

## PUBLIC UTILITIES COMMISSION

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Mr. Faber:

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Energy Division approves San Diego Gas and Electric Company's (SDG&E) Program Year (PY) 2022-2023 Annual Budget Advice Letter (ABAL) # 3887-E/3035-G, as filed on November 8, 2021, and supplemented (#3887-E-A/3035-G-A) on January 7, 2022<sup>1</sup>, including budget spending and recovery amounts as reflected in Table 1 below.

Table 1. SDG&E PY2022-2023 Budget Recovery Request

<b>SDGE Recovery Breakdown</b>	<b>2022</b>	<b>2023</b>
Spending Budget Request	\$82,732,385	\$94,233,376
REN/CCA Funding	\$0	\$0
AB841 Collection	\$24,479,433	\$20,982,371
Total Recovery Request	\$107,211,819	\$115,215,748

The Advice Letter is effective January 1, 2022.

## Background

On November 8, 2021, SDG&E filed Advice Letter # 3887-E/3035-G with a request for PY2022 and PY2023 Energy Efficiency funding. On November 29, 2021, The Public Advocates Office (Cal Advocates) filed its protest of PG&E's, Southern California Edison's (SCE) and San Diego Gas and Electric's (SDG&E) Annual Budget Advice Letters. On December 6, 2021, SDG&E filed its response to the Cal Advocates protest. On January 7, 2022, SDG&E filed supplemental Advice Letter #3887-E-A/3035-G-A, which was not protested.

## Cal Advocates Protest

In its protest, Cal Advocates states that SDG&E, unlike PG&E and SCE, “does not currently have dedicated fuel substitution programs nor has it included any new fuel substitution programs for program years 2022-2023.”<sup>2</sup> Cal Advocates asks California Public Utilities Commission (CPUC) to require SDG&E to “submit a supplemental advice letter that includes a plan to integrate fuel

<sup>1</sup> SDG&E filed AL 3887-E-A/3035-G-A at the request of Energy Division in order to update certain assumptions related to fuel substitution measures in the CPUC's Cost-Effectiveness Tool and make other minor corrections.

<sup>2</sup> See *The Public Advocates Office's Protest of Energy Efficiency Biennial Budget Advice Letters for Program Years 2022 and 2023* (Filed November 8, 2021), p. 3.

substitution measures into its portfolio both in resource acquisition programs and as part of reasonable market support or equity programs.”<sup>3</sup> Cal Advocates also notes that SDG&E’s forecast misses the PY2022 kW goal.

## SDG&E Response to Cal Advocates Protest

On December 6, 2021, SDG&E filed its response to Cal Advocates’ protest. In its response, SDG&E cites D. 21-09-037, which:

- does not require a dedicated fuel substitution program to meet the fuel substitution goals nor to address CPUC and state climate policies.
- does not adopt separate energy efficiency goals and fuel substitution goals; and,
- states that “[i]n setting one electric savings goal that reflects potential from both energy efficiency and fuel substitution, we afford flexibility in how the electric IOUs endeavor to achieve that goal.”<sup>4</sup>

Consequently, SDG&E argues that its PY2022-2023 budget advice letter is consistent with Commission policy and direction.

Additionally, although SDG&E acknowledges that it does not have a dedicated/stand-alone fuel substitution program (which it believes would be inefficient), its response describes how fuel-substitution measures are integrated within multiple programs “so that customers can have a more comprehensive choice of measures, including the option for fuel substitution measures, enabling them to make informed decisions.”<sup>5</sup>

SDG&E concludes by noting the importance of fuel substitution in achieving the state’s climate policy goals and states that it will continue to work with its third-party implementers to clearly identify and integrate these measures into the third-party program implementation plan updates due in Q2 2022.<sup>6</sup> SDG&E also clarifies that, beginning in 2024, it will have a targeted fuel substitution program, which will be presented in its upcoming business plan application (Q1 2022).

SDG&E’s response to Cal Advocates’ protest did not address the PY2022 kW goals issue.

## Discussion

### *Fuel Substitution Program*

While SDG&E is correct that D. 21-09-037 does not require Investor-Owned Utilities (IOUs) to meet specific fuel substitution goals, the Decision is clear that by adopting Scenario 2 from the 2021 Potential and Goals Study the CPUC remains “intent on sending a strong signal to all program

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<sup>3</sup> Ibid.

<sup>4</sup> See *Reply of San Diego Gas and Electric Company (SDG&E) to the Protest of Advice Letter 3887-E/ 3035-G Regarding SDG&E’s 2022-2023 Biennial Energy Efficiency Program and Portfolio Budget Request*, December 6, 2021, p. 2.

<sup>5</sup> Ibid.

<sup>6</sup> Ibid.

administrators to pursue fuel substitution savings opportunities.”<sup>7</sup> By not initially including specific strategies or future programs in its PY2022-23 budget advice letter, as the other IOUs have done, the CPUC could interpret that SDG&E is not clear on that signal. However, SDG&E’s response to the Cal Advocates protest provides evidence that it does indeed understand the CPUC’s intent and will be working in concert with the other IOUs to update and implement robust fuel substitution programs (either stand-alone or complementary) in furtherance of the state’s climate policy goals.

*Criteria for review of EE Annual/Biannual budget advice letters*

In D.21-05-031 (Assessment of Energy Efficiency Potential and Goals and Modification of Portfolio Approval and Oversight Process), the CPUC made changes to ABAL requirements and set the review criteria for the PY 2022-2023 ABAL as follows:

- Forecasted energy savings for 2022 and 2023 shall meet the annual energy savings goals adopted for those program years.<sup>8</sup>
- Budget requests must stay under the cap authorized in D. 18-05-041 for the current business plan period.
- The Total System Benefit (TSB) metric of the portfolio shall be included but will not be considered a basis for the rejection of the ABALs.
- Cost-effectiveness ratios, for both the Total Resource Cost (TRC) and Portfolio Administrator Cost (PAC), shall be included for the entire portfolio, but these overall portfolio TRC and PAC ratios will not be a basis for rejection of the ABALs.
- TRC and PAC cost-effectiveness ratios shall also be calculated on only the resource acquisition portion of the portfolio and must exceed 1.0 on a forecast basis.

As noted previously, and discussed subsequently below, SDG&E fails to meet certain savings goals in its PY2022-2023 ABAL.

*Savings Goals and Total System Benefit*

In D. 21-05-031 the CPUC adopted the Total System Benefit (TSB) metric, which is an expression, in dollar terms, of the lifecycle energy, capacity, and GHG benefits, on an annual basis. In doing so, the CPUC noted widespread agreement among parties to the energy efficiency proceeding that:

“the current focus on first-year energy savings only, in the form of kWh, kW, and therm savings, does not capture all of the policy goals and benefits of energy efficiency... The value of energy efficiency varies significantly based on the hour, season, GHG benefits, climate zone, and lifecycle savings of each measure... Of particular concern is that the current first-year savings goals do not adequately encourage longer-duration energy savings. This potentially creates a policy misalignment that encourages optimization of portfolios to meet or exceed

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<sup>7</sup> See D. 21-09-037, pg. 16, at: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M411/K177/411177185.PDF> .

<sup>8</sup> See “Discussion” below for additional context for PG&E’s PY2022-2023 ABAL.

forecasted net annual first-year energy savings, regardless of potential longer-term benefits to the system.”<sup>9</sup>

While energy savings potential and goals will be continue to be adopted on a bi-annual basis by the CPUC for purposes of the demand forecast and Codes and Standards programs, beginning in 2024 the IOUs’ respective resource acquisition programs will be required to meet their respective TSB goals, as opposed to specific energy savings metrics.<sup>10</sup>

### *SDG&E Goals and TSB Forecast*

In its PY2022-2023 budget advice letter, SDG&E provides energy savings forecasts (relative to CPUC-adopted energy savings goals) and TSB forecasts for PY2022 and PY2023. Although SDG&E’s cost-effective forecast does not meet the PY2022 kW program savings goal, its portfolio easily surpasses the Total System Benefit forecasts in the Potential and Goals Study adopted by CPUC in D. 21-09-037<sup>11</sup>. Specifically, SDG&E forecasts:

- TSB of \$104.4 million (excluding Codes and Standards) for PY2022, compared to a TSB forecast of \$40 million in the Potential and Goals Study.

### *Cost-effectiveness*

Although SDG&E’s PY2022-2023 ABAL misses certain energy savings goals, its resource acquisition segment is cost-effective in both years, with a TRC (excluding Codes and Standards) of 1.39 and 1.35 for 2022 and 2023, respectively. (We note, too, that although it is not a requirement, SDG&E’s total portfolio is cost-effective in 2022 and 2023, with a TRC (excluding Codes and Standards) of 1.14 and 1.17, respectively)

### *Budget*

The CPUC requires SDG&E’s PY2022-2023 budgets to be at or under the budget cap authorized in D. 18-05-041. As filed, SDG&E’s PY2022-2023 budgets meet the requirements set forth in D. 18-05-041 cap for each program year, and we accept this budget forecast to be reasonable and in “good faith”.

## Conclusion

Consequently, although SDG&E does not meet a traditional PY2022 resource acquisition energy savings goal, we agree with Cal Advocates that SDG&E’s “good faith”<sup>12</sup> forecast, coupled with the

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<sup>9</sup> See D. 21-05-031, p. 8, at: <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M385/K864/385864616.PDF>.

<sup>10</sup> TSB forecasts (for PY2022-23) and goals (for PY2024 and beyond) were recently adopted by the Commission in D. 21-09-037, at <https://docs.cpuc.ca.gov/PublishedDocs/Published/G000/M411/K177/411177185.PDF>. Energy savings goals remain in place for IOU Codes and Standards programs.

<sup>11</sup> See Section J-3 for PY2022-23 IOU TSB values in the Potential and Goals Study at [https://pda.energydataweb.com/api/view/2531/2021%20PG%20Study%20DRAFT%20Report%202021\\_Final.pdf](https://pda.energydataweb.com/api/view/2531/2021%20PG%20Study%20DRAFT%20Report%202021_Final.pdf). SDG&E TSB forecasts for PY2022-23 are found in its PY2022-2023 ABAL.

<sup>12</sup> See *The Public Advocates Office’s Protest of Energy Efficiency Biennial Budget Advice Letters for Program Years 2022 and 2023* (Filed November 8, 2021), p. 3.

CPUC transition to the TSB metric, leaves it poised to achieve CPUC goals in the longer-term, as evidenced by its TSB forecasts for PY2022. We also find sufficient evidence that SDG&E understands the CPUC's intent for fuel substitution programs within the larger framework of the state's climate policy goals, and will not require SDG&E to submit a supplemental advice letter regarding a fuel-substitution implementation plan. Instead, we will hold SDG&E to its commitment to update implementation plans in Q2 2022 and therefore approve SDG&E Advice Letter #3887-E/3035-G and #3887-E-A/3035-G-A, effective January 1, 2022.

If you have any questions, please contact Peter Franzese ([peter.franzese@cpuc.ca.gov](mailto:peter.franzese@cpuc.ca.gov)) and Sasha Merigan ([alexander.merigan@cpuc.ca.gov](mailto:alexander.merigan@cpuc.ca.gov)).

Sincerely,



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