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|  | | **DRAFT** | **Gary A. Stern** Managing Director, State Regulatory Operations |
|  | | | |

September 4, 2018

ADVICE \_\_\_\_\_\_\_-E

(U 338-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA  
ENERGY DIVISION

|  |  |
| --- | --- |
| **SUBJECT:** | Southern California Edison Company’s 2019 Energy Efficiency Program and Portfolio Annual Budget |

In compliance with Decision (D.)18-05-041, Southern California Edison (SCE) hereby submits for filing its 2019 Energy Efficiency (EE) Program Budget (including budget for IDSM), forecast Total Resource Cost (TRC) and Program Administrator Cost (PAC) test results, and forecast energy savings for approval by the California Public Utilities Commission (“Commission” or “CPUC”). SCE also requests for the Commission’s approval to discontinue certain EE programs and sub-programs as detailed below.

**PURPOSE**

The purpose of this advice letter filing is to provide SCE’s 2019 EE annual budget and associated energy savings and cost-effectiveness results. This filing also provides explanations for EE programs that will be modified or are expected to be phased out in 2019. SCE requests approval to discontinue the following programs and sub-programs for reasons described in detail Attachment X. The programs and subprograms SCE is requesting to discontinue is listed below.

Program/Sub-program:

* Energy Upgrade California
* IDEEA365 Program
* Cool Planet
* Cool Schools
* Commercial Utility Building Efficiency
* Energy Leader Partnership Program
* Lighting Market Transformation
* Lighting Innovation Program
* WE&T Planning
* WE&T – Mobile Energy Unit
* WE&T – Community Language Efficiency Outreach
* Sustainable Communities
* American Reinvestment Recovery Act (ARRA)-Originated Financing. Also known “Empower Energy Efficiency Program.”
* Commercial Continuous Energy Improvement
* Agricultural Continuous Energy Improvement
* Industrial Continuous Energy Improvement

The supporting documents for this filing are as follows:

1. Attachment A: CEDARS Filing Confirmation
2. Attachment B: TBD
3. Attachment C: TBD
4. Attachment D: TBD
5. Attachment E: Sector Level Metrics: Progress to Date

This advice filing also modifies Preliminary Statement Part FF, the Public Purpose

Programs Adjustment Mechanism (PPPAM), to reflect $ XXX.XX million of EE funding effective January 1, 2019. In addition, SCE modifies Preliminary Statement Part Y, Demand Response Program Balancing Account (DRPBA), to reflect $XX.XXX million in funding for emerging technologies and integrated demand side management (IDSM) activities.

**BACKGROUND**

D.15-10-028 requires each EE Program Administrator (PA) to file a Tier 2 advice letter with the PA’s annual EE budget for the coming year in September of each year[[1]](#footnote-2) and requires such advice letters to contain:

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

Furthermore, D.18-05-041 provided further guidance to PAs in submitting Annual Budget Advice Letters (ABAL). D.18-05-041 requires that the IOU ABAL include the following:

* Forecasted TRC must meet or exceed 1.25, except during program years 2019-2022, when the forecasted TRC must meet or exceed 1.0;
* Forecasted energy savings goals must meet or exceed Commission established savings goals for each IOU; and
* Forecasted budget must not exceed the PA’s annual budget in the approved business plans, or (if applicable) the revised annual budget in this ABAL. [[2]](#footnote-3)

If a PA’s ABAL submitted for program year 2019 through program year 2022 fails to meet the criteria above, the PA is to hold a workshop to explain why it failed to meet the above criteria to provide transparency of the challenges in meeting the criteria and potentially aid the PA in revising its business plan pursuant to D.15-10-028 for Commission approval.

**2019 EE PORTFOLIO**

SCE’s proposed portfolio and budget is designed to optimize each of the CPUC metrics, including but not limited to, cost-effectiveness, savings goals, budgets, and Commission mandated budget caps and targets. In addition, SCE’s portfolio reflects known CPUC measure and program savings modifications for 2019 and portfolio design elements recommended in D.18-05-041. To meet the Commission’s requirements, SCE proposes significant modifications to its energy efficiency portfolio for 2019, as described herein. These modifications focus on delivering a cost-effective portfolio while beginning the transition to the Commission’s new statewide and third-party model for energy efficiency. SCE optimizes its portfolio using three efforts not listed in sequential order because the process is iterative.

1. **Shift** – Increase the quantity of high cost-effective measures and decrease the quantity of low cost-effective measures
2. **Invest** – Add budget to high TRC measures and programs and to new third-party programs
3. **Reduce** – Reduce overhead and other non-resource-related costs and the number of cost-ineffective programs.

Using the three efforts described above, SCE optimized its portfolio to achieve a high TRC value by building upon programs and measures with high cost-effectiveness while reducing programs and measures with low cost-effectiveness. The result of SCE’s program optimization efforts, SCE’s portfolio budget, savings, and cost-effectiveness are detailed below.

SCE is proposing a portfolio cost-effectiveness and budget based upon currently-approved energy savings and cost-effectiveness inputs to its measure and program mix. While SCE’s target cost-effectiveness is above 1.0, this mix and resulting cost-effectiveness may change in 2018 or 2019 as the Commission releases measure dispositions, DEER updates, and other key inputs which could reduce or improve portfolio savings and cost-effectiveness. Significant negative changes to measures in high-volume programs such as Primary Lighting could have a significant impact on SCE’s ability to achieve its cost-effectiveness and goals targets. Early notifications of such dispositions would assist SCE in responding to such changes. SCE is committed to working closely with the Commission so that its measure and program forecasts utilize the most recent information, while also providing customers, vendors, and SCE sufficient certainty in making energy efficiency investment decisions. As cost-effectiveness inputs change, SCE will continue to evaluate the available mix of measures and make portfolio adjustments as necessary to cost-effectively meet the savings goals that are based on old inputs. This may include, but is not limited to fund shifting, measure and program elimination, and modifications to rebate levels.

**2019 EE PORTFOLIO BUDGET**

*SCE is still in the process of optimizing its Portfolio, as such, the tables below do not reflect its final 2019 EE Portfolio Budget*

Table X below provides SCE’s 2019 EE portfolio budget. Please see Attachment XX for the complete table provide by Commission

**Table X: 2019 EE Portfolio Budget**

|  |  |
| --- | --- |
| Sector | Program Year (PY) Budget |
| Residential | $96,805,388 |
| Commercial | $49,381,315 |
| Industrial | $20,089,424 |
| Agriculture | $2,436,876 |
| Emerging Tech | $10,621,617 |
| Public | $24,076,595 |
| WE&T | $5,599,837 |
| Finance | $1,913,947 |
| OBF Loan Pool | $- |
| Codes and Standards | $8,974,524 |
| IOU EM&V | $10,024,009 |
| **Total** | **$229,923,530** |

**2019 EE PORTFOLIO SAVINGS**

*SCE is still in the process of optimizing its Portfolio, as such, the tables below do not reflect its final 2019 EE Portfolio Savings.*

Table X below provides SCE’s forecast of energy savings and demand reduction for its 2019 EE portfolio. Low Income Energy Efficiency program, Energy Savings Assistance, are included in the figures below.

**Table X: 2019 EE Portfolio Savings**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2019 Forecast** | | |
|  | **Total** | **CPUC Goal** | **% of 2018 Goal** |
| Energy Savings (Gross GWH) | 532 | 442 | 120% |
| Demand Reduction (Gross MW) | 95 | 91 | 104% |

**2019 EE PORTFOLIO COST-EFFECTIVENESS**

*SCE is still in the process of optimizing its Portfolio, as such, the tables below do not reflect its final 2019 Total Resource Cost (TRC) test and Program Administrator Cost (PAC) test.*

Tables X below provide the Total Resource Cost (TRC) test and Program Administrator Cost (PAC) test results for its 2019 EE portfolio. Such estimates exclude impacts from SCE’s Codes and Standards programs and Low Income Energy Efficiency program, Energy Savings Assistance.

**Table X: 2019 EE Portfolio TRC and PAC**

|  |  |
| --- | --- |
|  | **2019 Forecast** |
| TRC | 1.19 |
| PAC | 1.48 |

**PROPOSED PROGRAM AND PORTFOLIO CHANGES**

SCE’s primary focus in the development of its 2019 proposed portfolio and budget is cost-effectiveness. SCE’s proposed portfolio is designed to maximize cost-effectiveness while also managing towards other Commission metrics and preparing to meet a minimum forecasted cost benefit ratio of 1.25 beginning in 2023. SCE’s proposed portfolio budget of $X is significantly lower than its most recently approved budget of $333m for 2017. Per D.18-05-041, SCE’s 2018 Budget Advice Letter budget request of $299.6 million was not approved. To help meet the Commission’s goals for energy efficiency, SCE is proposing to reduce its non-resource program portfolio, eliminate low-performing programs, and maximize savings from cost-effective programs and measures.

Second, SCE is working towards the implementation of third-party proposed, designed, and implemented programs as directed in D.18-01-004, including third-party delivered statewide programs. Solicitations are scheduled to begin in late 2018 for program implementation as early as 2019. To prepare for the implementation of new third-party designed and delivered programs by year-end 2019, SCE’s 2019 budget accounts for ramp-up funding for new programs in 2019. In addition, SCE has budgeted funds for the continued implementation of third-party energy efficiency program and projects from previous years. SCE also increased its investment in its Emerging Technologies Program.

Finally, SCE reduced its administrative costs by over 40 percent from its 2018 budgets. In order to maintain a cost-effective portfolio, SCE is committed to managing its administrative and other non-resource-related costs while making sure there is appropriate oversight of its portfolio during and after the transition to the new energy efficiency model.

**Program and** **Sub-Program Cancellation**

SCE is requesting to discontinue programs that are not cost-effective as listed below and for reasons discussed in Attachment XX.

SCE is proposing to eliminate certain Workforce Education and Training (WE&T) program and sub-programs to improve the overall cost-effectiveness of its energy efficiency portfolio. Pursuant to current Commission requirements on portfolio cost-effectiveness, the WE&T programs provide no claimable resource value due to the inability to directly link the results to energy efficiency resource impacts and, as such, can only be included as a “cost” in the TRC and PAC cost-effectiveness calculations. SCE recommends the Commission consider removing the costs of WE&T programs from the cost-effectiveness evaluations. Such a removal would be similar to the treatment of the Emerging Technology Program budgets, whose removal was approved in Decision D.05-04-051.[[3]](#footnote-4) In that Decision, in reference to Emerging Technology Program budgets, the Commission stated “The usefulness of the TRC test as a primary indicator of cost-effectiveness is limited for certain programs which do not necessarily focus on the timing or type of resource needs of the utility”[[4]](#footnote-5) If the Commission adopts SCE’s recommendation, SCE will continue the WE&T programs and will require an additional $X million in its proposed budget.

Program and Subprograms to be discontinued

* Energy Upgrade California
* IDEEA365 Program
* Cool Planet
* Cool Schools
* Commercial Utility Building Efficiency
* Energy Leader Partnership Program
* Lighting Market Transformation
* Lighting Innovation Program
* WE&T Planning
* WE&T – Mobile Energy Unit
* WE&T – Community Language Efficiency Outreach
* Sustainable Communities
* American Reinvestment Recovery Act (ARRA)-Originated Financing. Also known “Empower Energy Efficiency Program.”
* Commercial Continuous Energy Improvement
* Agricultural Continuous Energy Improvement
* Industrial Continuous Energy Improvement

**New Programs and Sub-Programs**

As discussed above, SCE is working towards the utilization of third party proposed, designed and delivered implemented programs as directed in D.18-01-004. As such SCE has created placeholders for programs that will be awarded from the third-party solicitation process and allocated $6.8 million for ramp up cost for these future programs.

In addition to new third party programs, SCE is also proposing the following new programs. Please see Attachment XX for a description of the programs.

* Midstream Point of Purchase
* Strategic Energy Management
* Medium Size Industrial Customer Energy Efficiency Program
* Water Infrastructure and System Efficiency Program
* AB793 Pay for Performance
* Facilities Assessment
* “Sub-Program" National and International Standards

**Reduced and Expanded Programs**

As discussed above, to meet the Commission’s requirement to meet a cost benefit ratio of 1.25, SCE optimized its portfolio whereby SCE expanded programs with high cost effectiveness and reduced programs with low cost effectiveness in order to achieve a high TRC value.

In addition, to support of its 2018 and 2019 energy efficiency portfolios, SCE filed A-3831 to modify its Nonresidential HVAC program to eliminate high-cost elements, thereby, improving the cost-effectiveness of the portfolio. SCE will also file an Advice Letter to add a revolving loan element to its on-bill financing program which will reduce the overall budget necessary in the portfolio.

SCE will also begin to ramp down existing third-party programs and transition to new third-party program designs as part of our third-party solicitation effort. The programs listed below will stop accepting new enrollments for 2019, but will continue to have funding for committed projects in the current pipeline.

* Healthcare EE
* Data Center EE
* Lodging EE
* Food & Kindred
* Primary and Fabricated Metals
* Non-Metallic Minerals & Products
* Residential HVAC Comprehensive Chemical Products
* Comprehensive Petroleum
* Oil Production
* Enhanced Retro-Commissioning
* Midsized Industrial Customer

**Continued Non Cost-Effective Programs**

SCE is proposing to continue multiple resource and non-resource programs in 2019 which are not cost-effective. Continuance of these programs is related to compliance activities and supporting customer programs through the transition period. SCE will continue to evaluate its portfolio of programs in response to competitive solicitations, cost-effectiveness, ability to achieve goals and metrics, as well as other factors.

SCE has multiple programs with low cost-effectiveness tied to its compliance with Assembly Bill 793. SCE’s Plug Load and Appliance program includes funding for SCE’s Marketplace website, located at Marketplace.sce.com, as well as funding for Smart Thermostats. In addition, SCE has included funding for a Residential pay-for-performance program which complies with Assembly Bill 793. Resolution E-4820 provides additional details on these compliance obligations.

While many of SCE’s 2019 Local Government Partnerships are not cost-effective, pursuant to D.18-05-041 SCE must work with Local Government Partnership partners to improve cost-effectiveness and to meet the local government’s needs with respect to data sharing and contract terms that align with local government budgeting, legal, and other constraints; quantify co-benefits and local economic benefits of Local Government Partnerships in hard-to-reach and disadvantaged communities; and support local governments’ efforts to increase local capacity to conduct energy efficiency activities.[[5]](#footnote-6)

Furthermore, many of SCE's third-party programs currently shown to be non-cost-effective provide ongoing operations of commitments from previous years. As noted above, funding from previous years will continue to support these programs. SCE’s upcoming third-party solicitations are anticipated to improve the cost-effectiveness of these programs.

SCE is also continuing two low-TRC programs which provide direct installation services to small business and school markets. These programs, Commercial Direct Install and School Energy Efficiency, will assist customers in these markets with energy savings and enable SCE to meet its 2019 energy savings and demand reduction metrics. Due to the implementation strategy of these direct installation programs, these programs do not result in long-term customer and utility commitments and can be rapidly ramped down should SCE’s third party solicitations result in new program concepts to deliver savings in these markets.

SCE’s nonresidential customized and deemed programs have experienced declines in cost-effective savings for several reasons. First, CPUC dispositions and codes have resulted in reductions of available measures. Second, SCE has shifted the remaining available measures to more cost-effective delivery channels, resulting in [challenges to meeting other requirements]. Lastly, increased participation requirements and uncertainty in rules have caused a reduction in customer participation.

Pending further direction from ED, challenges stemming from uncertainty in rules, including measure edibility rules such as the Industry Standard Practice, baseline determinations that can occur at any time, unknown project review timing, and changing data requirements will continue to influence incentive eligibility. SCE anticipates better alignment between program cost-effectiveness to measure availability with increased guidance from the Commission. Despite declines in cost-effectiveness, however, these programs will continue to be offered to allow for participation in energy efficiency in the nonresidential customer segment while new programs are being solicited and ramped up. In addition, these programs provide a means to offer energy efficiency solutions to business customers not served by the third-party markets. Similar to previous years, SCE has offered nonresidential third-party programs along with SCE’s nonresidential customized and deemed programs.

SCE will also continue to offer Savings by Design (SBD) even though it may no longer be cost effective.[[6]](#footnote-7) SCE recently received a disposition for SBD which requires modification of the calculation methodology in the *EnergyPro* building energy simulation tool. SCE’s preliminary analysis indicates that full implementation of the proposed modifications will reduce claimable savings by approximately 50 percent and will require significant program design modifications. Requiring IOU PAs to continue non-cost-effective programs may negatively affect PAs portfolio cost-effectiveness. SCE will work collaboratively with the Commission and its statewide counterparts to develop plans to serve customers while maintaining the portfolio cost effectiveness.

As noted above, throughout 2019 and beyond, SCE will continue to evaluate its portfolio of programs in response to competitive solicitations, cost-effectiveness, and ability to achieve goals and metrics, as well as other factors

**DISCUSSION OF SCE’s 2019 FORECASTED TRC RESULT**

**WHY SCE IS FORECASTING A TRC BELOW 1.25 in 2019**

SCE strives to modernize its EE portfolio to improve customer participation and optimize portfolio cost-effectiveness, while addressing long-term planning and near-term impacts. Several factors make this challenging:

* For SCE’s 2019 EE portfolio forecast, the avoided costs effective in 2019 have reduced energy efficiency benefits by nearly XX% compared to the avoided costs effective in 2017. SCE estimates that the portfolio proposed in this Advice Letter would have achieved a TRC of 1.XX had it used the avoided costs effective in 2017. Avoided cost updates include decreasing natural gas prices, market peak shifting from daytime to evening, and a nearly carbon-free grid mid-day reducing the amount of GHG abated for mid-day kWh savings.
* SCE’s 2019 EE Portfolio includes $XX million in incentive payments for streetlight measures that will result in no claimable energy savings. This is due to the commitment SCE made to its customers and the direction provided by the Commission. Specifically, the Commission directed SCE to pay customers the 2015 rebate levels for Acquisition Customers and pay the rebate levels in effect at the time of the initial agreement for AB-719 Customers, meanwhile, claiming savings based on the workpaper in effect at the time of completed equipment installation. However, in 2019, it is anticipated that there will be no workpaper available to facilitate savings for streetlight measures for Acquisition and Option E customers. SCE is working in collaboration with Commission staff to develop a solution to treat these costs by either allowing SCE to claim the savings for the streetlight measures or remove the costs of providing these rebates from the cost-effectiveness calculations.
* Successful market transformation of transitioning cost-effective savings from incentive programs to building and appliance codes (i.e., CEC Title 24 and Title 20, respectively).
* Goals are created in two-year cycles based upon estimates of the cost-effective potential of measures. However, when significant measure dispositions or avoided cost updates occur within the cycle, these goals are not updated. For example, 2018 has seen two significant Lighting measure dispositions[[7]](#footnote-8), and, as discussed above. In addition, the avoided costs in 2019 generally reduced the cost-effective measure potential compared to the older avoided costs used in the 2018 EE Potential & Goal Study. This results in portfolio administrators having to make tradeoffs between not cost-effectively achieving savings goals established under obsolete measure rules, or maintaining a cost-effective portfolio under the new measure rules and achieving pre-determined savings goals.

**ABILITY TO ACHIEVE AN EVALUATED TRC OF 1.0 for 2019**

Although SCE is not proposing a portfolio that meets a cost benefit ratio of 1.25, SCE is confident it will meet an evaluated TRC of 1.0 for 2019 because SCE will continue to optimize its portfolio throughout the year to lower costs by improving, reducing, or eliminating non-resource programs and non-cost-effective programs and measures. SCE will follow the appropriate regulatory channels to accomplish this.

In addition to increasing cost-effectiveness going forward, SCE will maximize savings from cost-effective measures and programs, encourage statewide programs not lead by SCE to also maximize cost-effectiveness, and require new programs to meet a high cost-effectiveness threshold and maximize pay-for-performance.

Furthermore, SCE has included a budget for the ramp-up of new third-party programs in 2019 but did not allocate any attributable energy savings to these programs; therefore, the cost burden has been estimated, but only positive savings and cost-effectiveness results are expected to occur. These third-party programs are expected to contribute positively to overall cost-effectiveness of the portfolio once operational and may contribute to the energy savings delivered in 2019.

SCE will continue to improve the cost-effectiveness of both cost-effective and non-cost effective programs. As required by the Commission in D.18-05-041 SCE will work with Local Government Partnership partners to improve the cost-effectiveness of these programs in 2019. SCE will also be developing programs specifically marketed to Disadvantaged Communities (DAC) and Hard-to-reach (HTR) customers and target existing DAC and HTR programs where possible. Projects that meet the DAC and HTR criteria are eligible to claim a .85 net-to-gross ratio. SCE will work collaboratively with the Commission to identify the correct documentation requirements and to properly indicate projects installed for DAC and HTR customers.

SCE anticipates improved ex post results from its business programs offered in 2019, including third-party projects completed, customized, and deemed rebates. This improvement is due to the significant efforts of SCE and its implementers in response to the CPUC’s previous ex post and ex ante recommendations. Since 2015 and ongoing today, SCE has implemented numerous initiatives and EE program policies to address Commission concerns with Calculated programs. These include, but are not limited to the following:

* Requiring increased documentation of EE program influence on customer actions;
* Establishing SCE internal processes to communicate ongoing Commission staff guidance;
* Increasing SCE review of large projects;
* Standardizing technical and influence documentation into a Project Feasibility Study (PFS) template; and
* Providing detailed guidance of EE program influence via a matrix developed to provide details in alignment with known Preponderance of Evidence guidance from CPUC staff.

In 2018 SCE enacted an Early Screening process to provide immediate feedback to customers and project implementers on projects and their likelihood of receiving EE incentives based on current guidance.

SCE’s portfolio excludes the cost-effectiveness of its codes and standards advocacy programs which provides a significant buffer to maintain cost-effectiveness above 1.0. Such programs can provide significant, cost-effective energy savings to California which are not captured in the cost-effectiveness metrics.

**PROGRESS TOWARDS ACHIEVING A TRC OF 1.25 by 2023**

SCE is evaluating several measures for reinstatement in 2019. In January 2018 SCE suspended several lighting measures due to guidance received from Commission dispositions, market studies, and industry standard practice (ISP) studies.[[8]](#footnote-9) As SCE receives clarifying direction, SCE will determine if and when the measures will be reinstated and available for new project applications. The reinstatement of these measures should have a positive impact on the portfolio TRC and savings values.

As noted above, in addition to increasing cost-effectiveness going forward through the methods discussed, SCE will encourage statewide programs not lead by SCE to also maximize cost-effectiveness, and require new programs to meet a high cost-effectiveness threshold and maximize pay-for-performance.

**Program Administrator's 2019-2025 Budget True-Up**

Per D.18-05-041, SCE is providing an update to its budget to support the goals established in D.17-09-025 and D.17-08-022.[[9]](#footnote-10) Please see Table XX below.

[Text to be developed]

**Table XX: Annual Rolling Portfolio Budget Forecast – True-Up**



**Table XX: Annual Rolling Portfolio Savings Forecast – True-Up (kWh)**



**Table XX: Annual Rolling Portfolio Savings Forecast – True-Up (kW)**



**PROPOSED TARIFF CHANGES**

As described above, in this advice filing SCE modifies: (1) Preliminary Statement Part

FF, PPPAM, to reflect $XXX.XX million of EE funding effective January 1, 2019, and (2)

Preliminary Statement Part Y, DRPBA, to reflect $XX.XXX million in funding for emerging technologies and integrated demand side management (IDSM) activities.

The following table shows the currently authorized funding reflected in rates (excluding

FF&U) and the revised funding effective January 1, 2019.

|  |  |  |  |
| --- | --- | --- | --- |
| Table XXX: Currently Authorized and Proposed Funding **program** | **Currently authorized**  **($000)** | **January 1, 2019**  **Proposed**  **($000)** | **Change**  **($000)** |
| **EE PROGRAMS** | 312,269 |  |  |
| **IDSM** | 10,137 |  |  |
| **tOTAL** | 322,406 |  |  |

In SCE’s year-end consolidated revenue requirement and rate change advice filing, SCE will include all applicable preliminary statement changes.

No cost information is required for this advice filing.

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

**TIER DESIGNATION**

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

**EFFECTIVE DATE**

This advice filing will become effective on October XX, 2018, the 30th calendar day after the date filed.

**NOTICE**

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

CPUC, Energy Division

Attention: Tariff Unit

505 Van Ness Avenue

San Francisco, California 94102

E-mail: [EDTariffUnit@cpuc.ca.gov](mailto:EDTariffUnit@cpuc.ca.gov)

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

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

Gary A. Stern

Managing Director, State Regulatory Operations

Southern California Edison Company

8631 Rush Street

Rosemead, California 91770  
 Telephone (626) 302-4177

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E-mail: [AdviceTariffManager@sce.com](mailto:AdviceTariffManager@sce.com)

Laura Genao

Managing Director, State Regulatory Affairs

c/o Karyn Gansecki

Southern California Edison Company

601 Van Ness Avenue, Suite 2030

San Francisco, California 94102

Facsimile: (415) 929-5544

E-mail: Karyn.Gansecki@sce.com

There are no restrictions on who may file a protest, but the protest shall set forth specifically the grounds upon which it is based and must be received by the deadline shown above.

In accordance with General Rule 4 of GO 96-B, SCE is serving copies of this advice filing to the interested parties shown on the attached GO 96-B and XX service lists. Address change requests to the GO 96-B service list should be directed by electronic mail to [AdviceTariffManager@sce.com](mailto:AdviceTariffManager@sce.com) or at (626) 302‑4039. For changes to all other service lists, please contact the Commission’s Process Office at (415) 703‑2021 or by electronic mail at [Process\_Office@cpuc.ca.gov](mailto:Process_Office@cpuc.ca.gov).

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

For questions, please contact Lisa Mau at (626) 302-3684 or by electronic mail at lisa.mau@sce.com

**Southern California Edison Company**

Gary A Stern

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**Description of Program Changes**

**Proposed Programs and Subprograms To Be Discontinued**

1. **Energy Upgrade California Program (SCE-13-SW-001D)**

SCE has made multiple improvements since program inception to improve the Energy Upgrade California Home Upgrade (“Home Upgrade”) program; however, the Home Upgrade program continues to have a low cost-effectiveness ratio as shown in the table below. SCE does not anticipate the TRC improving. While there is no requirement for the Home Upgrade program, or any individual program, to be cost-effective, it is necessary to discontinue this program in order to improve the cost-effectiveness of the overall portfolio.



|  |
| --- |
| [1] TRC calculation for 2015-2017 includes 5% Market Effects and was run using the 2013 set of avoided costs. |
| [2] TRC calculation for 2018 uses 2017 actuals, rerun using 2018 avoided costs, with 5% market effects. |

1. **Residential HVAC (SCE-13-SW-001E)**

[Text to be developed]

1. **IDEEA 365 (SCE-13-TP-020)**

The intent of the statewide IDEEA365 Program is to find, fund, and foster the best energy efficiency (EE) or integrated demand side management (IDSM) delivery approaches available in the marketplace and discovered through outreach events. This program is no longer needed because SCE will be conducting open solicitations for innovative and cost-effective third party proposed, designed, and implemented programs as directed in D.18-01-004.

1. **Cool Planet Program (SCE-13-TP-002)**

The 2013-2016 Cool Planet Program is a non-resource program that provides utility business customers with education and technical training to measure and manage their energy use and greenhouse gas (GHG) emissions. Customers earn public recognition and awards of 1-, 2-, or 3-year memberships with The Climate Registry based on meeting kWh energy savings or demand response program participation thresholds. The Cool Planet Program also includes a water-energy GHG education pilot program that offers a clear means to quantify, compare, and analyze the GHG emissions embedded in delivered water using a consistent and transparent methodology.

Due to the lack of success of the program and to improve the cost-effectiveness of the overall portfolio, SCE will discontinue the Cool Planet Program. As an added benefit, this effort will also allow for alignment to SCE’s Public Sector design and open up new opportunities for both water-energy initiatives and education.

1. **Cool Schools Program (SCE-13-TP-013)**

The Cool Schools program assists public and private schools with energy efficiency and conservation. Cool Schools utilizes the knowledge and communication channels of trusted institutions and provides financial assistance to accelerate the replacement of existing equipment near the end of its useful life with new, more energy-efficient equipment.

Cool Schools has been unable to compete with turnkey programs that retrofit many lighting measures because the Cool Schools payback on HVAC or ancillary measures is much less attractive to customers. Furthermore, reduction in Proposition 39 funding has caused many school customers to only bring their buildings up to code instead of achieving savings above code. In order to simplify and maintain the cost-effectiveness of the overall portfolio, SCE proposes to discontinue the Cool Schools program. Please see the table below for the Cool Schools Program historical TRC ratio.



|  |
| --- |
| [1] TRC calculation for 2015-2017 includes 5% Market Effects and was run using the 2013 set of avoided costs. |
| [2] TRC calculation for 2018 uses 2017 actuals, rerun using 2018 avoided costs, with 5% market effects. |

1. **Commercial Utility Building Efficiency (SCE-13-TP-014)**

Commercial Utility Building Efficiency (CUBE) provides audits, technical assistance, and incentives to support installation of recommended EE equipment at privately owned commercial office buildings. Changes in claimable energy savings due to Title 24 updates and changes in Industry Standard Practice (ISP) assumptions have drastically reduced the number of eligible measures for CUBE. In order to simplify and improve the cost-effectiveness of the overall portfolio, SCE proposes to discontinue the program. Please see the table below for the CUBE Program historical TRC ratio.

The existing commercial building customer base can be served by other programs in SCE’s portfolio.



|  |
| --- |
| [1] TRC calculation for 2015-2017 includes 5% Market Effects and was run using the 2013 set of avoided costs. |
| [2] TRC calculation for 2018 uses 2017 actuals, rerun using 2018 avoided costs, with 5% market effects. |

1. **Energy Leader Partnership Program (SCE-12-L-002Rollup)**

Energy Leader Partnership Program was originally created as a program where funds would reside for the creation of new Local Government Partnership programs. If new funds are needed in the future for new LGP’s the current Advice Letter process requesting the creation of a new program will be used. SCE no longer has a need for this funding program, so it is requesting the closure of Energy Leader Partnership Program for 2019.

1. **Lighting Market Transformation Program (SCE-13-SW-005A)**

Lighting Market Transformation (LMT) is a non-resource program that promotes efficient lighting technologies and best practices in California. This includes developing innovative data-driven program strategies to use in utility lighting programs. However, due to the adoption of LED technology in the market, LMT's success in supporting efficient progression of lighting solutions into customer EE programs, and the adoption of code requirements for efficient lighting technologies, LMT is no longer needed as a program.

1. **Lighting Innovation (SCE-13-SW-005B)**

Lighting Innovation (LI) is a non-resource subprogram that evaluates products or program approaches that are new to the market and could potentially enter the Primary Lighting Program or the Commercial, Industrial, and Agricultural EE Programs. While the program provides valuable information on lighting challenges and barriers that exist, activities conducted in the LI subprogram can be administered in the Emerging Technologies Program.

1. **WE&T Planning (SCE-13-SW-010C)**

Workforce Education and Training (WE&T) involves management and execution of several strategic statewide planning tasks, including holding annual WE&T public workshops and stakeholder engagement sessions, conducting needs assessments, and hiring industry subject matter experts and consultants to assist in the development of a comprehensive approach to WE&T program design and implementation. While the program does provide some value to customers, the program is not cost-effective as it does not deliver energy savings. Thus, WE&T Planning will be discontinued.

1. **WE&T – Mobile Energy Unit**

The Mobile Education Unit (MEU) Program is a non-resource customer outreach program designed to increase awareness and participation in SCE’s Energy Efficiency, Demand Response, Self-Generation, and Income Qualified programs. MEU attends various community-based events throughout SCE’s service territory. While the program does provide some value to end user residential customers, the program is not cost-effective as it does not deliver energy savings. Thus, MEU will be discontinued. Internal and external stakeholders, including the Customer Call Center, will be notified of the program’s closure through website updates, email blasts, and formal communication.

1. **WE&T – Community Language Efficiency Outreach**

The Community Language Efficiency Outreach (CLEO) Program is a non-resource, language-based customer outreach program designed to increase awareness and participation in SCE’s Energy Efficiency, Demand Response, Self-Generation, and Income Qualified programs. CLEO attends various community-based events throughout SCE’s service territory to educate customers on the programs and services available to them in their primary language. While the program does provide some value to end user residential customers, the program is not cost-effective as it does not deliver energy savings. Thus, CLEO will be discontinued. Internal and external stakeholders, including the Customer Call Center, will be notified of the Program’s closure through website updates, email blasts, and formal communication.

1. **Sustainable Communities Pilot Program (SCE-13-TP-019)**

SCE’s Sustainable Communities Program (SCP) is a non-resource program that provides design and technical assistance, training, and other professional resources to new construction projects. The purpose of SCP is to advance new construction projects beyond Title 24 requirements to achieve Zero Net Energy (ZNE). As part of the 2018 –2025 EE Business Plan, SCEs Codes and Standards program already plans to enhance its Planning and Coordination sub-program to include ZNE-preparedness activities to support the building industry in reaching ZNE. Specifically, ZNE-preparedness activities emphasis on residential new construction through design and technical assistance, pilots, and other industry-supporting activities. Additionally, the Codes and Standards and Emerging Technologies Programs will continue to coordinate activities to leverage the successes of the past SCP and ZNE projects. SCE is eliminating the SCP to avoid overlapping efforts and, thereby, optimizing the cost-effectiveness of the EE portfolio.

1. **ARRA- Originated Financing - EmPower (SCE-13-SW-007B)**

The EmPower Energy Efficiency Program is a continuation of financing programs originally supported by American Recovery and Reinvestment Act (ARRA) stimulus funding in 2011 and 2012 and implemented by local governments. The Program was created to streamline the process of attaining low-cost unsecured loans, qualify third-party contractors, and provide utility rebates to help homeowners overcome the high upfront cost and confusion of making home energy upgrades. Additionally, EmPower aimed to increase customer participation in the utilities’ Energy Upgrade California program (“EUC Program”) by coordinating with customers.

Despite efforts, the EmPower program has a very low conversion rate of turning interested customers into actual EUC projects with few to no closed loans. Furthermore, there is very limited evidence of direct correlation between EmPower activities and EUC or other program participation.

1. **Commercial Continuous Energy Improvement**

Commercial Continuous Energy Improvement (CEI) is a non-resource program designed to make energy an organizational priority for customers by employing change management and process improvement strategies for energy management. Energy Advisors provide strategic energy management consulting and training. SCE will consolidate the Agriculture Continuous Energy Improvement Program, Commercial Continuous Energy Improvement Program, and the Industrial Continuous Energy Improvement Program into a single program named the Strategic Energy Management (SEM) program. Please see SEM program description in the New Programs and Subprograms below.

1. **Agricultural Continuous Energy Improvement**

The Agricultural Continuous Energy Improvement is a non-resource program designed to help agricultural customers engage in long-term strategic energy planning. SCE will consolidate the Agriculture Continuous Energy Improvement Program, Commercial Continuous Energy Improvement Program, and the Industrial Continuous Energy Improvement Program into a single program named the Strategic Energy Management (SEM) program. Please see SEM program description in the New Programs and Subprograms below.

1. **Industrial Continuous Energy Improvement**

The Industrial Continuous Energy Improvement is a non-resource program that is designed to provide consultative service aimed at helping industrial customers engaged in a long-term strategic energy planning. SCE will consolidate the Agriculture Continuous Energy Improvement Program, Commercial Continuous Energy Improvement Program, and the Industrial Continuous Energy Improvement Program into a single program named the Strategic Energy Management (SEM) program. Please see SEM program description in the New Programs and Subprograms below.

**New Programs and Subprograms**

1. **Midstream Point of Purchase (SCE-13-SW-002H)**

The Midstream Point of Purchase (MPOP) program provides incentives at the point of purchase through participating distributors of certain pre-approved energy-efficient products.  The MPOP program encourages distributors to purchase and stock higher quantities of high-efficiency equipment.  MPOP’s instant rebate at the point of purchase facilitates customer decisions to purchase high-efficiency equipment by reducing both the equipment cost premium and the effort required to submit an application.  SCE reimburses the participating distributor a pre-authorized incentive amount for each qualifying product sold to an eligible business customer.  The distributor collects the customer information at the point of purchase and provides product data to SCE through an online tool for invoice processing.  SCE validates the customer and product data and issues payment to the distributor.

1. **Strategic Energy Management (SCE-13-SW-003D)**

SCE will consolidate the Agriculture Continuous Energy Improvement Program, Commercial Continuous Energy Improvement Program, and the Industrial Continuous Energy Improvement Program into a single program named the Strategic Energy Management program. The Strategic Energy Management (SEM) program is a resource program that provides a concierge approach in identifying, assisting, and implementing EE projects with a whole facility focus. SEM is a milestone-based program with eight workshops that span 26 months. The purpose of the workshops is to educate and deliver savings to the customer. The concierge service will have one implementer and one point of contact to assist the contractor through the sunrise and sunset of EE projects with a whole building approach.

1. **Medium Size Industrial Customer Energy Efficiency Program (SCE-12-TP-023)**

The Medium Size Industrial Energy Efficiency Program (MICE) is the result of a successful IDEEA365 offering from 2014. Many customers, due to their smaller size, are not adequately served by the Energy Services Company market and lack the time and expertise to identify potential measures and projects. If and when projects and measures are identified by the customer, the customer must then develop a plan that would convince the customer’s management to allocate the necessary capital expenditures. This is often a challenge due to uncertainty or low confidence in the estimated costs and savings. MICE will close this gap in the mid-market segment of SCE’s Industrial portfolio by providing customers with detailed, in-depth energy assessments which identify energy efficiency opportunities, accurately estimate potential savings and costs, and provide a roadmap to implementation.

1. **Water Infrastructure and System Efficiency Program (SCE-13-TP-002)**

The Water Infrastructure and System Efficiency Program (WISE) program is the result of a successful IDEEA365 offering from 2014. The WISE program will leverage data from the Pump Efficiency Services Program (a successful SCE water-energy program that produces significant water and energy savings) as a baseline for the new pump measures. WISE will target water-energy solutions at all major areas of water in SCE’s service territory (e.g., source water pumping, water treatment, water distribution, and waste water treatment). WISE will also look at benchmarking opportunities and audit functions as well as installations with an emphasis on measures such as pump efficiency and pump repair for customers, including those from SCE’s Government and Institutional Partnership programs.

1. **AB793 Pay for Performance Program (SCE-13-TP-024)**

In 2017, the California Public Utilities Commission (CPUC) issued Resolution E-4820, in the proceeding addressing Assembly Bill 793 (AB 793) which, among other things, directs SCE to implement new P4P programs targeting both Residential and Small Medium Business (SMB) customers. In 2017, SCE issued a Request for Offer (RFO) resulting in contract negotiations and an award to HEA for the design, implementation and administration of the Home Intel Program. This Program will assist residential customers to quickly and accurately understand their home’s energy usage and implement a cost-effective path to savings.

The goals of the Program are:

* Establish a scalable P4P Program model for residential EE to dramatically increase customer participation and measurable energy savings; and
* Effectively leverage a set of meter-based energy savings calculation methods to measure NMEC savings across a pool of participating customers.

1. **Facilities Assessment (SCE-13-TP-025)**

Pursuant to AB 793 described above, SCE created the Facilities Assessment Program, a third party-implemented program created to advance control.  This program will provide services to SCE customers that will allow them to better manage their energy usage, identify Behavioral, Retro-commissioning, and Operational-Based energy saving opportunities, and achieve energy savings by utilizing Energy Management Technology/Software.  The program is designed to leverage the investment SCE has made in Advanced Meter Infrastructure (AMI) deployment through data analytics, and customer engagement.  Savings resulting from the Facilities Assessment Program will be calculated using the Normalized Metered Energy Consumption (NMEC) approach.

1. **National and International Standards (Sub-Program of Codes & Standards Program)**

National and International Standards is a new category of activities that focuses on both federal regulations as well as voluntary codes that are developed at a national level that directly impact IOU customers. California codes and standards need to align with and reflect international as well as national standards. The purpose of this new category is to work on that alignment by recognizing and participating in the different processes that are required to interact with national code development bodies such as the US DOE, ASHRAE, and the International Code Council (ICC), national organizations that oversee national voluntary standards such as the US EPA, US Green Building Council, and the Collaborative for High Performance Schools (CHPS), and other national organizations such as the Federal Trade Commission (FTC) and the US Legislature.

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1. *See* D.15-10-028, ordering paragraph 4. [↑](#footnote-ref-2)
2. See.D.18-05-041, p. 133 [↑](#footnote-ref-3)
3. D.05-04-051, Attachment 3, Rules II.8 and IV.9. [↑](#footnote-ref-4)
4. D.05-04-051, Attachment 3, Rule IV.9. [↑](#footnote-ref-5)
5. D.18-05-041, Ordering Paragraph 30. [↑](#footnote-ref-6)
6. IOU PAs are required to fund all statewide programs per D.18-05-041, p. 83 [↑](#footnote-ref-7)
7. [Reference Disposition A and B] [↑](#footnote-ref-8)
8. Key elements of the following dispositions and guidance memos are the drivers for SCE suspending high risk measures:

   2017\_Workpaper\_Guidance\_Memo\_OUT

   2017ExteriorLEDFixturesDisposition-Revised2June2017-FINAL

   PGECOLTG178r3\_DetailedReview\_29Sep2017-final1

   SCE\_FinalVersion\_2016ESPI\_2017-08-21

   2017ExteriorLEDFixturesDisposition-BaselineClarifications-12Apr2017-Draft

   SCE-16-C-C-0073\_0500804246\_Ext. LED Lighting

   2018 Screw-In LED Methods Disposition

   Commission Staff email clarification of the 2018 Screw-in LED Methods Disposition, January 31, 2018 [↑](#footnote-ref-9)
9. D.18-05-041, p. XX [↑](#footnote-ref-10)