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September 4, 2018

ADVICE LETTER 3267-E/2700-G
(San Diego Gas & Electric Company - U902 M)

Public Utilities Commission of the State of California

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

San Diego Gas & Electric (SDG&E) hereby submits its 2019 annual energy efficiency (EE) program and portfolio budget advice letter (ABAL) as directed by the California Public Utilities Commission (Commission) Decisions (D.)15-10-028¹ and D.18-05-041². 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

SDG&E makes available all Excel appendices 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 OIR13-11-005.

² Application 17-01-014.

³ CEDARS is available at <https://cedars.sound-data.com/>.

1. Cost Effectiveness: The forecasted TRC during the “ramp” or transition years (i.e., 2018 – 2022) should meet or exceed a TRC of 1.00.⁴ If the forecasted TRC does not meet or exceed 1.25, the Program Administrator (PA) must submit to an additional process.⁵
2. Savings Goals: The portfolio must meet or exceed Commission adopted net goals as adopted in D.17-09-025.
3. Proposed Budget: The forecasted annual funding levels must not exceed the overall funding amount in the PA’s 2018-2025 business plan.⁶

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:⁷

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).

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 (IDSMS) Demand Response (DR) budget.

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

Category	Electric Demand Response Funds	Electric Energy Efficiency Funds	Natural Gas Public Purpose Funds	Total Energy Efficiency Funds
Programs Funds	\$4,504	\$100,618	\$11,180	\$111,798
EM&V	N/A	\$4,192	\$466	\$4,658
Total	\$4,504	\$104,810	\$11,646	\$116,456

⁴ D.18-05-041, p. 71.

⁵ *Id.*, pp. 135-137.

⁶ *Id.*, OP 45, p. 192.

⁷ *Id.*, pp. 128-129.

A. 2019 Energy Efficiency Program Budgets

Table 2 shows the 2019 SDG&E business sector budgets.

Table 2: SDG&E 2018 EE Program Budgets by Business Sector

Business Sector	2019 Budget
Residential	\$ 27,001,085
Commercial	\$ 48,886,859
Industrial	\$ 3,924,816
Agriculture	\$ 1,263,505
Emerging Tech	\$ 1,385,957
Public	\$ 13,002,270
WE&T	\$ 4,953,780
Codes and Standards	\$ 1,212,616
Finance ¹	\$ 376,716
OBF Loan Pool ²	\$ -
IOU Subtotal	\$ 102,007,605
IOU EM&V	\$ 4,658,311
IOU PY Spending Budget Request	\$ 106,665,916
(LESS) IOU Uncommitted and Unspent Carryover Balance	\$ -
IOU PY Budget Recovery Request³	\$ 106,665,916

Notes:

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 2019. In addition, these funds are not included in the 2019 EE Portfolio as directed by D.17-03-026⁸.

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. 2019 Integrated Demand Side Management (IDSM) Programs and Budgets

Table 3 shows the specific programs and budgets associated with the 2019 Demand Response Program approved budget. These strategies are in response to directions provided by D.18-05-041.

⁸ OIR13-11-005.

Table 3: SDG&E 2019 IDSM Program Budgets—table needs to be validated

Funding Source	Market Sector	Program Code	Program	Total Budget
DR	Commercial	4052	IDSM -DR - Commercial ME&O	\$428,921
DR	Commercial	4056	IDSM -DR - Commercial	\$2,135,880
DR	Commercial	4058	IDSM -DR - Commercial Nonres Audits	\$850,000
DR	Residential	4051	IDSM -DR - Residential ME&O	\$428,921
DR	Residential	4054	IDSM -DR - Residential	\$392,664
DR	Residential	4057	IDSM -DR - Residential Behavior	\$500,000
Subtotal DR				\$4,736,386
EE	Commercial	4055	IDSM -EE - Commercial	\$2,101,329
EE	Residential	4030	PLA - IDSM Components	\$709,662
EE	Residential	4040	IDSM Local Residential Behavioral Program (EE)	\$4,701,081
Subtotal EE				\$7,512,072
Total IDSM (DR + EE)				\$12,248,458

C. Revenue Requirements

SDG&E provides its estimated 2019 electric and gas proposed average rate changes and revenue requirement changes Table 2a and 2b, respectively.

Table 4: SDG&E Estimated Electric Rate impacts

Customer Classes	2019 Proposed Electric Average Rate Change \$/kwh	2019 Proposed Percentage Change In Electric Revenue and Rates
<u>System</u>		
Residential	-0.00077	-0.28%
Commercial - Small	-0.00059	-0.22%
Commercial - Medium & Large	-0.00048	-0.22%
Streetlights	-0.00011	-0.05%
Agricultural	-0.00043	-0.22%
Industrial		

Table 5: SDG&E Estimated Natural Gas Rate impacts

Customer Classes	2019 Proposed Gas Average Rate Change \$/therm	2019 Proposed Percentage Change In Gas Revenue and Rates
Residential	\$ (0.00107)	-1.6%
Core Commercial/Industrial	\$ (0.00423)	-7.1%
Non-Core Commercial/Industrial	\$ (0.00417)	-8.1%

The final gas and electric EE revenue requirements will be incorporated in SDG&E's annual Electric and Public Purpose Programs Rates advice letter and the Public Purpose Program Gas Surcharge Rates advice letter, which will be filed in the last quarter of 2018.

SDG&E REQUESTED PORTFOLIO ENERGY SAVINGS GOALS AND COST EFFECTIVENESS

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

Table 4: 2019 EE Portfolio Energy Savings Goals & Targets

Sector	PA forecast kWh	PA forecast kW	PA forecast therms (MM)
Residential	113,825,059	21,499	0.6
Commercial	139,455,025	22,900	2.6
Industrial	15,232,839	1,102	0.5
Agriculture	1,957,848	169	0.1
Emerging Tech	na	na	na
Public	19,234,109	2,521	0.6
WE&T	na	na	na
Finance	na	na	na
OBF Loan Pool	na	na	na
IOU Subtotal	289,704,880	48,190	4.4
ESA Savings	8,692,142	4,152	0
IOU Total Program Savings (w/out C&S)	298,397,022	52,342	4.5
	76,000,000	1,900	2.0
	381%	2536%	221%
Codes and Standards	154,419,223	35,296	1.9

Table 5: 2019 EE Portfolio Cost Effectiveness

	TRC Ratio	PAC Ratio
Without Codes & Standards (C&S)	1.30	1.98
With Codes & Standards (C&S)	1.34	3.33

SDG&E's 2019 TRC and PAC results reflect the following inputs:

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

SDG&E's 2019 portfolio forecast meets the Commission's threshold of a TRC greater than 1.25 and therefore does not include any discussion on the following:

- 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.

SDG&E provides its 2018 through 2025 energy savings forecast (kWh, kW, and Therms) in Appendix B.

SDG&E Historical Cost Effectiveness Information

D.18-05-041 requires claimed and evaluated TRC and Program Administrator Cost (PAC) of each program and of each sector for the two most recent years for which data is available. As evaluation activity did not occur in 2016 and 2017 and evaluations are expected to commence in late 2018, this information is not available to be include in this advice letter. 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 6 below.

Table 6: 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)
2013	1.10	1.34	1.12	0.88	0.99	1.07
2014	1.34	1.47		1.07	0.95	0.83
2015	1.15	0.99		0.98	0.67	0.65
2016	1.00	1.16	evaluation not available yet	0.73	0.92	evaluation not available yet
2017	1.34	2.32		1.16	1.42	
2018	1.33			1.05		

All cost-effectiveness ratios should be for the energy efficiency portfolio. For the purpose of the 2019 ABAL, the Total Resource Cost (TRC) and Program Administrator Cost (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).

Notes:

- (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.

SDG&E'S 2019-2025 BUDGET TRUE-UP

In the following table, SDG&E provides its current 2019-2025 EE budget true-up as required in D.18-05-041.⁹ These budgets are estimates and based on current information.

⁹ D.18-05-041, p. 125.

Table 7: 2019-2025 Budget True-Up

Sector	Annual Rolling Portfolio Budget Forecast - True-up								
	2018	2019	2020	2021	2022	2023	2024	2025	Total
Residential	\$33,517,719	\$27,001,085	\$29,693,583	\$28,877,406	\$28,167,746	\$27,368,830	\$27,368,830	\$27,368,830	\$229,364,032
Commercial	\$48,405,053	\$48,886,859	\$55,626,635	\$56,111,115	\$56,532,368	\$54,928,951	\$54,928,951	\$54,928,951	\$430,348,883
Industrial	\$4,475,303	\$3,924,816	\$4,647,382	\$4,704,388	\$4,753,954	\$4,619,119	\$4,619,119	\$4,619,119	\$36,363,200
Agriculture	\$1,309,578	\$1,263,505	\$1,420,645	\$1,425,395	\$1,429,526	\$1,388,981	\$1,388,981	\$1,388,981	\$11,015,592
Emerging Tech	\$1,339,197	\$1,385,957	\$1,568,500	\$1,587,739	\$1,604,468	\$1,558,961	\$1,558,961	\$1,558,961	\$12,162,743
Public	\$16,276,687	\$13,002,270	\$14,699,823	\$14,859,692	\$14,998,697	\$14,573,292	\$14,573,292	\$14,573,292	\$117,557,046
Codes and Standards	\$1,143,878	\$1,212,616	\$1,372,328	\$1,389,162	\$1,403,798	\$1,363,983	\$1,363,983	\$1,363,983	\$10,613,731
WE&T	\$4,943,386	\$4,953,780	\$5,606,237	\$5,675,004	\$5,734,797	\$5,572,143	\$5,572,143	\$5,572,143	\$43,629,632
Finance	\$387,198	\$376,716	\$426,333	\$431,563	\$436,110	\$423,740	\$423,740	\$423,740	\$3,329,141
OBF Loan Pool	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal	\$111,798,000	\$102,007,605	\$115,061,465	\$115,061,465	\$115,061,465	\$111,798,000	\$111,798,000	\$111,798,000	\$894,384,000
IOU EM&V	\$4,658,311	\$4,658,311	\$4,658,311	\$4,658,311	\$4,658,311	\$4,658,311	\$4,658,311	\$4,658,311	\$37,266,488
CCA Programs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
REN Programs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Portfolio Program Year PA Budget	\$116,456,311	\$106,665,916	\$119,719,776	\$119,719,776	\$119,719,776	\$116,456,311	\$116,456,311	\$116,456,311	\$931,650,488
Total Authorized Portfolio PY Budget Cap	\$116,456,311	\$116,456,311	\$116,456,311	\$116,456,311	\$116,456,311	\$116,456,311	\$116,456,311	\$116,456,311	\$931,650,487
IOU Portfolio PY Budget Request	\$116,456,311	\$106,665,916	\$119,719,776	\$119,719,776	\$119,719,776	\$116,456,311	\$116,456,311	\$116,456,311	\$931,650,488
IOU Authorized PY Budget Cap	\$116,456,311	\$106,665,916	\$119,719,776	\$119,719,776	\$119,719,776	\$116,456,311	\$116,456,311	\$116,456,311	\$931,650,488
Forecast Portfolio PY TRC - w/out C&S (through 2022)	1.09	1.29	1.35	1.33	1.32	1.25+	1.25+	1.25+	
Forecast Portfolio PY PAC - w/out C&S (through 2022)	1.42	1.98	1.83	1.78	1.76	1.25+	1.25+	1.25+	

SDG&E expects that as new contracts resulting from the next three years of solicitations are executed, SDG&E will update its budgets in future ABALs which will include budget true-ups. SDG&E also notes that it has the flexibility to adjust its annual budgets (subject to approval in subsequent annual EE budget advice letters) as long as it does not exceed the total portfolio approved portfolio cycle (2018-2025) budget consistent with D.18-05-041 OP 45, which states:

If a program administrator revises its annual funding levels in annual budget advice letters after September 4, 2018, the overall funding amount must not exceed the overall funding amount in that program administrator's 2018-2025 business plan (as modified in this decision) for the corresponding timeframe (the year for which the program administrator requests budget authorization, through 2025).

2019 PORTFOLIO BUDGET CAPS AND TARGETS

Table 8 provides a summary of SDG&E's compliance with the caps and targets required by D.09-09-047.

Table 8: 2019 EE Portfolio Budget and Budget Caps/Targets

	Admin	ME&O	Direct Implementation	Incentives	EM&V	Total EE Budget
	\$ 6,295,584	\$ 2,219,092	\$ 42,398,492	\$ 51,094,436	\$ 4,658,311	\$ 106,665,916
	GRC Admin Loaders	GRC ME&O Loaders	GRC DI Loaders	Total (EE + GRC)	OBF Loan Pool	Total Funds
	\$ 2,812,618	\$ 94,617	\$ 1,104,640	\$ 110,677,791	\$ 26,003,565	\$ 136,681,356
	%Admin	%MEO	%DI	%Incentives	EM&V %	
2019 September ABAL (with Loan Pool)	6.7%	1.7%	31.8%	56.4%	3.4%	100.0%
2019 September ABAL (without Loan Pool)	8.2%	2.1%	39.3%	46.2%	4.2%	100.0%
Caps/Targets	10%	6%	20%	60%	4%	100.0%

Notes:

- (1) Total 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 2016 GRC D.16-06-054
- (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 authorized 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.¹⁰

2019 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 Portfolio changes:

1. SDG&E's Budget request for 2019 is less than the authorized annual budget. This is primarily a result of program funding changes made to optimize the portfolio.
2. SDG&E is transitioning to focusing on addressing customer needs holistically by reducing what was originally referred to as "programs" through consolidation of programs, introduction of new program strategies, and closing of underperforming programs within each business sector. SDG&E will begin tracking and reporting at the Business Sector and Subsector levels. New program IDs will be assigned to enable tracking at this new level. Appendix C contains the program mapping from 2018 programs to 2019. In addition, Appendix C provides the Resource/Non-resource program designations.
3. SDG&E updated the measure savings assumptions based on DEER 2019, and all applicable deemed measure work paper dispositions.
4. SDG&E removed measures due to low cost effectiveness, changes in Codes & Standards, Lighting Dispositions, or lack of customer demand. For example, SDG&E has removed the current HVAC Constant Air Volume (CAV) to Variable Air Volume (VAV) measure from its forecast. However, SDG&E will accept projects with this measure provided that the project/measure is cost effective under the custom measure category.
5. SDG&E updated incentive levels to address changes, e.g., changes in measure savings, measure costs, etc. SDG&E will incorporate Commission guidance regarding determination of incentive levels and Pay for Performance options into the solicitation process.¹¹
6. SDG&E will focus on improving reporting measure costs to improve the accuracy of the TRC.
7. SDG&E will continue to investigate transitioning "custom/calculated" measures to "deemed" measures.

¹⁰ See <http://eestats.cpuc.ca.gov/Views/Documents.aspx>.

¹¹ D.18-05-041, p. 18.

8. SDG&E will increase focus on the application of the Normalized Metered Energy Consumption (NMEC) verification methodology to improve reported savings.
9. SDG&E will continue its solicitations that will begin in the last quarter of 2018¹² to meet the Commission's requirement that 25 percent of each IOU PA's 2020 annual forecasted budget must be under contract to a third-party by the definition in D.16-08-019 by December 31, 2019.¹³
10. 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 implementation costs. The EE Policy Manual categorizes the following under 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.¹⁴

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

A. Residential Sector

1. Single Family Subsector

a. Home Upgrade Program (HUP)

SDG&E is streamlining this offering to improve HUP cost effectiveness. This includes discontinuing the Basic HUP path to eliminate offering duplicate measures. SDG&E will reclassify the Advanced HUP path from a resource to non-resource program. This will allow continued program offerings to customers while SDG&E investigates methods to improve reporting of measure cost. These efforts contribute to improving the portfolio cost effectiveness. SDG&E expects a more cost effective solution through its upcoming solicitation for this sector. The program offering will continue through PY 2019 or until budget is exhausted. An RFA for this market is scheduled for Q1 of 2019 with a new program launching expected by Q2 of 2020.

b. HVAC- Res Installation & Maintenance Program

The design for this strategy has been updated to include scaling up installation of existing measures and adding new measures (e.g. Smart Thermostats). To meet the new design, the budget was increased for this program with the goal of increasing cost effectiveness.

c. Upstream Lighting

SDG&E has incorporated its Primary Lighting offering under its Single-Family Subsector. The primary savings from this program comes from the residential sector and therefore it will be

¹² Refer to most current solicitation schedule available at <https://www.sdge.com/documents/consolidated-iou-solicitation-timeline>.

¹³ D.18-05-041, pp. 92-93.

¹⁴ *Energy Efficiency Policy Manual Version 5*, July 2013, p. 91.

tracked and managed through this subsector. Although SDG&E continues to see cost effective savings benefits from these measures, it has reduced its offerings over the last two years and is focused on specialty LED lighting measures to address increased today's market penetration of LEDs. SDG&E's program forecasted quantities have been reduced by approximately 20-30% from 2017 to 2018 and are forecasted to be additionally reduced by approximately 20% from 2018 to 2019. SDG&E is reducing its 2018 lighting budget by approximately 60% for 2019.

d. Support for Marketplace

SDG&E will continue to support its Marketplace through EE as directed by the Commission in Resolution E-4820, OP 1b, which states:

Pacific Gas and Electric and San Diego Gas & Electric shall update the energy technology marketplaces on their websites to include all required measures listed in the draft Resolution that are relevant to Assembly Bill 793 by the Fourth Quarter of 2017. In addition, Southern California Edison and Southern California Gas shall create energy technology marketplaces on their websites that include Assembly Bill 793-relevant technologies by the Fourth Quarter of 2017.

2. Multi Family Subsector

SDG&E will consolidate its Multi-Family Energy Efficiency Rebates (MFEER), MF-HOPPS, MF-Energy Upgrade California (MF-EUC), and the Comprehensive Mobile Home Program (CMHP) into one program offering to improve customer interfacing and gain cost efficiencies in program management. The 2018 combined budget for these four programs is approximately \$10.6 million. The combined forecasted budget for 2019 is approximately \$4.6 million (47% reduction).

The current cost effectiveness of this program is below a 1.0 TRC. Therefore, to improve cost effectiveness, SDG&E will explore a custom calculated approach instead of using deemed savings. This will extend the HOPPs treatment that allows for savings determination using existing baseline while using the NMEC approach for verifying savings.

SDG&E will also explore partnerships with its local water agencies to co-fund measures with water savings opportunities.

Program offerings will continue through PY 2019 or until budget is exhausted. An RFA for this market is scheduled for Q2 of 2019 with a new program launching around Q3 of 2020.

B. Commercial Sector

SDG&E has realigned its Commercial Sector forecast to remove Public Sector customers and savings opportunities (approximately 25% reduction) and transferring these customers to the Public Sector offerings.

SDG&E will continue to provide EE opportunities to its Commercial Port tenants in support of the San Diego Unified Port District's Energy Management Plan, developed with SDG&E under the authorization of Assembly Bill 628, and as articulated in SDG&E's A.17-09-005.

In response to a recent Commission Staff Disposition regarding Energy Pro, the current program tool used to estimate savings, SDG&E has adjusted its Commercial New Construction savings downward to reflect future adjustments for modelling updates.

1. Large Commercial Subsector

Program offerings for large commercial customers will continue as status quo for 2019. Per the solicitation schedule SDG&E anticipates signing a new third-party implementer contract for this market by the end of 2019.

2. Small Commercial Subsector

Lighting remains a dominant end-use for this subsector, although lighting measures are experiencing reduced savings due to updates to lighting Codes and Standards. SDG&E is reintroducing certain measures (e.g., Energy Management software, vending machine controllers, etc.) to improve portfolio cost effectiveness. With the exception for inclusion of strategies to integrate IDSM as required by the Commission, program offerings for small commercial customers will continue as status quo for 2019.

SDG&E will address Commission direction to incorporate IDSM strategies by adding \$4 million. The additional funding will not result in any immediate savings benefits, thus resulting in a TRC below 1.0 for this subsector.

Per the solicitation schedule, SDG&E anticipates signing a contract with an implementer for this market at the end of 2019 and will start spending against this contract in 2020.

C. Industrial Sector

SDG&E will continue to provide EE opportunities to its Industrial Port tenants in support of the San Diego Unified Port District's Energy Management Plan, developed with SDG&E under the authorization of Assembly Bill 628, and as articulated in SDG&E's A.17-09-005.

Program offerings for Industrial customers will continue as status quo for 2019. Per the solicitation schedule SDG&E anticipates signing a contract for this market in the middle of 2021.

D. Agricultural Sector

The primary agricultural sector offering is currently a third-party implemented program. With the inclusion of water pumping under the concierge approach, the Ag Pump Test Program will be consolidated under this concierge offering. Program offerings for the customers will continue as status quo for 2019 and possibly through 2020 to ensure customers in this sector continue to be served during the ramp down period. Per the solicitation schedule, SDG&E anticipates signing a contract in late 2020 with a third-party implementer for this market and may start spending against that contract early in 2021.

E. Public Sector

The Public Sector services the following subsectors: K-12, Federal, State Partnerships and Local Government Customers. The current local government partnerships (LGPs) are included under the Local Government Customers. As stated in the Commercial Sector, the forecasted savings

for the Public sector are based on previous performance when the public sector was classified under the Commercial sector.

Program offerings for Public Sector customers will continue status quo for 2019, including its current LGPs. Per the solicitation schedule, SDG&E anticipates signing a contract(s) at the end of 2020 with an implementer(s) for this market and will start spending against this contract in 2021. Current contracts with LGPs will stay in effect until their expiration at the end of 2020.

SDG&E will also participate in the statewide procurement and deployment of the Energy Atlas as directed by D.18-05-041, OP 32, which states:

As part of their local government and public sector implementation plans, the utility program administrators shall select among themselves a lead to oversee statewide deployment of the Energy Atlas and competitively solicit a third party to implement the deployment, maintain data quality, consistency and security, continue development of the Energy Atlas' capabilities, and encourage and support local governments that choose to participate. Commission staff is authorized to oversee the procurement process and implementation of the Energy Atlas statewide deployment and ongoing management. The utility program administrators shall allocate up to \$2 million to expand the Energy Atlas and include annual Energy Atlas management and maintenance costs in their annual budget advice letters proportionally according to relevant energy efficiency program budgets.

F. Workforce Education & Training (WE&T)

SDG&E's WE&T Integrated Energy Education and Training (formerly Centergies) has two subcomponents: Core Energy Education (CEE) and Technical Upskill. The CEE will increase reach through an improved process with formal collaboration with community colleges, trade schools, and educational institutions. On the other hand, Technical Upskill will deliver technical training, continuing education, and industry recognized certification to ensure a skilled workforce can implement quality energy savings projects.

SDG&E will continue to manage WE&T with support from SDG&E staff through collaborations with other organizations that support different aspects of the program. SDG&E's WE&T staff may explore solicitation opportunities to develop collaborations to support CEE and/or Technical Upskill through third-party support.

G. Financing Programs

1. On-Bill Financing Program

OBF is a local program run by SDG&E. 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 2019 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 \$4.640 million. D.18-05-041 requires the following for IDSM efforts:

- For the residential sector, the energy efficiency and demand response integration efforts should be focused, initially, on HVAC technologies and facilitating automatic response to new time-varying rates, possibly involving customer education on the rates and thermostats. Each IOU shall budget a minimum of \$1,000,000 annually from its IDSM budget, to test and deploy such strategies in the residential sector.
- For the non-residential sector, including small commercial customers, the energy efficiency and demand response integration efforts should be focused initially on HVAC and lighting controls. At least \$20 million annually in IDSM funds shall be divided among the IOU PAs.
- Ensure participating customers are enrolled in a DR program.

These IDSM requirements will be incorporated within the Residential and Commercial sectors and will be included in the solicitations for these sectors. In 2019, SDG&E will incorporate these requirements within the current programs and third-party contracts, as applicable. The following are examples:

1. Commercial IDSM requirements will be incorporated into the Commercial Small Business subsector offering of Business Energy Solutions (BES) program to require HVAC/EMS/Lighting Controls integration.
2. For the residential sector, SDG&E plans to offer customers a combined instant EE rebate and rate optimization incentive at the time of purchase for qualifying smart thermostats. In partnership with device manufacturers, SDG&E will offer the IDSM rebate for preconfigured smart thermostats with time of use rate optimization algorithms to customers enrolled on a time of use rate plan. Participation on a traditional DR program with events such as the AC Saver program will also be encouraged. SDG&E outreach teams will educate customers on optimized smart thermostats, demand response programs, time-of-use rates, and energy-efficiency benefits.

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 2019 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, along with the residential IDSM-TOU optimization discussed above.

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

Statewide program solicitations will begin in 2019 (with the exception of SW Lighting; see current solicitation schedule)¹⁵ and are not expected to be in implementation phase until 2020. Until then SDG&E will continue to implement the current SW programs with no substantive program changes.

J. 2019 Program Closures

On September 1, 2017, SDG&E filed Advice Letter 3111-E/2607-G setting forth its 2018 EE Program and Portfolio Budget Request. Subsequently, on November 1, 2017, at the request of the Commission's Energy Division, SDG&E filed Advice Letter 3111-E-A/2607-G-A to supplement its 2018 EE Program and Portfolio Budget Request. As part of its filing, specifically Table 6, SDG&E described its 2018 program changes including program closures. On May 31, 2018, the Commission adopted D.18-05-041 which rejected SDG&E's 2018 annual budget advice letter. As a result, SDG&E is requesting approval to close the following EE programs as outlined in Table 6 of Advice Letter 3111-E-A/2607-G-A. In anticipation of closing, these programs did not have budget allocations for 2018 and there has been no new activity since January 2018. The following are the 2017 programs that SDG&E will be officially closing in 2019.

1. Statewide Workforce, Education & Training (WE&T) – Strategic Planning (SDGE 3257)

The Strategic Planning sub-program and funding were established to implement strategies at a statewide level for WE&T. These strategies have been exhausted and there is no longer a need to fund this sub-program. The funding from Strategic Planning will be reallocated to other WE&T sub-programs.

2. Residential Heating, Ventilation, Air Conditioning (HVAC) Code Compliance Incentive (SDGE 3303):

The Residential HVAC Code Compliance program was designed to increase the number of permits filed for new residential HVAC installations. The program experienced extremely low customer participation in 2015, 2016, and 2017. Additionally, the recent impact evaluation (Final Report: 2014-16 HVAC Permit and Code Compliance Market Assessment Volume 1, Appendix D, June 26, 2017) has not shown statistically significant differences in energy performance between permitted and non-permitted residential HVAC installations. SDG&E expects that future needs in this area will be addressed in the upcoming Statewide HVAC program.

3. Mid-Market Dynamic Energy Efficiency Program (MDEEP) (SDGE 3323):

The MDEEP design and proposed savings were a result of a proposal from IDEEA 365, Round 4 in 2016. The vendor and SDG&E anticipated that 70% of the program's savings would come from a key measure, the Rooftop Unit Fan Variable Frequency Drive. As SDG&E and the vendor worked together for several months to update the proposed work paper to adapt it to SDG&E's service territory and to update the savings calculations, it was determined that the work paper could not be adapted without considerable expense. Because the remaining measures would not

¹⁵ See footnote 11.

generate sustainable savings for the program or support the vendor's costs to run the program, SDG&E and the vendor agreed that the program should not be implemented.

2017 METRICS RESULTS

SDG&E submitted its final metrics and targets on August 6, 2018.¹⁶ SDG&E provides the 2017 metric results in Appendix D.

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, 2019, which is more than 30 days from the date filed.

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

PROTEST

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received no later than September 24, 2018 which is 20 days of the date this Advice Letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102

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

Attn: Megan Caulson
Regulatory Tariff Manager
E-mail: mcaulson@semprautilities.com

¹⁶ *San Diego Gas & Electric Company's (U 902-M) Updated Set of Final Metrics, August 6, 2018.*

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.

CLAY FABER
Director – California & Federal Regulatory



ADVICE LETTER SUMMARY

ENERGY UTILITY



MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No.: San Diego Gas & Electric/U-902

Utility type:

ELC GAS WATER
 PLC HEAT

Contact Person: Christina Sondrini

Phone #: 858-636-5736

E-mail: csondrini@semprautilities.com

E-mail Disposition Notice to: csondrini@semprautilities.com

EXPLANATION OF UTILITY TYPE
ELC = Electric GAS = Gas WATER = Water
PLC = Pipeline HEAT = Heat

(Date Submitted / Received Stamp by CPUC)

Advice Letter (AL) #: 3267-E/2700-G

Tier Designation: 2

Subject of AL: San Diego Gas and Electric Company's 2019 Annual Energy Efficiency Program and Portfolio Budget Request

Keywords (choose from CPUC listing): Energy Efficiency

AL Type: Monthly Quarterly Annual One-Time Other:

If AL submitted in compliance with a Commission order, indicate relevant Decision/Resolution #: D.15-10-028 & 18-05-041

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL: N/A

Summarize differences between the AL and the prior withdrawn or rejected AL: N/A

Confidential treatment requested? Yes No

If yes, specification of confidential information: N/A

Confidential information will be made available to appropriate parties who execute a nondisclosure agreement. Name and contact information to request nondisclosure agreement/ access to confidential information: N/A

Resolution required? Yes No

Requested effective date: 1/1/19

No. of tariff sheets: 0

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected: N/A

Service affected and changes proposed¹: N/A

Pending advice letters that revise the same tariff sheets: N/A

¹Discuss in AL if more space is needed.

Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this submittal, unless otherwise authorized by the Commission, and shall be sent to:

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Avenue
San Francisco, CA 94102
Email: EDTariffUnit@cpuc.ca.gov

Name: Megan Caulson
Title: Regulatory Tariff Manager
Utility Name: San Diego Gas & Electric
Address: 8330 Century Park Ct., CP31D
City: San Diego
State: California Zip: 92123
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email: mcaulson@semprautilities.com

Name:
Title:
Utility Name:
Address:
City:
State: District of Columbia Zip:
Telephone (xxx) xxx-xxxx:
Facsimile (xxx) xxx-xxxx:
Email:

General Order No. 96-B
ADVICE LETTER SUBMITTAL MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

Office of Ratepayer Advocates (ORA)

R. Pocta

Energy Division

M. Ghadessi

M. Salinas

L. Tan

R. Ciupagea

Tariff Unit

CA Energy Commission

B. Penning

B. Helft

Advantage Energy

C. Farrell

Alcantar & Kahl LLP

M. Cade

K. Harteloo

AT&T

Regulatory

Barkovich & Yap, Inc.

B. Barkovich

Braun & Blasing, P.C.

S. Blasing

D. Griffiths

CA Dept. of General Services

H. Nanjo

California Energy Markets

General

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

City of Poway

Poway City Hall

City of San Diego

F. Ortlieb

B. Henry

L. Azar

Y. Lu

Clean Power Research

T. Schmid

G. Novotny

Davis Wright Tremaine LLP

J. Pau

Douglass & Liddell

D. Douglass

D. Liddell

Ellison Schneider Harris & Donlan LLP

E. Janssen

C. Kappel

Energy Policy Initiatives Center (USD)

S. Anders

Energy Regulatory Solutions Consultants

L. Medina

Energy Strategies, Inc.

K. Campbell

EQ Research

General

Goodin, MacBride, Squeri, & Day LLP

B. Cragg

J. Squeri

Green Charge

K. Lucas

Hanna and Morton LLP

N. Pedersen

JBS Energy

J. Nahigian

Keyes & Fox, LLP

B. Elder

Manatt, Phelps & Phillips LLP

D. Huard

R. Keen

McKenna, Long & Aldridge LLP

J. Leslie

Morrison & Foerster LLP

P. Hanschen

MRW & Associates LLC

General

NLine Energy

M. Swindle

NRG Energy

D. Fellman

Pacific Gas & Electric Co.

M. Lawson

M. Huffman

Tariff Unit

RTO Advisors

S. Mara

SCD Energy Solutions

P. Muller

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

C. Frank

SPURR

M. Rochman

Southern California Edison Co.

K. Gansecki

TerraVerde Renewable Partners LLC

F. Lee

TURN

M. Hawiger

UCAN

D. Kelly

US Dept. of the Navy

K. Davoodi

US General Services Administration

D. Bogni

Valley Center Municipal Water Distr

G. Broomell

Western Manufactured Housing
Communities Association

S. Dey

Interested Parties in:

A.17-01-014

R.13-11-005

CEDARS FILING SUBMISSION RECEIPT

The SDGE portfolio filing has been submitted and is now under review. A summary of the filing is provided below.

PA: San Diego Gas & Electric (SDGE)

Filing Year: 2019

Submitted: 16:11:28 on 04 Sep 2018

By: Athena Besa

Advice Letter Number: 3267-E/2700-G

* Portfolio Filing Summary *

- TRC: 1.3413
- PAC: 3.3319
- TRC (no admin): 1.7358
- PAC (no admin): 7.6531
- RIM: 0.4807
- Budget: \$106,665,916.05

* Programs Included in the Filing *

- SDGE3281: EM&V-Evaluation; Measurement & Verification
- SDGE4001: Single Family Program
- SDGE4002: Multi Family Program
- SDGE4003: Commercial Small Customer Services (<20KW) Program
- SDGE4004: Commercial Large Customer Services (>20KW) Program
- SDGE4006: Industrial Strategic Energy Management Program
- SDGE4007: Industrial Port Tenant Customers Services Programs
- SDGE4008: Industrial Customer Services Program
- SDGE4009: Agricultural Growers Services Program
- SDGE4010: Local Government Customers Program
- SDGE4011: K-12 Customer Services Program
- SDGE4012: Federal Customer Services Program
- SDGE4013: Local WE&T; - Integrated Energy Education and Training
- SDGE4014: FIN-On-Bill Finance
- SDGE4016: C&S; - Reach Code, Compliance Improvement, and Planning & Coordination
- SDGE4017: SW Codes & Standards Advocacy

- SDGE4018: SW Emerging Technologies
- SDGE4019: SW State of CA Partnership
- SDGE4020: SW UC/CSU Partnership
- SDGE4021: SW CA Community Colleges Partnership
- SDGE4022: SW CA Department of Corrections Partnership
- SDGE4023: SW Nonresidential New Construction Program
- SDGE4024: SW Residential New Construction
- SDGE4025: SW Midstream Commercial Water Heating
- SDGE4026: SW Foodservice Point of Sale Program
- SDGE4027: SW Lighting Program
- SDGE4028: SW Upstream HVAC Commercial Program
- SDGE4029: SW Upstream HVAC Residential Program
- SDGE4030: SW Plug Load and Appliances
- SDGE4031: SW K-12 Connections
- SDGE4034: SW WE&T; Career & Workforce Readiness (CWR)
- SDGE4035: SW Downstream Water/Wastewater Pumping Program
- SDGE4036: SW HVAC QI/QM Program
- SDGE4039: 3P-IDEEA
- SDGE4040: IDSM Local Residential Behavioral Program (EE)
- SDGE4055: IDSM Commercial - EE
- SDGE4059: Commercial Port Tenant Customers Services Programs
- SDGE-ESAP: Energy Savings Assistance Program (ESA)
- SDGE-ESPI: ESPI
- SDGE-GRCL: GRC Labor Loaders