews and a new

[81] Ruling issued in R.13-11-005 on July 3, 2020 p.9-10.

application will provide a clearer path to portfolios that meet all of the goals of energy efficiency, including any non-resource goals, and provide a TRC of 1.25 or greater in the years that follow.

X. IOU EE/DR INTEGRATION BUDGET

In Table 11 below, SCE provides its EE/DR Integration Budget for 2021-2025. SCE will utilize unspent EE/DR Integration funds from previous years to support SCE's 2021 programs by pursuing EE/DR Integration where appropriate. SCE will update Implementation Plans as needed to reflect any program changes. Third-party programs are intended to be eligible for these funds and are currently undergoing the solicitation process.

Table 11: SCE's 2021-2025 EE/DR Integration Budget Allocation ($000)

Funding Source	Sector	2021	2022	2023	2024	2025
DR	Non-Residential	$8,678	$8,961	$9,253	$9,554	$9,864
DR	Residential	$1,000	$1,000	$1,000	$1,000	$1,000
	Total	**$9,678**	**$9,961**	**$10,253**	**$10,554**	**$10,864**

XI. FORECASTING THIRD-PARTY PROGRAMS

A. Estimated Third-Party Forecast (Prior to Supplemental Filing)

This ABAL includes estimated budgets, savings and cost-effectiveness ratios for the Residential, Commercial, and Industrial solicitation and the Statewide Lighting solicitation as placeholders until the contracts for those solicitations are executed. These values were developed using actual bid data to inform reasonable assumptions pertaining to savings, budgets, and cost-effectiveness. To maintain anonymity of third parties and the confidentiality of sensitive market data during negotiations, these values were aggregated and evenly divided between the Residential, Commercial and Industrial sectors this Advice Letter. The Statewide Lighting estimate is also presented in aggregate, but the values are shown within the sector where applicable in this ABAL. SCE intends to file a supplemental filing to include actual forecasts for the programs broken out by contract within their appropriate sector.

B. Third-Party Forecasting Methodology

As directed by the Commission, the third-party solicitations provide market participants the flexibility to propose, design and deliver their programs, consistent with all applicable laws, rules and regulations. As a part of the solicitation process, SCE has been closely evaluating third-party offers and their forecasts as a part of the two-stage solicitation process. Additionally, during the RFP portion of the process, SCE has had multiple rounds of cost-effectiveness discussions and engineering feedback with bidders to support the necessary rigor for third-party assumptions. To complete the cost-effectiveness discussions, SCE worked closely with PRG stakeholders and IEs.

SCE's solicitation process is designed to ensure compliance with the necessary program inputs and support reasonable assumptions for third-party programs while allowing third-party program implementers to utilize their market knowledge to inform their program designs. SCE recognizes there is uncertainty in forecasts while acknowledging the need to support ratepayer protection. SCE is supportive of the Commission's pay-for-performance preference to ensure that third-party compensation is commensurate with the performance of third-party programs and the forecasts associated with their programs.

C. Other IOU-Led Statewide Programs

SCE's budget, savings, and cost-effectiveness inputs from statewide third-party programs not led by SCE used the funding share method approved in the Joint IOUs Supplemental Advice Letter of the Shared Funding Mechanism Proposal submitted on November 15, 2018.[82]

[82] See San Diego Gas and Electric Company (SDG&E) Advice 3268-E-A/2701-G-A; Southern California Gas Company (SoCal Gas) 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).

PROPOSED TARIFF CHANGES

This advice filing will not cause the withdrawal of service nor conflict with any other schedule or rule.

TIER DESIGNATION

Pursuant to General Order (GO) 96-B, Energy Industry Rule 5.2, this advice letter is submitted with a Tier 2 designation.

EFFECTIVE DATE

This advice filing will become effective on _______________, the 30th calendar day after the date filed.

NOTICE

Anyone wishing to protest this advice filing may do so by letter via U.S. Mail, facsimile, or electronically, any of which must be received no later than 20 days after the date of this advice filing. Protests should be submitted to:

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Avenue

San Francisco, California 94102

E-mail:

Copies should also be mailed to the attention of the Director, Energy Division, Room 4004 (same address above).

In addition, protests and all other correspondence regarding this advice letter should also be sent by letter and transmitted via facsimile or electronically to the attention of:

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Managing Director, State Regulatory Operations
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Telephone (626) 302-9645
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There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and must be received by the deadline shown above.

In accordance with General Rule 4 of GO 96-B, SCE is serving copies of this advice filing to the interested parties shown on the attached GO 96-B, A.17-01-013 et al and

R.13-11-005 service lists. Address change requests to the GO 96-B service list should be directed by electronic mail to AdviceTariffManager@sce.com or at (626) 302-4039. 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.

Further, in accordance with Public Utilities Code Section 491, notice to the public is hereby given by filing and keeping the advice filing at SCE's corporate headquarters. To view other SCE advice letters filed with the Commission, log on to SCE's web site at https://www.sce.com/wps/portal/home/regulatory/advice-letters.

For questions, please contact Brandon Sanders at (626) 320-0949 or by electronic mail at Brandon.Sanders@sce.com

Southern California Edison Company

Gary A. Stern, Ph.D.

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Enclosures

