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September 1, 2020

**ADVICE LETTER xxxx-E/xxxx-G**

(U902 M)

Public Utilities Commission of the State of California

**SUBJECT: SAN DIEGO GAS AND ELECTRIC COMPANY’S 2021 ANNUAL ENERGY EFFICIENCY PROGRAM AND PORTFOLIO BUDGET REQUEST**

San Diego Gas & Electric (SDG&E) hereby submits its 2021 annual energy efficiency (EE) program and portfolio budget advice letter (ABAL) as directed by the California Public Utilities Commission (Commission) Decisions (D.) 15-10-028 and D.18-05-041[[1]](#footnote-2) and Rulemaking (R.) 13-11-005[[2]](#footnote-3). All necessary supporting documentation to support the funding request, revenue requirements, and rate impacts, as prescribed by the Energy Division, is incorporated as Appendix A and has been uploaded to CEDARS.[[3]](#footnote-4)

SDG&E makes available Attachments A and B to this ABAL at <https://www.sdge.com/rates-and-regulations/regulatory-filing/914/energy-efficiency-filings>.

# BACKGROUND

D.15-10-028 established the Rolling Portfolio process for regularly reviewing and updating EE portfolios following the approval of the Business Plan application. Specifically, D.15.10-028 Ordering Paragraph (OP) 4 states:

Each energy efficiency program administrator must file a Tier 2 advice letter containing a budget for the next calendar year’s energy efficiency portfolio by the first business day in September. The Tier 2 advice letter shall contain a portfolio cost effectiveness statement and application summary tables with forecast budgets and savings by sector and program/intervention filed in paper, with an electronic query output available in an online tool. Additionally, the Tier 2 advice letter shall provide a report on portfolio changes, annual spending, and fund shifting.

SDG&E filed its Business Plan on January 17, 2017 (A.17-01-014), which was approved by the Commission on May 31, 2018. D.18-05-041 provided further detailed guidance on the requirements for the ABAL. D.18-05-041 requires the following:

1. Cost Effectiveness: The forecasted Total Resource Cost (TRC) during the “ramp” or transition years (i.e., 2018 – 2022) should meet or exceed a TRC of 1.00.[[4]](#footnote-5) If the forecasted TRC does not meet or exceed 1.25, the Program Administrator (PA) must submit to an additional process.[[5]](#footnote-6)
2. Savings Goals: The portfolio must meet or exceed Commission adopted net goals as adopted in D.17-09-025.[[6]](#footnote-7)
3. Proposed Budget: The forecasted annual funding levels must not exceed the overall funding amount in the PA’s 2018-2025 business plan.[[7]](#footnote-8)

In addition to these requirements, D.18-05-041 requires the PA to provide information on the above criteria based on Commission staff developed templates. These templates are provided in Appendix B, as prescribed by Energy Division. Further, the ABAL should include certain program and portfolio descriptive information:[[8]](#footnote-9)

1. Discussion of proposed program changes.
2. Discussion of proposed portfolio changes.
3. Any ABAL that includes a forecasted portfolio TRC between 1.0 and 1.25 during the 2019-2022 ramp years should include:
	* An explanation of why the PA is not proposing a portfolio that meets a 1.25 TRC;
	* Why the PA is confident that it will meet the evaluated 1.0 TRC for that year; and
	* How the PA intends to lower costs or increase savings going forward.
4. Any ABAL that includes forecasted energy savings that are lower than Commission established annual savings goals should include:
	* Discussion or explanation of how the PA will ensure achievement of the overall savings goals, within the overall budget, during the business plan period (i.e., through 2025).

Finally, the July 3, 2020, Assigned Commissioner and Administrative Law Judges’ Amended Scoping Ruling Addressing Impacts of Covid-19 (Amended Scoping Ruling) required several additional factors to be taken into consideration for the filing of the 2021 ABAL. Specific direction was given regarding the following:

“This ruling also requires the filing of Annual Budget Advice Letters (ABALs) for program year 2021 on September 1, 2020, utilizing best-available estimates of energy savings, cost-effectiveness, and program budgets, while acknowledging that program administrators face a significantly changed landscape compared to several months ago.”[[9]](#footnote-10)

SDG&E supports the Commission’s stated intent that “the 2021 and 2022 ABALs will serve a narrower purpose.”[[10]](#footnote-11)

As noted in the Amended Scoping Ruling and in SDG&E’s ongoing communications with the Commission, the situation remains highly dynamic. All of the research, analysis, tools and experience available for our administration of this portfolio have informed the data and forecasts. We appreciate the Amended Scoping Ruling’s acknowledgement, stating “…the pandemic has led to an unprecedented reduction in the ability of energy efficiency implementers and contractors to deliver certain types of energy savings projects in the homes and businesses of California electricity and natural gas consumers. In addition, the pandemic and resulting economic impact has resulted in a decline in customer demand.”[[11]](#footnote-12)

This ABAL reflects SDG&E’s efforts to use *best-available estimates* at this specific point in time.

## Portfolio Program Budgets

SDG&E’s approved annual portfolio budget in D.18-05-041, reflected in Table 1, provides the authorized 2019 Rolling Portfolio budget as approved in D.15-01-023 and confirmed by D.18-05-041. Table 1 also includes the authorized Integrated Demand Side Management (IDSM) Demand Response (DR) budget.

### Table 1: Approved Rolling Portfolio Annual EE and DR Program Budgets ($000)



## A. 2021 Energy Efficiency Program Budgets

Table 2 shows the 2021 SDG&E business sector budgets.

### Table 2: SDG&E 2021 EE Program Budgets by Business Sector



Below are notes regarding Table 2.

1. SDG&E notes that program funding related to the Financial Pilots originally approved in D.13-09-044 that has not been fully expensed due to implementation delays is considered “committed” funding and will be carried over into 2021. In addition, these funds are not included in the 2021 EE Portfolio as directed by D.17-03-026[[12]](#footnote-13).
2. SDG&E's On-Bill Financing (OBF) Loan Pool is not included in the EE Portfolio budget. It is collected and tracked separately through its electric and gas OBF Balancing Accounts. SDG&E’s authorized budget for its OBF loan pool is of $26,003,565.

## B. 2021 Integrated Demand Side Management (IDSM) Programs and Budgets

Table 3 shows the specific programs and budgets associated with the 2021 Demand Response Program approved budget. These strategies are in response to directions provided by D.18‑05‑041.

### Table 3: SDG&E 2021 IDSM Program Budgets



## C. Revenue Requirements

SDG&E provides its estimated 2021 electric and gas proposed average rate changes and revenue requirement changes in Tables 4 and 5, respectively.

### Table 4: SDG&E Estimated Electric Rate impacts

TBD

### Table 5: SDG&E Estimated Natural Gas Rate impacts

TBD

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

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

**Table 6: 2021 EE Portfolio Energy Savings Goals & Targets**



Note: D.19-08-034 updated the “2020 and beyond” CPUC savings goals.

**Table 7: 2021 EE Portfolio Cost Effectiveness**

|  |  |  |  |
| --- | --- | --- | --- |
|  | TRC Ratio | PAC Ratio | RIM Ratio |
|  |  |  |  |
| Without Codes & Standards (C&S) | 1.26 | 1.47 | 0.51 |
| With Codes & Standards (C&S) | 2.16 | 6.41 | 0.62 |

SDG&E’s 2021 TRC and Program Administrator Cost (PAC) results reflect the following inputs:

1. 2021 avoided costs and greenhouse gas adder consistent with Resolution E-5077;
2. Excludes Emerging Technology, On-Bill Financing (OBF) revolving loan pool, and credit enhancements;
3. Excludes Market Effects (ME) based on D.19-08-034, which eliminated the 5% spillover for resource programs from the forecast;
4. Uses workpapers that are approved by staff as of July 17, 2020.
5. D.19-08-034 provides direction for forecasting for solicitations:

The IOUs shall align these Third Party program forecasts pending from solicitations as much as possible with the forecasting methods used for custom projects (in terms of measures and measure mix being “unknown” prior to a program year), as they develop PY 2021 Third party program savings forecasts.[[13]](#footnote-14)

* 1. For local Third Party program forecasts pending from solicitations, SDG&E used the same forecasting methods used for custom projects (in terms of measures and measure mix being “unknown” prior to a program year). SDG&E provided its expected net benefits for proposed programs in the Request for Proposal (RFPs). To achieve the same RFP net benefits in its forecast, SDG&E selected “representative” custom end use measures whose savings would provide the same net benefits. In most cases, a “Whole Building” measure savings provide the expected result. It is important to note that these selections are not necessarily what bidders are expected to propose. Rather, SDG&E expects that after Third Party programs are selected with their own proposed measures, the resulting portfolio of programs for the market sector will result in the expected net benefits. SDG&E also expects that the selected programs will perform at least if not better that SDG&E’s current program implementations. This is consistent with the Commission’s expectation that Third Party programs can bring on more innovative and cost effective programs.
	2. For statewide Third party programs, forecasted savings are based on the funding share method approved in the Joint IOUs Supplemental Advice Letter of the Shared Funding Mechanism Proposal submitted on November 15, 2018 and approved via CPUC staff disposition on April 9, 2019.[[14]](#footnote-15) SDG&E’s portfolio, consistent with the other IOUs, includes, at this time Statewide Codes & Standards programs, Statewide New Construction Non-Residential, Statewide New Construction, Residential, Statewide Lighting, Statewide Upstream HVAC, Statewide PLA, Statewide Institutional Partners: DGS and DoC, Statewide WE&T K12 Connections, Midstream Commercial Water Heating, Statewide WE&T Career and Workforce Readiness, Statewide Emerging Technology, Gas, and Statewide Food Service, POS.. The lead IOUs provided SDG&E with its expected share of savings for the programs based on the agreed upon budget contribution.
1. Includes estimated Energy Savings Performance Incentive payments of $XX million; and
2. Includes indirect labor loaders adopted in SDG&E’s 2019 GRC D.19-09-051.

## SDG&E Historical Cost Effectiveness Information

D.18-05-041 requires the claimed and evaluated TRC and PAC of each program and of each sector for the two most recent years for which data is available. There is no available data for prior years and evaluation activity commenced in late 2018; therefore this information is not available to be included in this ABAL. Claimed TRC and PAC for 2016 and 2017 are available on CEDARS. D.18-05-041 also requires a showing of forecasted, claimed and evaluated TRC and PAC at the portfolio going back to the beginning of the Rolling Portfolio (2016). SDG&E provides this information in Table 8 below.

**Table 8: SDG&E Historical Cost Effectiveness Data**

|  |
| --- |
| **SDG&E Energy Efficiency Portfolio**  |
|
| **Program Year** | **Portfolio-level Cost-Effectiveness (3)** |
|
| Forecast PAC ratio | Reported PAC ratio | Evaluated PAC ratio (2) | Forecast TRC ratio | Reported TRC ratio | Evaluated TRC ratio (1) |
|
| 2016 | 1.00 | 1.2516 | evaluation not available yet | 0.73 | 0.96 | evaluation not available yet |
| 2017 | 1.45 | 2.47 | 1.16 | 1.46 |
| 2018 | 1.43 | 2.28 | 1.09 | 1.4 |
| 2019 | 1.98 | NA | NA | 1.3 | NA | NA |
| 2020 | 1.49 | NA | NA | 1.26 | NA | NA |
| 2021\* |  1.47 |  NA | NA |  1.26 | NA | NA |
| All cost-effectiveness ratios should be for the energy efficiency portfolio. For the purpose of the 2019 ABAL, the TRC and PAC ratios of the energy efficiency (EE) portfolio are defined pursuant to Decision 12-11-015 (p.99), D.16-08-019 (pp. 30-31), and D.18-05-041 (Finding of Fact 19).\*The 2021 Forecasted TRC and PAC do not include Codes & Standards benefits. |
|
|

Notes regarding Table 8:

1. Source: *Energy Efficiency Portfolio Report*, California Public Utility Commission, May 2018, figures exclude Codes and Standards, p.20.
2. Source: *Portfolio Report*, California Public Utility Commission, May 2018, figures exclude Codes and Standards.
3. SDG&E includes its GRC overheads that are required by D.12-11-015 OP 39 in its Forecast and Reported cost effectiveness results. The cost effectiveness results do not include market effects.

## 2021 Portfolio Budget Caps and Targets

Table 9 provides a summary of SDG&E’s compliance with the caps and targets required by D.09-09-047.

**Table 9: 2021 EE Portfolio Budget and Budget Caps/Targets**

TBD

Below are notes regarding Table 9:

* 1. Total EE Budget for percentage basis calculation includes authorized EE budget, OBF Loan Pool and GRC loaders associated with EE FTEs.
	2. FTE loaders were adopted in SDG&E’s 2019 GRC D.19-09-051.
	3. ICP, Workman's Comp and PLPD Loaders follows labor, therefore are associated with the Admin, ME&O and DI Labor.
	4. Administrative budget does not include EM&V.
	5. EM&V is 4% of proposed EE Budget.
	6. Total EE budget does not include Statewide ME&O.
	7. The loan pool is part of the Incentives.

SDG&E 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.[[15]](#footnote-16)

# 2021 Portfolio and Business Sector Changes

SDG&E optimized its EE portfolio to the extent possible to meet the minimum cost effectiveness criteria and authorized budget level. The following are the general planning principles and portfolio changes:

1. SDG&E’s budget request for 2021 is less than the authorized annual budget and its 2020 budget request. This is primarily a result of program funding changes made to optimize the portfolio. See Portfolio Planning Process section below.

SDG&E has transitioned portions of its portfolio from SDG&E implementation to Third Party implementation. SDG&E is accomplishing this by continuing some SDG&E-implemented programs, consolidating some programs and/or reducing SDG&E-implemented program budgets with the anticipation of new Third Party programs that will be online in 2021.

1. SDG&E filed its Third Party Solicitation contracts for its Small Commercial, Large Commercial and Multifamily program advice letters on August xx, 2020. Add AL numbers.
2. SDG&E updated the measure savings assumptions based on Database for Energy Efficiency Resources (DEER) 2021 and all applicable deemed measure workpaper dispositions.
3. SDG&E removed certain measures due to low cost effectiveness or changes in Codes & Standards.
4. SDG&E updated incentive levels to address changes, e.g., changes in measure savings, measure costs, etc. SDG&E incorporated Commission guidance regarding determination of incentive levels and Pay for Performance options into the new Third Party contracts and will continue to incorporate in the solicitation process.[[16]](#footnote-17)
5. SDG&E will continue to focus on improving reporting measure costs to improve the accuracy of the TRC.
6. SDG&E will continue to investigate transitioning “custom/calculated” measures to “deemed” measures.
7. Two of SDG&E’s new Third Party programs will have a component using Normalized Metered Energy Consumption (NMEC) verification methodology.
8. SDG&E will continue its solicitations that began in the last quarter of 2018[[17]](#footnote-18) to meet the Commission’s requirement that 40 percent of each IOU PA’s portfolio must be under contract to a Third Party, as defined in D.16-08-019[[18]](#footnote-19), by December 31, 2020.[[19]](#footnote-20) In its forecast of upcoming Third Party programs, it is important to note that SDG&E assumes that the programs will be cost effective and will more than likely meet the net benefits thresholds that are identified in the solicitations, thus contributing to the cost effectiveness of SDG&E’s portfolio. SDG&E’s third party contracts for the multifamily, small and large commercial sectors include key performance indicators and metrics to drive vendor performance to support all portfolio savings goals. This is consistent with the Commission’s expectations as stated in D.19-08-034:

At the same time, and as noted in D.18-05-041, the IOUs are in a state of transitioning an increasing proportion of programs to Third Party implementers, among other changes to their portfolios. While it is yet to be seen whether new implementers or new programs will generate evaluated savings results that are comparable to their corresponding forecasts, we are more inclined at this time to assume that they will.[[20]](#footnote-21)

1. SDG&E classifies Independent Evaluator costs as part of the implementation costs. These costs are part of the program design wherein Third Party proposals for new program design are evaluated. Under the Commission’s definition, program design costs are considered direct implementation costs. The EE Policy Manual categorizes the following under direct implementation costs:
* Project management activities (i.e. Planning Scope of Work, working with contractors and customers, setting goals, reviewing goals, reacting to market conditions, and responding to customer inquiries (i.e. calls, emails, letters).
* Program planning, development and design.[[21]](#footnote-22)

The following discussion provides the major program changes under each of the program sectors.

## A. Residential Sector

### 1. Single Family Subsector

The new Third-party program for Single Family is targeted to have a contract signed by the 2nd quarter (Q2) of 2021.

Regarding SDG&E’s SW-CALS-Energy Advisor-HEES, UAT, with the recent approved workpaper for Home Energy Efficiency Survey (HEES), Universal Audit Tool (UAT) there are now savings that can be attributed to this program. SDG&E will use the current DEER approved workpaper (SWWB002-01)[[22]](#footnote-23) As a result of the approved workpaper, SDG&E has made the decision to move this from a Non-Resource Program to a Resource Program. Moving HEES, UAT to a Resource program will also add additional savings to the overall portfolio. additional savings to the overall portfolio.

SDG&E will continue its Plug Load and Appliances (PLA) program through Point-of-Sale only. SDG&E will be focusing on the more cost-effective measures in the program. Water heaters and pool pumps will continue to be offered for SDG&E’s customers. SDG&E has begun its solicitation for the Statewide PLA program that will replace SDG&E’s local PLA programs. SDG&E expects to contract for the new Statewide PLA program by the end of 2020.

### 2. Multifamily Programs

The new Third Party Multifamily program will be operational in 2021.

## B. Commercial Sector

The New Third Party Programs for the Small and Large Commercial Subsectors will be operational in 2021. SDG&E will discontinue its existing programs, Energy Efficiency Business Incentives, Energy Efficiency Business Rebates, Commercial Audit Programs and Business Energy Services program.

SDG&E will address Commission direction to incorporate IDSM strategies by making $4 million available to Third Party Implementers who implement IDSM these strategies.

## C. Industrial Sector

Program offerings for Industrial customers will continue as status quo for 2021. Per the solicitation schedule, SDG&E anticipates signing a contract for this market Q2 2022.

## D. Agricultural Sector

Program offerings for the customers will continue as status quo for 2021 to ensure customers in this sector continue to be served. Per the solicitation schedule, SDG&E anticipates signing a contract for this market Q2 2022.

## E. Public Sector

All Non-resource Local Government Partnership (LGP) and Institutional Partnership (IP) programs will close during 2021.

SDG&E’s Third Party Solicitation’s for the Public Sector will be finalized in 2021 for the Federal and K-12 sectors. Per the solicitation schedule, SDG&E anticipates signing a contract for the Local Government Partnerships solicitation by Q4 2021.

SDG&E will participate in the statewide procurement and deployment of the Energy Atlas as directed by D.18-05-041, OP 32. This solicitation is administered by Southern California Edison Company.

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

SDG&E will continue to manage the Integrated Energy Education & Training program components of WE&T, including Technical Upskill and the newly developed Core Energy Education program, through collaboration with local organizations that support different aspects of the program. In addition, minimal staff will continue to support the statewide efforts of Career Connections and Career & Workforce Readiness programs.

The SW Connections program is not anticipated to launch until May 2021.  SDG&E will continue the current Career Connections program for 2020 and for the first part of 2021. SDG&E will require a minimal amount of funding to continue Career Connections for the first half of the year in 2021.  Once the statewide program for Connections is ready to launch later in 2021, the local program of Career Connections will close.

## G. Financing Programs

### 1. On-Bill Financing Program (OBF)

###

OBF is a local program run by SDG&E.  In 2021, SDG&E will continue to increase program awareness with Third Party implementers and make OBF available to qualified program participants.

### 2. Statewide Financing Pilots

These Financing Pilots remain within the 2013-2014 EE program cycle. These pilots are budgeted and tracked accordingly and therefore no 2021 budget allocation for these pilots is required at this time. These pilots will be promoted within SDG&E’s portfolio and with new Third Party implementers as applicable.

## H. Integrated Demand Side Management (IDSM) Programs

SDG&E’s IDSM program is funded through the IDSM Demand Response and EE portfolio. SDG&E’s approved IDSM DR budget is $6.294 million. D.18-05-041 requires the following for IDSM EE+DR efforts:[[23]](#footnote-24)

* For the residential sector, the energy efficiency and demand response integration efforts should be focused, initially, on HVAC technologies and facilitating automatic response to new time-varying rates, possibly involving customer education on the rates and thermostats. Each IOU shall budget a minimum of $1,000,000 annually from its IDSM budget, to test and deploy such strategies in the residential sector.
* For the non-residential sector, including small commercial customers, the energy efficiency and demand response integration efforts should be focused initially on HVAC and lighting controls. For non-residential customers, the programs must validate that, if IDSM funds are used to facilitate integration of demand response capabilities into energy efficiency efforts already occurring, the customer is enrolled in a demand response program (e.g., dispatchable capacity program or, for bundled customers, an event-based rate or real-time pricing), for at least one year after the installation of the technology at the customer site, and up to 36 months if a large, deemed, or calculated incentive is involved. At least $20 million annually in IDSM funds shall be divided among the IOU PAs on the basis of load share to test and deploy solutions in non-residential HVAC and lighting controls.
* Ensure participating customers are enrolled in a DR program.

These IDSM requirements will be incorporated within the Residential and Commercial sectors and are included in the third-party contracts for 2021.

Integrated energy efficiency and demand response outreach and education activities funded by IDSM and supported by SDG&E’s local Outreach Teams will continue in 2021 through community events, presentations, workshops, and energy solutions partnerships with local community organizations. In addition to these activities, outreach and education will also be provided in support of the Commission requirements for IDSM.

SDG&E will also continue its IDSM residential behavior program and Nonresidential Audit programs that identify both EE and DR opportunities.

## I. SDG&E Status of Statewide Programs

SDG&E will bring online two new Statewide Programs in 2021, for which SDG&E is the lead utility. Statewide Upstream HVAC for Commercial and Residential and Statewide Plug Load and Appliance will both launch in 2021. In addition, SDG&E will continue to implement the current Statewide programs until replacements are launched and existing programs can be closed.

## J. 2020 Program Closures

Table 10 summarizes the programs that will close at the end of 2020.

**Table 10: 2020 Program Closures**

| **Program Code** | **Program** | **Sector** | **Brief Description of Rationale** |
| --- | --- | --- | --- |
|  |  |  |  |
| SDGE3203 | SW-CALS-Plug Load and Appliances-HEER | Residential | This program is currently non-cost effective. It currently runs the Marketplace for SDG&E and this will be shut down at the end of the contract 12/31/2020. |
| SDGE3207 | SW-CALS-MFEER | Residential | With the launch of the new Third Party program to serve the Multifamily Sector, this program will be closed by the end of 2020. |
| SDGE3209 | SW-CALS - EUC WHRP - Advanced | Residential | This non-resource program will sunset at the end of 2020 with the launch of the new Third Party program that will be serving the Single Family sector. |
| SDGE3249 | SW C&S - Building Codes & Compliance Advocacy | Codes & Standards | This program will be closed due to the new SW program coming online. |
| SDGE3250 | SW C&S - Appliance Standards Advocacy | Codes & Standards | This program will be closed due to the new SW program coming online |
| SDGE3271 | LInstP-San Diego County Water Authority Partnership | Partnerships | The contract for this program ends 12/31/2020. The program will close in anticipation of the new Third Party solicitation for the public sector. |
| SDGE3277 | LGP- SEEC Partnership | Partnerships | The contract for this program ends 12/31/2020. The program will close in anticipation of the new Third Party solicitation for the public sector. |
| SDGE3279 | 3P-Res-Comprehensive Manufactured-Mobile Home | Residential | With the new Third Party program coming online to serve the Multifamily Sector, this program will be closed. |
| SDGE3282 | SW-IDSM-IDSM | Non-Resource | With the new Third Party programs coming online, this program will sunset and funding will be transferred to the new Third-Party programs. |
| SDGE4061 | Facility Assessment Services | Commercial | Program will close as a result of two new Third Party programs that will begin servicing the Commercial sector |

# Solicitations Outlook for 2020-2021

On October 11, 2019, SDG&E requested an extension of time to comply with D.18-05-041’s requirement that “[a]ll utility program administrators shall have at least 25 percent of their 2020 program year forecast budges under contract for programs designed and implemented by third parties by no later than December 19, 2019.”[[24]](#footnote-25) On November 25, 2019, Alice Stebbins, Executive Director of the CPUC, sent a letter to SDG&E, SoCalGas, and PG&E, approving SDG&E’s request for an extension of the December 19, 2019 to June 30, 2020, to have contracts signed for its Small Commercial Programs, Large Commercial Programs, and Multifamily Programs. SDG&E has met D.18-05-041’s requirement. The respective third party implementers will begin ramping up implementation once the contracts are approved.

Additionally, SDG&E is on track to meet D.18-05-041’s requirement that the IOUs must have at least 40 percent of their EE portfolios under contract for programs designed and implemented by third parties by December 31, 2020.

## A. SDG&E Local Solicitations

SDG&E has successfully completed the solicitations for the following sectors in 2020:

* Small Commercial Sector
* Large Commercial Sector
* Multifamily Sector

SDG&E and three new implementers have executed the associated contracts for new Third Party programs in time to meet the June 30, 2020 compliance requirements. An advice letter for each contract and associated program was filed by August 2020, with approval anticipated within 60-90 days of submittal. Upon approval of the advice letters, the development and uploading of the Implementation Plans will take place within 60 days thereafter. SDG&E will ramp down its corresponding programs as Third Party programs begin ramp up. See Portfolio Planning Process for details on implementation.

Solicitations for the statewide programs and the other sectors remain on track. The most recent SDG&E solicitation schedule is available on SDG&E’s EE Third Party Solicitation webpage.[[25]](#footnote-26)

## B. Statewide Solicitations

The statewide funding methodology was approved through AL 3268-E-A/2701-G-A. It allows for the utilities to update the statewide budgets for the statewide programs approved in D.18-05-041. The final statewide budgets and funding allocations by utilities are presented in Attachment A. The following statewide programs are expected to be in place for 2021 and SDG&E has included its share of the 2021 forecasted budget in its 2021 budget.

**Table 11: Statewide Programs Launching in 2021**

|  |  |
| --- | --- |
| **Statewide Program** | **Expected or Actual Launch Date** |
| Upstream HVAC (Comm & Res) | January 2021 |
| Residential New Construction | February 2021 |
| Nonresidential New Construction | February 2021 |
| Food Service Point-of-Sale | April 2021 |
| Midstream Commercial Water Heating | April 2021 |
| Plug Load & Appliance | April 2021 |
| WE&T Career and Workforce Readiness | May 2021 |
| WE&T K-12 Connections | May 2021 |
| Upstream Lighting | May 2021 |
| Emerging Technologies – Gas | July 2021 |
| Institutional Partnerships: DGS & DoC | August 2021 |

## C. Solicitation Transition Plan

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For each solicitation, SDG&E will ramp down programs that are currently serving the individual sector that the new third party solicitation will be serving. SDG&E will conduct ramp down activities for these programs while simultaneously conduct ramp up activities to bring the new third party programs online.

In addition to its administration and oversight roles, SDG&E plans to continue using utility staff personnel to ensure a successful delivery for these third party solicitations. SDG&E delivery functions and Direct Implementation Costs for these solicitations include, but are not limited to the following:

* Engineering
* Workpaper development and submittals
* Workpaper review and updates
* Measure changes
* Custom project reviews and submittals
* Data request responses
* Response to Recommendation activities
* Cal TF and DEER support
* Evaluation, Measurement and Verification (EM&V)
* Program and project evaluation activities
* Ex-post reviews
* Impact evaluations
* System Support
* System configuration, testing, and maintenance
* Marketing
* Co-branding activities
* Marketing and communications support

# Portfolio Planning process

As noted above, SDG&E signed contracts with third party implementers for three of its programs (Small Commercial, Large Commercial, and Multifamily) and filed corresponding advice letters on August XXX add AL numbers. By end of Q4 2020, SDG&E intends to sign at least two additional contracts with third party implementers to fulfill D.18-05-041’s requirement that the IOUs must have at least 40 percent of their EE portfolios under contract for programs designed and implemented by third parties by December 31, 2020.

SDG&E provided the various assumptions it used for its 2021 forecast in the section “2021 PORTFOLIO AND BUSINESS SECTOR CHANGES” above. The following illustration summarizes the various planning steps SDG&E undertook to develop its proposed 2020 portfolio.



## A. Major Changes for the 2021 Portfolio

Table 12 below summarizes the major changes to SDG&E’s EE portfolio compared to its 2020 EE portfolio and identifies the impacts of these changes to the portfolio.

**Table 12: Major Portfolio Changes**

| **2021 Change** | **Portfolio Impact(+ or -)** | **Rationale** |
| --- | --- | --- |
| New Third-Party Programs | Positive ++ | Newly contracted third-party local programs set to ramp up in Q4 2020 and third-party local and statewide programs in active solicitations phase are expected and budgeted to deliver a large portion of the portfolio net benefits, resulting from innovative program design and consolidation of customer sectors. |
| Ramp Down of low TRC programs  | Positive + | These programs historically had very low TRC's. Although their overall net impact was minimal, their removal is a positive net benefit |
| Reduction of non cost effective measures | Positive + | A majority of non-cost effective measures were removed from existing programs. |

However, as noted earlier, SDG&E acknowledges that there may be continuing impacts from the Covid-19 pandemic into 2021 as stated in the Amended Scoping Ruling. SDG&E will continue to work with the Commission, its contractors and the new Third Party Program Implementers to monitor market conditions and address impacts on program participation.

# 2019 Metrics Results

SDG&E submitted its 2019 metric results with its 2019 Energy Efficiency Annual Report in Attachment D available on EEStats.gov and can also be found in Table 17 of Attachment A accompanying this AL. For more details, see SDG&E’s updated report on its 2016-2019 metric results at <https://www.sdge.com/rates-and-regulations/regulatory-filing/914/energy-efficiency-filings>.

As directed in D.18-10-008, SDG&E has proposed a portfolio-level indicator for Third Party programs for disadvantaged worker training and participation.[[26]](#footnote-27) SDG&E has included the applicable modifiable and non-modifiable terms and conditions included in D.18-10-008 for its future Third Party contracts. Under these terms and conditions, Third Party implementers are required to report data on participation of disadvantaged workers in their EE programs and participation of disadvantaged workers in training or apprenticeship programs the Third Party may be partnering with. Additionally, each new program will require an Implementation Plan, as initially adopted initially adopted in D.15-10-028 which will describe in detail how the program will provide disadvantaged workers with improved access to career opportunities in the energy efficiency industry. The plan will also describe the method that will be used for tracking this population in order to satisfy SDG&E’s metric reporting requirements.

Some SDG&E Third Party programs will start in 2021, thus, reporting of these indicators will likely begin with the PY 2021 EE Annual Report (to be filed May 1, 2022), following the first full year of Third Party programs.

**2021 Metrics Changes**

TBD

**EM&V Budget Changes**

TBD

## EFFECTIVE DATE

This filing is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B and D.15-10-028 OP4. SDG&E respectfully requests that this filing become effective on January 1, 2022, which is more than 30 days from the date filed.

In the event that this advice letter is not approved in time for January 1, 2022 implementation, D.15-10-028 OP 5 provides for 2020 program continuation until such time as the advice letter is approved.

## PROTEST

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received no later than September 21, 2020 which is 20 days of the date this Advice Letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division

Attention: Tariff Unit

505 Van Ness Avenue

San Francisco, CA 94102

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

Attn: Gregory Anderson

Regulatory Tariff Manager

E-mail: GAnderson@sdge.com

**NOTICE**

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

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CLAY FABER

Director – Regulatory Affairs

1. Application 17-01-014. [↑](#footnote-ref-2)
2. R.13-11-005. [↑](#footnote-ref-3)
3. CEDARS is available at <https://cedars.sound-data.com/>. [↑](#footnote-ref-4)
4. D.18-05-041, p. 71. [↑](#footnote-ref-5)
5. *Id*., pp. 135-137. [↑](#footnote-ref-6)
6. Id., pp. 133. [↑](#footnote-ref-7)
7. *Id*., OP 45, p. 192. [↑](#footnote-ref-8)
8. *Id*., pp. 128-129. [↑](#footnote-ref-9)
9. July 3, 2020, Assigned Commissioner and Administrative Law Judges’ Amended Scoping Ruling Addressing Impacts of Covid-19 (Amended Scoping Ruling), p. 1. [↑](#footnote-ref-10)
10. *Id*. at 9. [↑](#footnote-ref-11)
11. *Id*. at 3. [↑](#footnote-ref-12)
12. R.13-11-005. [↑](#footnote-ref-13)
13. D.19-08-034, p. 30. [↑](#footnote-ref-14)
14. 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). [↑](#footnote-ref-15)
15. See http://eestats.cpuc.ca.gov/Views/Documents.aspx. [↑](#footnote-ref-16)
16. D.18-05-041, p. 18. [↑](#footnote-ref-17)
17. Refer to most current solicitation schedule available at <https://www.sdge.com/documents/consolidated-iou-solicitation-timeline>. [↑](#footnote-ref-18)
18. D. 16-08-019 at OP 10. [↑](#footnote-ref-19)
19. D.18-05-041, pp. 92-93. [↑](#footnote-ref-20)
20. D.19-08-034, p. 14. [↑](#footnote-ref-21)
21. Energy Efficiency Policy Manual Version 6, April 2020, Appendix C: Cost Categories and Related Cap and Targets. [↑](#footnote-ref-22)
22. Available at <http://deeresources.net/workpapers> [↑](#footnote-ref-23)
23. D.18-05-041, pp. 36-37. [↑](#footnote-ref-24)
24. D.18-05-041, OP4. [↑](#footnote-ref-25)
25. Available at [https://www.sdge.com/more-information/doing-business-with-us/energy-efficiency-Third Party-solicitations](https://www.sdge.com/more-information/doing-business-with-us/energy-efficiency-third-party-solicitations). [↑](#footnote-ref-26)
26. D.18-10-008 OP 34. [↑](#footnote-ref-27)