Application No. A.12-07-XXX
Exhibit No.: SDG&E
Witness: Ted Reguly

Application of San Diego Gas & Electric Company (U-902-M) for Approval of Demand Response Programs and Budgets for the Years 2013 and 2014.	Application 12-07-___

CHAPTER I

PREPARED DIRECT TESTIMONY OF

TED REGULY

SAN DIEGO GAS & ELECTRIC COMPANY

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

July 2, 2012

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CHAPTER I
PREPARED DIRECT TESTIMONY
OF TED REGULY

I. EXECUTIVE SUMMARY

A. Purpose

The purpose of this testimony is to present San Diego Gas & Electric Company's ("SDG&E") proposed Energy Efficiency ("EE") Program portfolio ("Portfolio") and provide the technical basis and explanation to support the cost effective energy savings and demand reduction estimates that are presented in the portfolio.

The testimony will show that the Portfolio, which was developed following the strict policy guidance adopted by the California Public Utilities Commission ("Commission" or "CPUC") in D.12-05-015, is designed to meet the Commission's cumulative 2 year goals of 444 GWH, 87 MW and 4.6 million therms and other program directives with a total 2013-2014 budget of $222,797,414.

B. SDG&E's Commitment to Energy Efficiency

Since 1990, SDG&E has successfully proven its commitment to Energy Efficiency by helping customers save over 5.4 million MWH, equal to the electricity required to supply over 550,000 homes for one year; save over 1,189 MW, avoiding the need to construct the equivalent of 12 large power plants; and save over 66.5 million therms, equal to natural gas required to serve over 110,000 homes for one year.[1]

SDG&E's energy vision is clear and consistent with the plans and policies of the State of California. The number one energy resource is ***"Energy Efficiency"***. We are committed to this, and to supporting our customers' ongoing challenge of managing their energy costs through

[1] Data obtained from SDG&E's reported achievements in its 1990 through 1999 DSM Annual Reports and 2000 through 2012 Energy Efficiency Reports.

energy efficiency, energy conservation and demand reduction (“DR”). Energy Efficiency has, and will continue to be the most important part of SDG&E’s integrated and balanced energy resource plan.

We are all facing a very challenging energy future. The programs described in this testimony are developed to help solve some of these challenges. We know we will need to get closer to our customers to succeed. We know we will need to develop more partnerships, and we will need to continue our integration efforts with our DR and Energy Assistance Services (“ESAP”) programs. We know we will need to continually learn from our experiences and continually strive for innovation in our programs. SDG&E’s 2013-2014 Energy Efficiency Portfolio reflects all of these actions.

C. DESIGN OF SDG&E’s PROGRAM PORTFOLIO

This testimony presents SDG&E’s EE Portfolio developed utilizing the market centric approach outlined by the Commission in D.12-05-015 with:

- Statewide programs addressing the following Major Strategic Planning Areas: Commercial, Industrial, Agricultural, Residential, and Partnership segments along with the Emerging Technology, Workforce Education and Training, Codes and Standards and Marketing Education and Outreach programs;
- Market Transformation programs for Lighting, HVAC Quality Installation & Quality Maintenance, Energy Upgrade California, Residential New Construction, Savings By Design, Plug Load/Appliances;
- Financing programs that build on the success of its On-Bill Financing program and introduces innovative financing approaches through the introduction of financing strategies and continuation of successful financing programs funded by American Recovery Reinvestment Act (“ARRA”) stimulus program;

- Integrated Demand Side Management ("IDSM") programs that provide comprehensive energy management approaches to assist customers;
- Local Programs and third party implemented programs that address market opportunities not adequately captured in the statewide programs; and
- Behavior programs that provide innovative approaches to take advantage of Smart Meter and new technologies.

These program designs are described in greater detail in Witness Katsufrakis' testimony, Chapter II.

SDG&E used the following guiding principles in designing its portfolio:

Innovation:

- Programs should be innovative in design and implementation, even as we build on the foundation of the "tried and true" effective measures.
- Programs should be "customer-centric" – that is, designed with the customers in mind.

Integration:

- Programs and activities should support the Commission's Big Bold Energy Efficiency Strategies ("BBEES") and the California Energy Efficiency Strategic Plan and its supporting Action plans.
- Programs should be designed to capture synergies from integration with other state priorities, including DR, ESA, renewable generation, and AB32 GHG reduction.

Comprehensive:

- The EE Portfolio should be comprehensive in pursuing all cost effective energy efficiency opportunities.
- Programs should tap the talent and resources in the market place by seeking opportunities for partnerships with customers, local agencies, and service providers.

D. Features of the Portfolio

SDG&E's EE Portfolio is composed of 9 state-wide programs, 16 local programs and 12 third party programs which were selected and/or designed to demonstrate the guiding principles of innovation, integration and comprehensiveness.

Specifically, innovation is demonstrated in the Portfolio in many areas. SDG&E is proposing a pilot project that will evaluate the latest developments in in-home automated control/monitoring technology that leverages our Smart Meter infrastructure and optimizes residential energy use, e.g., display on-line their energy consumption[2] to better track and manage their energy use, complete SDG&E's integrated on-line tool to review recommendations that the customer can implement to improve their energy efficiency, etc.

Our successful On-Bill Financing program is being updated to make it even more attractive to small commercial, agricultural and institutional customers by increasing the cap on loan value and lengthening the maximum pay-back period. Potential partnerships with financial institutions that focus on hard to reach businesses are also being investigated to maximize financing opportunities for energy efficiency projects at businesses located in lower income neighborhoods.

With respect to local government partnerships, SDG&E is working with its existing local government partners to propose a structure that demonstrates how a well-designed Regional Energy Network can work effectively.

From an integration perspective, SDG&E has had significant success in its efforts to integrate EE and DR program marketing and implementation and include renewable program

[2] An example of this service is Google's PowerMeter discussed at http://www.google.org/powermeter/

information where appropriate. This activity is most evident in the development of its online Integrated Audit tool that provides a wide range of conservation, energy efficiency, demand response and solar program options.

In the residential market, we have jointly marketed our Summer Saver DR program (AC cycling) with our HVAC program and with the Smart Meter roll out, we have plans to utilize the detailed customer usage data to better target high energy users and provide customers with customized feedback on the most relevant EE and DR opportunities. We have updated our protocols to deliver combined EE and DR audits and will be adding greenhouse gas emission inventory calculators to the audit process. We will also be including water efficiency as part of the audit tool.

Lastly, comprehensiveness has been and continues to be an important aspect of SDG&E's EE Portfolio. With the aggressive goals set by the Commission, it is imperative to be efficient in approach if SDG&E is to meet or exceed its energy saving and demand reduction goals. SDG&E, Southern California Gas Company, Pacific Gas & Electric Company, and Southern California Edison Company, have redesigned the statewide programs to reduce the number of programs and continue to focus on market segments. The goal is to be even more knowledgeable about the needs of customer segments (residential owners and renters; non-residential manufacturing, agricultural, hospitality, foodservice, institutional, etc.) and increase market penetration through segment specific program design, marketing and outreach. This segment-based approach is consistent with the state-wide program designs but is also being utilized for our local program design and implementation

To demonstrate SDG&E's commitment to comprehensiveness in SDG&E's 2013-2014 portfolio, SDG&E used the "Analysis to Update Energy Efficiency Potential, Goals and Targets for 2013 and Beyond"[3] results as a guideline for which measure mix was most appropriate to build our EE Portfolio, reach our goal but still ensure that the portfolio is cost effective. In addition, SDG&E has significantly reduced its basic CFL offerings to be below 4% of its total portfolio savings target.

In summary, SDG&E believes its proposed 2013-2014 Energy Efficiency Portfolio is innovative in its efforts to bring new technologies and programs to market, integrated in its efforts to promote its EE/DR/ESAP and renewable programs and comprehensive in its attempt to identify and maximize all cost effective energy efficiency opportunities. The following sections of this testimony provide greater detail on how these objectives are achieved with our EE Portfolio.

The Commission, in D.12-05-015 OP 171, also provided the utilities an opportunity to propose alternative proposal to certain aspects of the portfolio. SDG&E provides its alternative proposal in Section IV below.

E. Summary Tables and Graphs of Portfolio

The following sections provide summary information of SDG&E's 2013-2014 proposed energy savings, budgets and cost effectiveness. Please refer to Witness Besa, Chapter III, and Appendices A and D for more details.

1. Summary of Portfolio Energy Savings and Demand Reductions

D.12-05-015 adopts gross goals, not net of free riders. Table 1-1 below shows the forecasted savings for SDG&E's 2013-2014 energy efficiency portfolio.

[3] Analysis to Update Energy Efficiency Potential, Goals and Targets for 2013 and Beyond, Navigant, May 8, 2012 available at http://www.cpuc.ca.gov/NR/rdonlyres/6FF9C18B-CAA0-4D63-ACC6-F9CB4EB1590B/0/2011IOUServiceTerritoryEEPotentialStudy.pdf

Table 1-1: Projected Annual Portfolio Savings Targets for 2013-2014

	2013	2014	Total
Goal			
KWH	227,000,000	217,000,000	444,000,000
KW	45,000	42,000	87,000
Therms	2,300,000	2,300,000	4,600,000
Target			
KWH	261,301,354	306,533,376	567,834,730
KW	43,128	50,498	93,626
Therms	2,880,876	2,854,454	5,735,330

Appendix D shows SDG&E's 2013-2014 forecasted energy savings by market sectors and measure groupings. It should be noted that SDG&E's nonresidential incentive programs have been designed to capture energy savings and incentives for the Institutional and Local Government Partnerships. Therefore, there are no savings forecasted for these partnerships.

2. Summary of Portfolio Budget

The following table shows SDG&E's requested 2013-2014 portfolio budget to support meeting its aggressive EE energy savings goals and support activities. In addition, consistent with D.12-04-045 Ordering Paragraph ("OP") 74, SDG&E is requesting DR funding for post-2012 IDSM activities. The budgets for each year are shown below. SDG&E notes that it will be requesting the full 2013-2014 Marketing, Education and Outreach ("ME&O") budget in its August 3, 2012 application as directed by D.12-05-015 OP 117 but for the purposes of determining its 2013-2014 EE portfolio cost-effectiveness it included the EE budget component of its full 2013-2014 ME&O budget.

Table 1-2: SDG&E 2013-2014 Proposed Budget

	2013	2014	Total
2013-2014 EE Program Cycle Budget	$ 105,875,400	$ 112,980,332	$ 218,855,732
2013-2014 DRP IDSM Budget	$ 4,944,077	$ 4,944,077	$ 9,888,154
Total By Program Year	$ 110,819,477	$ 117,924,409	$ 228,743,886

II. SDG&E'S PROPOSED PORTFOLIO REFLECTS COMMISSION'S GUIDANCE

This chapter summarizes SDG&E's Energy Efficiency portfolio application compliance with directions provided in D.12-05-015, and relevant state and federal requirements related to energy efficiency. Appendix G provides the line-by-line identification of SDG&E's compliance with the Commission's requirements.

A. Financing

D.12-05-015 provides substantial guidance around EE financing, including directives to implement a new $200 million, statewide EE portfolio of Financing Programs that include continued on-bill financing for nonresidential customers, introduction of an on-bill repayment program, extension of EE financing programs funded by the federal ARRA, and ratepayer-funded credit enhancements for select market segments. Additionally, the decision directs the IOUs to hire an expert financing consultant, develop a database of financing-related information, and invites the IOUs to propose a methodology to estimate incremental savings delivered by the statewide financing programs.[4]

The IOUs have designed the framework for an EE Finance Program that increasingly leverages third party investment to augment ratepayer funding, as described by Witness Katsufrakis in Chapter II and in the program implementation plans in Appendix C. A major emphasis of the decision relates to making changes to existing Financing programs to become a cost effective resource program. SDG&E's program design includes a reduction or elimination of rebates/ incentives associated with OBF projects to be phased in as follows, 2013 will be a transition year and full implementation will begin in 2014. After implementation, incremental

[4] Decision.12-05-015 Section 5 and Ordering Paragraphs 21-31.

energy savings associated with OBF projects will be credited to the loan program and not rebate/incentive programs to avoid double counting of savings.

B. Local Government, Government Partnerships and Third Party Delivery

D.12-09-015 directs the utilities to include a set of criteria for local government programs consistent with the goal of deeper retrofits, identify a minimum of 20% of the portfolios that will be put out to competitive bid, provide all third party contracts, and assess third party programs for 2013-2014 extension. SDG&E includes in this Application its proposed design of the Local Government Partnerships, Regional Energy Network and Third Party Programs activities, including a rolling solicitation proposal for new third party solicitations.

In the 2010-2012 program cycle SDG&E, working alongside local governments and other regional key stakeholders, developed criteria to evaluate each of these partnerships for continuation into 2013-2014. Additionally, the Emerging Cities partnership is expanding to accommodate for an increased emphasis on Orange County, as well as to provide services to those non-Partner municipalities wishing to participate in the San Diego Regional Energy Network (SDREN), and to assist with their energy programs and climate planning goals.

The Program Implementation Plans in Appendix C include tables summarizing the Local Government Partnership evaluations and describes how these successful programs will be continued and expanded.

To meet the directive to allocate 20% of its portfolio to existing and possibly new third-parties, SDG&E is continuing a number of successful and cost effective third party programs. The specific programs that are continuing are described in Appendix C.

C. Reducing the Number and Complexity of Programs

Commission directs the IOUs to reduce the number and complexity of programs. This specifically includes elimination of the standalone statewide Heating, Ventilation and Air Conditioning and New Construction Programs, with direction to specify where elements of these programs are now housed and funded. SDG&E has reduced and streamlined its EE portfolio by consolidating and/or removing programs and sub-programs to reduce program overlap and increase cost-effectiveness and efficiency.

To comply with the guidance, the HVAC and New Construction Programs have been moved into Residential and Commercial programs. HVAC resides in the Residential and Commercial Programs and new construction components are now part of the Commercial Calculated Subprogram. Additionally, SDG&E is discontinuing its local calculated program and will continue to serve target customers through the state-wide calculated programs. The full portfolio structure is described further by Witness Katsufrakis.

D. Residential Sector Program

The Commission provided direction for the residential sector, including directives related to the redesign of the Energy Upgrade California Program ("EUC") as a market transformation-oriented program, establishing a Middle Income Direct Install program, reorienting the Appliance Recycling Program, and providing optimal support for Title 24-compliant construction and for Zero Net energy homes.

EUC is designed to incorporate additional plug load savings and be more comprehensive. To accomplish this, the IOUs will employ multiple strategies and tactics that integrate, leverage and build upon existing delivery channels and customer relationships including: direct install, manufacturers, retailers, contractors, energy rates, IOU contact centers, and web-based tools in order to surmount market barriers. Market transformation and direct energy savings and demand reductions will be achieved through a series of six subprograms. SDG&E includes in this Application its design of the Residential Program, compliant with all directives, as described further by Witness Katsufrakis.

E. Commercial Sector Program

The Commission directs the IOUs to incorporate changes for the Commercial Sector program, including the adoption of new approaches to achieve deeper energy retrofits, addressing the split-incentive barrier in tenant-occupied buildings, improving the use of performance data, and the advancement of commercial sector emerging technologies.

To achieve deeper energy retrofits and encourage adoption of emerging technologies, the IOUs are exploring an incentive mechanism that will reward installation of multiple end-uses and/or new technologies. Consistent with OP 73, the Direct Install program will continue to work actively with Business Improvement District (BID) to increase local community involvement and raise the program's profile among BID businesses. During the 2013-2014 transition period, SDG&E will leverage its Local Government Partnerships to partner with multiple BIDs to increase the number of BID customers involved in the Direct Install program.

F. Lighting Programs

The Commission directs the IOUs to implement a Statewide Lighting Program for all residential and nonresidential lighting that includes specific elements such as support for emerging and advanced lighting measures, specific restrictions on eligible lighting incentives, and measures to capture the remaining market potential of CFLs.

SDG&E includes in this Application its design of the new statewide Lighting Program, described further by Witness Katsufrakis. This design includes the introduction of the Lighting Innovation and Lighting Market Transformation subprograms.

G. Program Alignment with Senate Bill 454

D.12-05-015 OPs 50, 51, 52 and 53 require the IOUs to modify, as necessary, their program rebate/incentive applications to comply with SB 454. SDG&E's Upstream HVAC Equipment incentive program ("Program") is currently compliant with SB 454, which is codified at Public Utilities Code Section 399.4 and thus no further changes are required. Section 399.4 (b) (1) refers to rebates or incentives for installed energy efficiency measures. The transaction for which an incentive is paid in the above-mentioned Program is for the sale, rather than the installation, of HVAC equipment. No permits are required at point of sale. The Program does not come in direct contact with the equipment installation process by the contractor or end-user; therefore it does not violate the permitting and licensing requirements in PUC Section 399.4.

D.12-05-015 OP 51 requires the customer or contractor to certify that he/she has obtained a permit and utilized a licensed contractor. Pursuant to a multi-party settlement of issues related to SB 454[5], the IOUs' applications for incentives for HVAC replacements or installations already require the person applying for the incentives to certify that a contractor is licensed and a permit has been obtained, if applicable. Thus, no further changes are needed to SDG&E's applications to comply with this requirement.

D.12-0-015 OP53 requires the IOUs to institute the following changes to their documentation for programs involving HVAC installations or replacements: (a) submittal of the

[5] Letter from Office of Attorney General, California Energy Commission, CPUC, and Contractors State License Board to Janice Berman, dated October 18, 2010.

permit number for the HVAC-related work; and (b) a contractor certification that appropriate permits have been obtained. SDG&E will update its residential, multi-family, and business customer rebate applications, including rebates for the installation or replacement of a HVAC unit.

H. Codes and Standards Program

The Commission includes important guidance on Codes and Standards ("C&S"), including directives to implement an "integrated dynamic approach", expand the programs' efficacy through coordination with the CEC and with key program areas, and suggests the IOUs pilot incentives to support critical improvement code compliance.

The new Planning and Coordination Subprogram within the statewide C&S program. will coordinate both internally and externally to support a dynamic approach to portfolio planning with the objective of accelerating market acceptance and ultimately the adoption of successful, cost-effective technologies or practices into code. This will be done through a C&S Collaborative, cross-functional teams, coordination meetings, and ongoing communication between the state-wide team, CEC, Commission, national stakeholders (DOE), C/I/AG, and local governments.

Codes and Standards will collaborate with the CEC and the Compliance Improvement Advocacy Group ("CIAG"), and non-monetary incentives will be explored. Curriculum will be updated to cover the recently adopted 2013 building energy efficiency code.

I. Emerging Technologies Program

The Guidance Decision includes direction on the Emerging Technologies Program, including directives to include Emerging Technologies Implementation Plans, fully utilize available research (including end-users adoption of new technologies), expansion of the

Technology Resource Incubator Outreach program, and coordination with Residential, Commercial and Codes and Standards programs.

The Technology Development Support Subprogram will support the development of new technologies and thus lead to an increase in EE technology supply. The Technology Assessment subprogram will identify promising technologies for EE programs and thus increase the number of measures offered by EE programs. Finally, the Technology Implementation Support subprogram will "seed" market demand among targeted end users to support technology introduction and whole-building deep-energy reduction solutions. SDG&E includes in this Application its design of the Emerging Technologies Program, described further by Witness Katsufrakis.

J. Workforce Education and Training Program

The Commission includes substantial guidance around Workforce Education and Training, including directives regarding the California Advanced Lighting Controls Training Partnership ("CALCTP") program and the Heating Ventilation and Air Conditioning sector, associated skills development, and addressing recommendations made in the Workforce, Education and Training Needs Assessment.

SDG&E, as a part of a Joint IOU initiative will develop a plan to introduce a non-residential HVAC sector strategy pilot. A core component of this plan will be the development of a partnership with the California Division of Apprenticeship Standards ("DAS"), which will include a collaboration to develop a full implementation plan to apply the CALCTP sector strategy approach to the HVAC non-residential industry. This activity specifically addresses the directive of OP 117 in D.12-05-015.

SDG&E includes in this Application its design of Workforce Education and Training efforts, described further by Witness Katsufrakis.

K. Water-Energy Nexus Programs

D.12-05-015 highlights the Commission's continued support for Water-Energy Nexus Programs, and includes directives to increase targeting of agricultural and industrial customers, and continue leak-loss detection and remediation, and pressure management services.

SDG&E, based on its past success with leak-loss detection and repair and retrofit pilots, includes in this Application Water-Energy Nexus activities as part of its portfolio design. Specific activities include partnering with local water agencies to explore offering joint energy-water incentives and including water savings opportunities in integrated audits.

L. Statewide Marketing, Education and Outreach

D.12-05-015 articulates the Commission's vision for Marketing, Education, and Outreach (ME&O), notably including the directive to each utility to file a stand-alone statewide ME&O application. SDG&E will provide its design of the statewide Marketing, Education, and Outreach Program in its August 3, 2012 ME&O Application, and highlight compliance with this Decision.

M. Local Integrated Demand-Side Management Activities

The DSM Coordination and Integration chapter of the Strategic Plan envisions that DSM options be offered as elements of an integrated solution that supports energy and carbon reduction goals immediately. The 2012-2014 DRP Decision, D.12-04-054 OP 74, allows the utilities to request continued funding for identified IDSM activities in the 2013-2014 EE Application.

Total projected budget for the IDSM marketing efforts in 2013 and 2014 is shown in the table below:

Table 1-3: Total IDSM Program Budget

	2013	2014	Total
2013-2014 EE IDSM Program Budget	$ 6,881,800	$ 6,426,581	$ 13,308,381
2013-2014 DRP IDSM Budget	$ 4,944,077	$ 4,944,077	$ 9,888,154
Total By Program Year	$ 11,825,877	$ 11,370,658	$ 23,196,535

1. IDSM Marketing

SDG&E received funding for Integrated DSM Marketing for the year 2012 in D.12-04-045, which also directed the utilities to request continued funding for identified IDSM activities in the 2013-2014 EE Application. With this application, SDG&E is requesting continued funding for Integrated Local Marketing efforts for 2013 and 2014. In compliance with D.12-05-015 Ordering Paragraph 133, this program provides the “clear plan to pursue integrated marketing in the 2013-2014 program cycles.”

Local IDSM marketing efforts are an important link between the broader scope of statewide marketing efforts and individual program tactics. In this application, SDG&E also requests specific program marketing funding within each of its proposed EE programs. SDG&E’s approach to marketing is based on a model that uses a tiered approach to take consumers from awareness to interest/desire and ultimately action. The presentation of integrated solutions offered by SDG&E at a local level will help customers of all classes make the link between the messaging presented by statewide marketing and the most relevant and impactful programs presented in local IDSM and program marketing efforts. Additional information regarding the role of statewide marketing and local marketing and the coordination between the two will be filed as part of the August 3, 2012 Statewide Application for Marketing Education and Outreach, as directed by D.12-05-015.

There is no DG contribution to the IDSM marketing budget as SDG&E does not administer those programs in our service territory. However, as described below, efforts will be made to include relevant information on DG in collaboration with the local program administrator where applicable.

D.12-04-054 referenced incorrect comparisons by which the non-program specific marketing budgets should be judged, stating that there was "no direct comparison" by which to review the budget request in that proceeding. With this application, SDG&E clarifies the assumptions that resulted in reductions for its approved budget for 2012 IDSM Marketing. In SDG&E's DRP application, A.11-03-002, and continuing in this 2013-2014 EE application, SDG&E has made the required effort towards integrated marketing by moving much of the budget that was, in previous program cycles, requested under demand response specific "Customer Education, Awareness and Outreach (CEAO)" into "IDSM Education and Outreach." The Table below illustrates the non-program specific Marketing, Education and Outreach budgets and provides a comparison between the approved 2009-2011 budgets and the total request for both EE and DR proceedings for 2012-2014.

Table 2-4: Non-Program Specific Marketing Budget Comparison

	2009 - 2011 DRP Approved Budget	2012 DRP Approved Budget	2012-2014 DRP Approved Budget	CEAO % Reduction	2013-2014 Proposed Budget	3 Year Proposed CEAO+IDSM Total	CEAO+IDSM Marketing % Reduction
CEAO (DR)	$6,029,209	*N/A*	$1,100,000	**-81.80%**	*N/A*	$5,848,966	**-3.00%**
IDSM (EE+DR)	$0	$984,359	*N/A*	*N/A*	$3,764,607		

Though the funding for this program is EE and DR specific, we will not overlook the need to incorporate information from other proceedings. For example, SDG&E does not administer the local California Solar Initiative ("CSI") program, but we will work with the local program administrator to incorporate distributed generation information and messaging where appropriate. In addition, SDG&E's proposed settlement agreement in its dynamic pricing application (A.10-07-009) also highlights the opportunity for increased coordination and integrated messaging even though funding sources are separate. In response to ALJ Hecht's ruling with question regarding the proposed Settlement Agreement on A.10-07-009, the settling parties agree with the importance of coordinated and integrated marketing efforts and recognize the separate and independent sources of funding. [6]

2. Energy Advisor Program

The IOUs developed the Energy Advisor subprogram to bring together under one program all services offered to support customer education and participation in energy efficiency, demand response and self-generation, energy reducing opportunities and benefits, along with awareness of greenhouse gas and water conservation activities. These services include Benchmarking, an Online Energy Audit Tool, Nonresidential Audits, Pump Efficiency Services, Retrocommissioning ("RCx"), and coordination with CEI audits.

N. Program Advisory Groups

The Decision OP 167 directs the IOUs to include proposals to potentially utilize Program Advisory Groups ("PAG") as a consultative resource for mid-cycle or future program changes. In order to receive input to assist with formulating the 2013–2014 portfolio recommendations,

[6] Settling Parties Joint Statement in Response to the Administrative Law Judge's Request for Additional Information. A.10-07-009, March 30, 2012. Page 12.

SDG&E invited a variety of stakeholders to participate in a multi-level approach to receiving input from interested stakeholders. SDG&E created several subcommittees that were very focused on specific program/market sector areas to be able to have open dialogue about the current state of its 2010-2012 EE programs and make recommendations to improve programs for the upcoming cycle. The subcommittees are: Residential, Commercial, Industrial, LGPs, New Construction and Workforce, Education & Training ("WE&T"). Each of these subcommittees has met at least two to three times over the course of SDG&E's 2 month planning process. Participating subcommittee stakeholders included contractors, program implementers, local government representatives, consumer advocate groups, and professional organizations who are interested in improving SDG&E's programs.

SDG&E also had an umbrella PAG consisting of stakeholders who had a broad interest in SDG&E's EE portfolio as a whole.[7] The primary function of the PAG was to vet recommendations that SDG&E was considering for its portfolio. Many of these program recommendations were developed from the individual subcommittees. SDG&E has met with its PAG starting April 26, 2012 and has since had two more meetings before the filing of this application. In addition to the PAG members, SDG&E's PAG and its subcommittees are open to public participation.

In addition to its local PAG, SDG&E, together with the other IOUS hosted a statewide PAG in San Francisco on May 29, 2012. At this meeting, the IOUs shared information and received input on the following topics: Spillover Effects, Local Government Partnerships, and Third Party Program bidding.

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[7] SDG&E's PAG members are: Energy Division, Division of Ratepayer Advocates, Natural Resources Defense Council, California Energy Commission. California Center for Sustainable Energy, CleanTech San Diego, University of San Diego Energy Policy Initiatives Center, University of California San Diego, San Diego State University, California Energy Efficiency Council, Utility Consumers' Action Network.

SDG&E intends to maintain these subcommittees and the PAG to continue to receive feedback on its programs that would result in a portfolio that is responsive to market changes meet customer needs and ultimately meet Commission objectives.

O. Evaluation

As discussed in Chapter III and in compliance with the D.12-05-015, the Joint IOUs' evaluation, measurement, and verification ("EM&V") budget proposal for 2013–2014 is 4 percent of their respective total portfolio budgets. This budget will support all EM&V activities conducted by the Joint IOUs and Commission staff at the prescribed levels of 72.5 percent for Commission studies and activities and 27.5 percent for IOU studies and activities. Also as directed, Commission staff and the Joint IOUs will work together to update and modify the existing EM&V work plan to meet the needs of the 2013-1014 portfolio.

P. Shareholder Incentive Mechanism

The Decision requires the Joint IOUs to reflect any guidance that is proposed or adopted regarding a shareholder incentive mechanism for 2013/2014. In a ruling issued June 15, 2012 in R.12-01-005, Administrative Law Judge (ALJ) Pulsifer requested further extensive comments and declined to provide further guidance pending review of those comments. Therefore SDG&E has not reflected any guidance here. As this 2013-2014 EE application proceeding and R.12-01-005 continue in parallel, SDG&E will actively participate to ensure that the objectives of the EE portfolio and the RRIM are aligned.

Q. Next Steps and the Process for 2013–2014 Utility Portfolio Application and Review

SDG&E will comply with Commission guidance and Ordering Paragraphs concerning the next steps and process for the Portfolio Application, as outlined in the Table of Compliance in Appendix G. SDG&E has complied with Energy Division guidance as to the preparation and development of appropriate data and documents to facilitate review of this application. SDG&E has worked closely with the other IOUs to enhance statewide consistency and develop thoughtful approaches to utility-specific customer needs.

In response to the Commission's invitation to offer an alternative portfolio proposal that would improve program success, SDG&E has collaborated with the other utilities and several stakeholders to develop one alternative energy efficiency program portfolio proposal. OP 171 indicated the application should contain (a) a full cost-effectiveness analysis of the second scenario portfolio, (b) a detailed explanation of the extent to which the additional portfolio does or does not comply with any of the foregoing ordering paragraphs, (c) an itemized summary of the differences between the two portfolios, and (d) a detailed discussion of the rationale for each area in which the two portfolios differ. A number of the alternative proposals are qualitative in nature and intended to enhance programmatic value, but do not translate to a measurable adjustment to the cost-effective analysis at this time. The testimony provided in the following section, is intended to satisfy the other requirements, along with any referenced attachments.

III. ALTERNATIVE ENERGY EFFICIENCY PORTFOLIO PROPOSAL

In response to OP 171 of D.12-05-015—which authorizes the Joint IOUs to file, in addition to a portfolio of programs that is compliant with all of the Decision's ordering paragraphs, one "additional alternative" EE portfolio proposal—SDG&E presents in this chapter an alternative 2013–2014 Energy Efficiency Portfolio (alternative program proposal).

In so doing, SDG&E recognizes the extraordinary efforts taken by Commission staff to direct the Joint IOUs in creating portfolios that would enable cost-effective action to meet energy savings goals, while aiming toward the higher goals of the Strategic Plan. As this Application shows, SDG&E's portfolio is in compliance with these directives. However, SDG&E, along with the Joint IOUs and many stakeholders, maintain that some programs could be more even more effective with modification to serve customers better, provide a basis to achieve deeper retrofits and/or prompt higher participation, and/or decrease risk. Key elements of the Preferred Portfolio follow:

1. **Enhance Customer Experience (Joint Proposal):** To improve the predictability of the customer experience while providing the Commission ample review time, SDG&E presents recommended enhancements for custom measures and projects.
2. **Improve Opportunity for Deeper Benefits (Joint Proposal):** To further market transformation efforts for WHUP-EUC, SDG&Es makes a series of proposals in support of effective program implementation and evaluation.
3. **Local Government Partnership Offerings (Joint Proposal):** To provide greater options for local governments seeking to more aggressively pursue EE in their communities, SDG&E proposes to provide local governments with additional technical resources as an alternative to Regional Energy Networks ("RENs"). This model would maintain market stability while the Commission embarks on planning for future cycles.
4. **Other Suggested Improvements:**
    a. **Marketing, Education, and Outreach:** SDG&E believes the function prescribed by the Commission for the California Center for Sustainable Energy ("CCSE") would have been arranged for by the utilities in the normal course of contracting for resources. The company endorses a competitive solicitation for a vendor to assist with such activities during the 2013 – 2014 EE period to assure the most qualified firm is retained to provide services.
    b. **Financing Program:** To lower risk and increase program effectiveness, SDG&E's alternative program proposal would continue OBF and work with interested parties and the other IOUs to develop an OBR payment option for

customers that does not require pro-rata payment (i.e., disconnection), and limits financing program participation to utility program measures. These changes would accelerate the movement toward private capital and away from rate-payer funded financing.

As the descriptions below underscore, SDG&E's alternative program proposal is intended to build a more innovative and effective transition to the next program cycle.

A. Enhance Customer Experience

In D.11-07-030, Appendix B, the Commission established a process by which ex ante energy savings estimates from custom measures and projects (hereafter, the "Custom Program") are reviewed. The Joint IOUs[8] and a collective of interested parties (hereafter, the "Joint Parties")—including Natural Resources Defense Council, the National Association of Energy Service Companies, the California Energy Efficiency Industry Council, all of whom are parties to this proceeding, and Onsite Energy—propose provisions intended to enhance the Custom Program, with a particular emphasis on improving the customer experience.

The Joint Parties came together with an interest in creating a collaborative paradigm that may be applied for future program proposals, by which collective efforts prior to the submission of testimony could improve the quality of proposals and increase administrative efficiency. As such, this proposal represents ideas and interests of a diverse group of stakeholders. Along with this testimony, the Joint Parties submit a redlined version of Appendix J that they respectfully ask the Commission use to implement the program for the 2013–2014 transition period (see Attachment 1, and Attachment 2 for a "clean" version of the proposed document). The

[8] Utility parties include Pacific Gas & Electric, Southern California Edison, San Diego Gas & Electric, and the Southern California Gas Company.

remainder of this section will summarize the proposed changes in Appendix J, and the associated rationale and benefits of the recommendations.

Custom measures and projects are energy efficiency efforts where the customer financial incentive and the *ex ante* energy savings are determined using a site-specific analysis of the customer's existing and proposed equipment, and an agreement is made with the customer to pay the financial incentive upon the completion and verification of the installation. Since custom measures and projects each have unique characteristics, parameters that determine estimated energy savings are more variable and less predictable without a site-specific analysis than the more common deemed measures for which savings parameters can be predetermined.

The Joint Parties focused on developing an alternative scenario for the Custom Program because they represent a critical element of the IOUs EE service offerings. Custom Program projects are some of the largest energy savings in the IOU program portfolios. As such, these projects are a key contributor to the EE portfolio cost effectiveness and ensuring the program in its entirety (including non-resource programs which do not directly contribute savings) is compliant with the Commission requirement to have a net Total Resource Cost ("TRC") above 1.0.

As implied by the significant savings impact upon EE portfolios, the Custom Program is one of the more valued programs by utility customers. In general, Custom Program projects provide an opportunity for businesses to replace existing commercial and industrial processes and / or equipment to increase energy efficiency, resulting in energy savings. In particular, certain Custom Program projects are specifically designed to retire older, less efficient equipment earlier than would otherwise occur without custom incentives. The rebates and incentives provided by Custom Programs are a necessary catalyst responsible for incenting the customer to change its current business model for equipment replacement (which often amounts to using old, inefficient equipment indefinitely), leading to overall energy reductions and utility bill savings, which over time result in a net cost benefit to ratepayers and all interested parties. With this in mind, the Joint Parties believe improvements that specifically take into account factors directly affecting customers and their inclination to make custom project commitments are one of the top priorities for program improvements.

The adjustments described herein are intended to result in such enhancements and the Joint Parties ask the Commission to adopt them accordingly. The changes also arrange for standardized timelines for the Commission to review projects in the interest of enhancing the review process and in support of the goal of receiving meaningful feedback on required systematic changes to the IOU project development and implementation process.

1. Custom Program: Customer Experience

The Joint Parties have identified certain adjustments to the Custom Program process that will accommodate review of projects without impeding the ability of customers to proceed with energy efficiency projects in a timely fashion. The Joint Parties' observations, based on almost a year of implementing projects with the current review process is that the timing of the current process is uncertain, some projects have experienced delays of up to nine months, and there have been difficulties identifying required documentation. The Joint Parties thus believe it would be in the best interests of all stakeholders to separate the review and project approval process for projects meeting certain conditions[9] in a manner that can allow customers to proceed with energy efficiency projects in a timely fashion, and yet preserve and enhance the review process.

[9] As described herein, these include Commercial projects below 500MWh or 250MTh, and Industrial projects below 1MMth.

Proposed modifications are intended to ensure that the Energy Division has adequate time to collect data, analyze project results, and systematically apply the conclusions of the reviews prospectively, to allow a thorough quality control evaluation that will better inform savings estimates as the programs move forward, prospectively.

2. Proposal: Annual Evaluation Plan

The Joint Parties propose to amend D.11-07-030 Attachment B so the review process is conducted according to an annual Evaluation Plan developed by stakeholders that outlines areas of concentration for the year's work (such as technologies, types of customers, and industries to be reviewed, among others). The plan would clarify documentation requirements and discovery expectations for the project being reviewed, including early retirement parameters, incremental costs, baseline considerations, and data collection expectations. These defined expectations are expected to improve responsiveness, and ultimately, the timeliness of project disposition with maximum customer convenience.

Mapping out project review guidelines will improve customer understanding of the process and help set reasonable expectations, and should thus enhance administrative efficiencies for interactions between Commission staff and the utilities processing projects on behalf of customers. In addition, specifying the criteria for projects selected for review will allow all parties to focus on parameters, projects, and technologies which the Commission views as important and worthy of the resources being expended. The Joint Parties note that a similar approach is being used in New York for custom and deemed measures.

3. Proposal: Pre-Installation/Concurrent Reviews

The Joint Parties also suggest modifications to D.11-07-030 Attachment B that provide a greater degree of certainty regarding the pre-installation review process. First, for Commercial projects selected for review above 500MWh or 250Mth, and Industrial projects above 1MMth, the Joint Parties propose up to two rounds of discovery and a determination to be provided within twenty business days after receiving the requested information. These conditions continue to allow for sufficient Commission review of selected projects, and also provide a clear timeline for the customer to receive a project disposition.

Second, for Commercial projects selected for review below 500MWh or 250Mth and Industrial projects below 1MMth, the Joint Parties propose that comments resulting from such reviews would be applicable only prospectively, with explicitly directed comments applied to future project calculations. Comments on Commercial projects above the 500 MWH and 250Mth and Industrial projects above 1MMth in size are considered parallel review and comments by the Commission would apply to the larger project currently under review. Prospective review would provide certainty regarding incentive levels for projects below a certain level and facilitate those ready to proceed, avoiding potential for modification of the incentive following the review process that may materially degrade customer satisfaction. Application of comments to incentives for the largest projects would continue.

4. Proposal: Conditional Approvals

The Joint Parties propose to eliminate conditional approvals that rely on post installation data for custom projects, as these may defer executing agreements. Written dispositions for the post-installation review would be required to state whether the project is acceptable or if future similar projects should be updated as indicated. Consistent with the other proposed enhancements, this change would increase the clarity of project evaluations.

5. Proposal: Post-Installation Review

The Joint Parties furthermore propose enhancements to the post-installation review that are intended to allow for verification that equipment installed by the customer is consistent with approvals from the pre-installation review. Again in the interest of increasing the level of certainty for customers who commit to installations, it is proposed that the already-approved methodologies, used to calculate *ex ante* energy savings values, should not be modified for a post installation review of the specific project under evaluation. If the post-installation review does, in fact, result in greater or lower savings than the estimated *ex ante* values, the utility would incorporate these directions from the Commission into the calculations of savings and incentives for future agreements on similar projects.

6. Proposal: Baseline Setting Process and EM&V

The Joint Parties believe it is possible to make significant strides forward in the administration of custom projects by standardizing the baseline energy usage (or, "baseline") measurement protocol, and scheduling periodic EM&V studies to validate or change existing baselines.

The chart in Appendix J, titled "Custom Project Decision Tree," is proposed as an alternative to the baseline determination flow chart, as summarized herein:

For early retirement or retrofits, it is proposed that the baseline for retro-Commissioning projects or for equipment that is repaired indefinitely be the existing site specific condition with savings annualized for the equivalent useful life, unless explicit policy or information otherwise dictates.

For early retirement projects with more than one year remaining useful life, a dual baseline would apply. The existing site specific conditions would apply for the remaining useful life, and the appropriate code or industry standard practice would apply for the balance of the equipment life.

For applications identified as replace on burnout, natural turnover, or new construction, a code requirement or industry standard practice baseline would apply for the life of the equipment. Industry standard practice is defined as an accepted/approved EM&V study for the specific industry or application. In the absence of such study, the baseline defaults to the existing equipment.

The proposal includes conducting periodic Evaluation, Measurement & Verification ("EM&V") studies to determine if custom measure baselines should be modified. Any changes would be applicable prospectively. To guide appropriate practices, for requests to perform EM&V on projects that would not otherwise be required to undergo an evaluation, the cost shall not exceed 10 percent of the incentive being offered by the IOU.

Each of these recommendations is intended to streamline the process of establishing a baseline so that projects may move forward in a timely manner and with certainty for the customer. The EM&V activities would inform the savings calculations for future projects, while not altering the assumed conditions by which a customer has agreed to undertake the installation, enabling the program to implement projects reliably for customers, and realize improvements on a going forward basis.

7. Proposal: Dispute Resolution

In the interest of further assuring customer satisfaction is not negatively impacted by processing complications, the Joint Parties propose a neutral dispute resolution process. For selected smaller projects (see criteria above) with disputes regarding prospective comments, or adjustments to a larger project's *ex ante* values that cannot be resolved within two weeks, the utility and reviewer will split the difference in the estimated *ex ante* value if it is within +/- 20%. For instances where the recommendation exceeds +/- 20 percent of the utility estimated *ex ante* value, an independent third party not associated with the project shall be contracted to determine the outcome.

8. Conclusion

The Joint Parties propose the above noted enhancements to the Custom Program in order to improve the customer experience and to further enable customer participation to achieve a deeper level of realized savings. It is once again noted the proposals represent the collective efforts of many parties with the common interest of supporting the success of the Custom Program, and who believe a collaborative approach may improve the quality of proposals and increase administrative efficiency. In the event the Commission does not find this proposal acceptable in its entirety, the Joint Parties request consideration of the each provision on its own individual merits, rather than dismissing the proposal in whole. As noted above, along with the explanations provided in this testimony, a redline version of Appendix B from D.11-07-030 is provided to satisfy the conditions set forth by the Commission to consider the alternative EE program portfolio proposal.

B. Improve Opportunity for Deeper Retrofits

The Commission has set forth important policy goals for energy efficiency. In support of the Commission's goals and policy directive to achieve deeper savings, the IOUs[10] recommend the following alternative in order to demonstrate a new approach to achieving the highest level of

[10] IOUs refer to SDG&E, Southern California Gas Company, Southern California Edison Company, and Pacific Gas & Electric Company.

energy benefits and cost efficiencies possible by piloting a market transformation approach to designing, developing, implementing, evaluating, and improving programs, focused on the Whole Home Upgrade Program (WHUP) (formerly known as Energy Upgrade California) during the transition period. In particular, this alternative approach will:

- Encourage longer-lived savings;
- Be developed and carried out in a collaborative manner; and
- Lay a foundation for the 2015 cycle.

Most energy efficiency experts believe that whole-house and whole-building efforts are important "next-generation" energy efficiency programs, and the proposals below are intended to identify improvements to the program, the cost effectiveness calculations, and the evaluation processes. Given the importance of this program, this new collaborative model can offer diverse viewpoints for improvements that will be incorporated to improve customer program participation. The following proposal has been developed in close collaboration with DRA and NRDC over the past few weeks. However given the tight timeline, which did not allow for their full management review, they will provide their response to our proposal in the forthcoming party comments.

1. Employ Market Transformation Best Practices

The IOUs have a long history of running successful Market Transformation ("MT") programs and seek to incorporate best practices from other jurisdictions to further their MT goals. Therefore, along with the repurposed WHUP Steering Committee, the Commission should approve having the IOUs competitively solicit and hire a consultant with deep MT experience to offer guidance on MT program design, implementation, and evaluation. The entity should have experience with gas technology, and preferably with whole building retrofits. The consultant will provide the IOUs best practices from other MT efforts, including natural gas MT efforts, from around the country and offer insights into how MT programs can best be used in the whole building retrofit market. Incorporating best practices has proven to be a successful element of collaborative stakeholder efforts in the past.

2. Improve Market Transformation Planning and Measurement

The MT consultant will also assist in the utilities' efforts to improve the WHUP measurement and evaluation. Utilities will work with the MT consultant and other stakeholders, and leverage the best practices from other regions, to design a new process to assess progress and measure success of the WHUP. This process will describe the program from inception through implementation (including evaluation), and will address such issues as baseline measurement, setting targets and milestones, and appropriate MT indicators. The use of an outside consultant to help with this process is consistent with the direction given in the Guidance Decision to "focus evaluation and research to provide regular feedback to the program."

3. Modify Cost-Effectiveness Assumptions

The Commission is well aware of the challenges with the current cost-effectiveness methodology and already initiated stakeholder workshops to further address this issue. In an effort to demonstrate how modification to the cost-effectiveness assumptions would improve the program offering and illustrate ways to more accurately account for the benefits of efficiency, the IOUs propose that this alternative test out various modifications. For example, building on the expertise of the hired MT consultant, we propose to explore adjusting various inputs such as:

- Market spillover benefits;
- Non-energy costs and benefits;
- Discount rate that values long-term savings;
- Measure cost.

The experience from this effort will provide additional input to the Commission for future planning improvements for 2015 and beyond.

4. Provide for advisory stakeholder participation

In order to ensure a collaborative, transparent, and effective process, the IOUs propose setting a strategic system of short-term and ongoing working groups with clear objectives, roles and responsibilities, and processes for integrating information into the record, if necessary. The two proposed groups as outlined below build on existing or previous approaches employed by the Commission and offer the opportunity to re-establish a more constructive approach to resolving issues outside of the formal proceeding filings.

First, there are a number of exciting and challenging components to the WHUP that would benefit from hearing ideas from experts and implementers in the field, in addition to working with the hired MT consultant. Second, when key policy issues arise, the second proposed group will provide a confidential forum where non-financially interested stakeholders can have open conversation about the issues and strategize ways to resolve differences.

i. Program Advisory Groups ("PAGs") to engage a larger stakeholder group for discussion of specific program improvements. These PAGs would include market and non-market actors, non-party experts (similar to the initial strategic planning meetings), and non-CA EE experts. The advisory groups could also incorporate other existing groups such as the Strategic Plan working groups (e.g., HVAC

Committee), the proposed WHUP Steering Committee, and already established sector specific groups (e.g., CA Commissioning Collaborative).

ii. Non-market participant review group ("PRG") to ensure candid conversations and feedback about the programs, logic models, delivery approaches, and challenges. This collaborative, small, and confidential working group of non-financially conflicted members will serve in an advisory capacity to the IOUs with the aim of building consensus and addressing key issues in advance of filings.

While these groups are advisory in nature, the intent of these groups is to provide an opportunity to build on collaboration and to come to resolution whenever possible.

C. Local Government Partnership Offerings

SoCalGas and SDG&E propose an alternative to Regional Energy Networks (RENs) that will maintain market stability while the Commission embarks on planning for future program cycles.

Implementation of competing models for such a short period of time will offer little or no value to the planning conversation for 2015, and if anything, would only confuse it. Further, IOU territory and LGP structure differences beg different solutions; what is successful at one utility may not be successful at another utility. Instead of adopting the REN model, the Commission should pursue a strategy for 2013 that facilitates options for partnering and leveraging of resources. The focus of such efforts should be limited to providing financing (i.e., ARRA programs) and technical support services for local governments.

SDG&E proposes some additions to their application. In contrast, SDG&E, because of its unique territory, size, and LGP structure, has taken an alternative stance on additional REN activities based on comments from current LGPs. Both utilities agree, however, on the continued and evident need for utility oversight and coordination to attain goals, effectively coordinate activities, ensure the provision of funding, and achieve cost effectiveness.

In previous comments in this proceeding, SDG&E proposed a “virtual energy center” (“VEC”) approach to organizing resources to support local governments (both partners and non-partners) that would both complement and leverage resources. SDG&E continues to believe, where applicable, that applying VEC strategy is a more prudent approach for 2013–2014. SDG&E proposes that the VEC effort described in the LGP PIP be the basis for expanded efforts to bridge the service gap that exists for many local governments, which, driven by the current economic environment, have had to eliminate or reduce basic services to their constituents. Unlike the REN effort, the VEC effort does not have to be considered separately from the Joint IOUs’ Applications. SDG&E will simply participate with the Local Governments in its region, where a REN is not expected to be requested.

The SDG&E Virtual Energy Center addresses the matter of securing energy and sustainability resources—a key issue that the majority of local governments struggle with now and that is unlikely to be resolved in the foreseeable future. Reduced staff, lack of specific skills, and geographical constraints limit local government’s ability to engage in hands-on energy efficiency. SDG&E intends to start building resources to fill the noted gaps through the VEC center as an expansion of its current Local Government Partnership program offerings. The Program will be piloted in one region initially with the intent to roll out service territory-wide in 2013-14 program cycle.

The VEC will support local governments (both partners and non-partners) to advance increased comprehensive energy efficiency and will create deep energy savings by local governments by complementing and leveraging resources, as well as filling gaps within local government organizations, and within CEC, CPUC, and SDG&E energy efficiency programs. These gaps prevent local government from successfully implementing higher value energy efficiency projects that demonstrate energy efficiency leadership to the community and increase community-wide energy efficiency participation.

Lessons learned from past partnership initiatives highlighted the need for improved resources that provide cost-effective, on-demand energy management services and expertise to enable local governments to create responsive, sustainable, and widespread public-sector energy management results. The virtual center approach will provide turnkey resources through hands-on support, results-oriented energy management, and augmentation of existing Local Government Partnerships. The suite of resources will include project management support, engineering and analytical support, and a library of standard agreements and templates that can assist local government with the RFP process and securing financing from various sources. Providing these resources will result in improved energy management activity and increased program participation.

D. Other Suggested Improvements

1. Marketing, Education & Outreach Program

The Commission ordered the utilities to contract with CCSE for statewide ME&O implementation, with a funding allowance for the remainder of 2012, and budget for 2013-2014 to be proposed in the applications due on August 3, 2012.[11] As noted in earlier comments on this

[11] D.12-05-015, OP 123.

matter, and echoed by Commissioner Simon in his concurrence to the Decision, a sole source award to CCSE was not justified.[12] The unique qualification identified in D. 12-05-015 that led the Commission to award a sole-sourced contract to CCSE was CCSE's experience as an administrator and program implementer of several programs.[13] CCSE is not unique in the area of marketing, outreach and communications on energy efficiency, clean energy, and sustainability programs and issues: there are multiple for-profit and non-profit organizations engaged in these activities, including a fairly rich field of diverse business enterprises. As just one example, through a competitive bid process Fraser Communications, a certified woman-owned business, has been contracted to run the statewide marketing, education and outreach campaign for the California Solar Initiative – Thermal program. CCSE may be unique as a non-utility administrator of Commission-mandated public purpose programs. However, the relevance of this qualification is not immediately obvious. A competitive solicitation would provide CCSE and other potential bidders the opportunity to make the case for their unique capability in an open, transparent forum.

A competitive bid process need not delay statewide ME&O activities. The program design and campaign budgets to be filed in the ME&O applications on August 3 must be reviewed and approved before 2013/2014 activities can start. Transition activities by the utilities and local governments authorized to continue ARRA marketing programs, as well as CCSE's

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[12] Commissioner Simon's Concurrence to D.12-05-015 states in part: "I am deeply concerned, however, that the CCSE contract, itself, was awarded without competitive solicitation and, believe **the CCSE contract should have been won via competitive bid.** While I am not opposed to negotiated transactions achieved consistent with State contracting rules, I caution that we must be cognizant of the signals we send to markets and, in my view, the instant CCSE contract suggests the Commission considers itself above the rules it imposes on its practitioners. **In this respect, D.12-05-015 is crucially deficient."** (*emphasis added)*

[13] D.12-05-015 p.303. "Third, as we state above, we are confident that CCSE's experience as both an administrator and an implementer of programs qualifies the organization uniquely; there is no other similar organization that we are aware of in the state."

2012 activities, will preserve the current Energy Upgrade California brand until the statewide brand transition can be designed and launched.

2. Financing Programs

SDG&E recommends changes to the Finance Program that allows the Commission to adopt a more measured plan that enables activities to be tested and carefully phased in over the two-year transition period to ensure that the program meets the needs of customers and the financing community. Because financing concepts are so new and so complex, creating a successful program will necessarily require trial and error. Cautious scaling of the pilots will limit the potential impact of inevitable errors—which will be critical to identifying what works and what doesn't work—and enable time for the analysis and adjustments needed to ensure greater market success. To accommodate a phased approach, the funding for the pilot programs in 2013–2014 will be lower than envisioned—$20 million rather than approximate $80–$100 million envisioned in the Decision—thus reducing risk while meeting the overall goal of creating a program that can accelerate the transfer of funding for finance programs from ratepayers to the private sector.

Under this alternative plan, the Joint IOUs and the expert consultant would complete all of the tasks outlined in the Decision over a longer timeframe to be developed with the consultant in collaboration with the Commission. The results of that effort could then be presented as part of one or more workshops beginning as early as the fourth quarter 2012 and vetted thoroughly before taking next steps. As part of that process, budgets and goals would be developed and adopted. Issues to be addressed and better understood in this process would be:

- The ratepayer and shareholder risks of on-bill repayment (OBR), such as direct costs, liabilities, and impact on "uncollectible;"

- The value and options with various risk management strategies, such as bill neutrality;
- The full costs and implications of modifying billings systems for OBR;[14]
- The implications of disconnecting service where a third-party charge is involved, even for non-residential customers;
- How to implement an OBR-based nonresidential program to ensure the significant investment the utilities have already made in OBF is fully leveraged—and avoid an unnecessarily complicated financing offering due to any overlap of OBR and OBF;
- The implications of a provision for pro-rata allocation of partial payments, which implies that the Commission is authorizing the utilities to shut-off non-residential customers for a third-party charge;
- The rationale and impact for designating financing programs as resource programs;
- Whether it is appropriate to support loans for measures that are not energy-related (i.e. from ratepayer subsidized financing); until a decision is made, the recommendation is that the Commission should only allow EE measures that are rebated and/or incented by the utility to be supported by ratepayer-subsidized financing.

Concurrently, SDG&E and the Joint IOUs continue to believe there is merit in testing its "Line Item Billing" product, as an alternative to OBR (as described in the Guidance Decision). This option seems relatively easy to design and implement and a good mechanism for engaging with private lenders. Notably, such an approach avoids the many complicated issues associated with OBR, including shut-off, prorating partial payments, and consumer lending laws, and it can

[14] The impacts to uncollectible of such an OBR structure were not considered in filings currently before the Commission.

be fairly quickly deployed in the commercial segment. The Joint IOUs suggest issuing such an RFP by October 1st, with the intent to begin implementation in early 2013.

Additionally, SDG&E proposes financing programs continue to be defined as non-resource programs (as they are in 2010–2012), and additional research conducted and vetted before it is determined to make financing and incentives an "either-or" proposition for customers, which would be particularly limiting in light of the Commission's desire to pursue deeper retrofits.

IV. THE COMMISSION SHOULD EXPLICITLY AUTHORIZE JOINT CONTRACTING FOR STATEWIDE PROGRAMS ACTIVITIES TO FURTHER THE GOALS OF ENERGY EFFICIENCY PROGRAMS

In D.10-12-054 OP 7, the Commission adopted the following:

> "In recognition of the need for affirmative steps to provide effective and efficient joint investor-owned utility management of the California utilities' statewide energy efficiency programs, so they can better meet the state's energy efficiency goals, the Commission authorizes Southern California Edison Company, Pacific Gas and Electric Company, Southern California Gas Company, and San Diego Gas & Electric Company to engage in the following activities:
>
> (a) Joint and cooperative consultations between and among these utilities and energy efficiency contractors to assist with determination of the contract requirements of their jointly administered and jointly funded energy efficiency programs;
>
> (b) Joint cooperative process among the four utilities for the sourcing and negotiation (including program requirements, performance, price, quantity and specifications) of joint contracts for energy efficiency to be managed and run by one lead utility, subject to approval and review by the other utilities;

> (c) Joint submission to the Commission for its approval of proposed energy efficiency contracts pertaining to implementation of statewide programs; and
>
> (d) Other joint and collaborative activities pertaining to the collaboration and joint contracting for statewide energy efficiency programs as the four utilities may determine is necessary for implementation of the statewide programs, subject to the Commission's oversight."

SDG&E believes that continued Commission direction in this matter is needed to address a legal issue regarding joint-utility cooperation posed by the antitrust laws that could impede the Joint IOUs' ability to continue to comply with these directions unless the Commission specifically grants continued state action immunity for such joint utility cooperation. In particular, SDG&E requests the Commission for a finding that explicitly authorizes the Joint IOUs to engage in certain specific activities which they feel will be necessary to collaboratively implement the EE 2013-2014 statewide activities as ordered by the Commission.

V. CONCLUSION

SDG&E's EE Application requests the Commission to:

1. Approve SDG&E's Application which would authorize SDG&E to implement its Preferred EE program portfolio with all recommended EE policy changes as filed; and
2. Approve SDG&E's Preferred EE portfolio as filed; and
3. Not approve the aspects of its Compliant EE program portfolio that are inconsistent with the Preferred EE Portfolio and ; and
4. Approve SDG&E's request for funding to support SDG&E's EE and IDSM program activities as follows:

	2013	2014	Total
2013-2014 EE Program Cycle Budget	$ 105,875,400	$ 112,980,332	$ 218,855,732
2013-2014 DRP IDSM Budget	$ 4,944,077	$ 4,944,077	$ 9,888,154
Total By Program Year	$ 110,819,477	$ 117,924,409	$ 228,743,886

5. Approve SDG&E's proposed cost recovery mechanism; and
6. Approve SDG&E's proposal to address PPP Surcharge bridge funding through the Advice Letter process In the event of a rolling budget trigger. Any difference between the EE funding recovered in 2013 rates prior to the final decision would be subject to balancing account adjustment and true-up in rates; and
7. Grant other such relief as the Commission deems necessary and prudent.

VI. WITNESS QUALIFICATIONS

My name is Ted Michael Reguly, and I am employed by San Diego Gas & Electric Company ("SDG&E"). My business address is 8326 Century Park Court, San Diego, California, 92123.

My present position is Director of Customer Programs and Assistance Department at SDG&E. My primary responsibility is to oversee SDG&E Energy Efficiency, Demand Response, and Customer Assistance programs. I have been employed by SDG&E since 1981. I have held various positions of increasing responsibility in Electric Generation, Electric and Gas Distribution, Supply Management, and Gas and Electric Customer Service. From 2005 through 12 2010, I was responsible for SDG&E's AMI/Smart Meter program.

I am a registered California Mechanical Engineer. I received a B.S. in Mechanical Engineering from California State University, Long Beach, and an MBA from San Diego State University.

I have previously testified before the California Public Utilities Commission.