



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

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Order Instituting Rulemaking Concerning Energy
Efficiency Rolling Portfolios, Policies, Programs,
Evaluation, and Related Issues.

R.13-11-005

SOUTHERN CALIFORNIA EDISON COMPANY'S (U 338-E) 2019 ANNUAL BUDGET
ADVICE LETTER WORKSHOP REPORT

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Dated: **May 29, 2019**

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ADVICE LETTER WORKSHOP REPORT**

Pursuant to the California Public Utilities Commission's (CPUC or Commission) order in decision D.18-05-041, SCE hereby submits its 2019 Energy Efficiency Annual Budget Advice Letter (ABAL) Workshop Report which summarizes the workshop held on May 14, 2019, includes SCE's proposal for meeting/exceeding a 1.0 total resource cost (TRC) on an evaluated basis and transitioning to a TRC forecast of 1.25 during the ramp years, and includes stakeholder comments from the workshop. The ABAL workshop report is attached hereto as Attachment A.

SCE looks forward to receiving stakeholder feedback on SCE's 2019 ABAL workshop report, and to further developing a framework to improve its portfolio to ensure its portfolio is on track to meeting the ABAL review criteria in future program years.

Respectfully submitted,

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Date: May 29, 2019

Attachment A

Annual Budget Advice Letter (ABAL) Workshop Report



SOUTHERN CALIFORNIA
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Southern California Edison Company's 2019 Energy Efficiency Annual Budget Advice Letter Workshop Report

May 29, 2019

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SCE 2019 Energy Efficiency Annual Budget Advice Letter Workshop Report

I. Introduction

On May 31, 2018, the California Public Utilities Commission (CPUC or Commission) issued Decision (D.) 18-05-041 requiring Program Administrators (PAs) to hold a workshop if their Energy Efficiency Annual Budget Advice Letter (ABAL) filing proposes a portfolio forecast Total Resource Cost (TRC) that meets or exceeds 1.0 but does not meet or exceed 1.25.¹ On September 4, 2018 Southern California Edison Company (SCE) submitted its 2019 ABAL (Advice Letter 3859-E), as required by D.15-10-028 and D.18-05-041. Subsequently, on October 29, 2018, SCE submitted a Supplemental Advice Letter, (Advice Letter 3859-E-A) at the direction of Energy Division.

On April 2, 2019, the CPUC approved SCE's 2019 ABAL, as supplemented, which included a forecasted portfolio TRC of 1.20. Because the forecasted TRC in the ABAL is slightly less than 1.25, SCE held an ABAL workshop. In compliance with D.18-05-041, SCE took the following actions related to the ABAL workshop:

- April 12, 2019 – SCE issued a “Notice of SCE’s 2019 EE ABAL Workshop” to the service lists for the EE Rulemaking (R.) 13-11-005 and EE Business Plan Application (A.) 17-01-013 et al proceedings;²
- May 7, 2019 – SCE provided the final workshop agenda to stakeholders via service lists R.13-11-005 and A.17-01-013, *et al*; and
- May 14, 2019 – SCE held its 2019 EE ABAL workshop at the Pacific Gas and Electric Company’s (PG&E) Pacific Energy Center in San Francisco.³

Pursuant to D.18-05-041, this report summarizes SCE’s 2019 EE ABAL workshop and includes SCE’s proposal for meeting or exceeding a 1.0 TRC on an evaluated basis and transitioning to a TRC forecast of 1.25 during the ramp years. The report also includes a summary of stakeholder comments from the ABAL workshop.⁴

¹ D.18-05-041, p. 135.

² D.18-05-041, p. 135, requires that the PA must provide notice of the workshop to service list of R.13-11-005 or its successor, no later than 30 days prior to the workshop date.

³ D.18-05-041, page 135, requires that within 45 days after staff’s approval of its ABAL, the PA must hold a workshop.

⁴ D.18-05-041, pp. 135-136, requires that within 15 days after the workshop, the PA must produce a report summarizing the workshop, including the PA’s proposal for meeting/exceeding a 1.0 TRC on an evaluated basis and transitioning to a TRC forecast of 1.25 during the ramp years, and stakeholder comments from the workshop.

II. Workshop Summary

On May 14, 2019, SCE held its required 2019 ABAL workshop at PG&E's Pacific Energy Center in San Francisco. The workshop was attended by stakeholders in-person and through a webinar. Attendees included representatives from the CPUC Energy Division, California Public Advocates Office, California Energy Commission, CleaResult, Oracle, Google Nest, Cascade Energy, Futee, Home Energy Analytics, Inc., Small Business Utility Advocates, PacifiCorp, Lincus, Inc., EMI Consulting, Willdan, ICF, The Franklin Energy Group, Southern California Gas Company (SoCalGas), PG&E, and several individual stakeholders.

SCE presented slides, including an overview of SCE's 2019 ABAL, and responded to stakeholders' questions. A summary of SCE's presentation at the workshop, which included SCE's proposal to achieve a TRC of 1.0 on an evaluated basis and its plan to transition to a TRC forecast of 1.25 during the ramp years is provided in the sections below. A copy of SCE's 2019 EE ABAL workshop presentation is in Appendix A of this report.

III. Proposal for Meeting a 1.0 TRC on an Evaluated Basis

During the workshop, SCE stated that cost-effectiveness of the portfolio is its highest priority, and SCE is committed to continually evaluating its own program costs and headcount (e.g., administrative costs) to contribute to higher cost-effectiveness. The Commission previously approved SCE's request in its 2019 ABAL to close several low-performing programs. In addition, SCE's proposal for meeting a 1.0 TRC on an evaluated basis includes focusing on improving the cost-effectiveness of its overall portfolio by modifying its portfolio when there are updates to the Database for Energy Efficiency Resources (DEER) and dispositions that change cost-effectiveness values, continuously improving projects and programs by eliminating non-cost-effective measures, and managing the portfolio to greater savings and cost-effective metrics.

IV. Transition Plan to a Portfolio with a TRC Forecast of 1.25 During the Ramp Years

SCE plans to improve its TRC as it progresses through the Business Plan period, towards a forecasted portfolio TRC of 1.25 in future ABALs. Much of this will be dependent on the 3rd party solicitations (both local and statewide), while SCE continues to review administrative costs and reviews and optimizes our program and measure offerings.

During the workshop, SCE presented its plan to transition the bulk of its EE portfolio to third-parties. This plan includes a transition period, during which SCE will continue to serve its non-residential customers through its core EE programs as it seeks proposals from, and contracts with, third-parties that will design and implement new EE programs. In 2019, which is a ramp year, SCE will continue to operate its current third-party programs with a TRC of 1.0 or higher. In addition, in compliance with the ABAL disposition, SCE will continue to operate its existing third-party programs that have a TRC between 0.85 and 1.0, if programs can show or provide a

plan on how those programs will improve their cost-effectiveness to 1.0. In 2019, SCE has budgeted approximately \$6.8 million for the ramp-up of new third-party programs but did not allocate any attributable energy savings to these programs. Therefore, the cost burden has been estimated, and thus any savings and cost-effectiveness results that occur will improve the forecasted TRC.

V. Stakeholder Comments

At the conclusion of the presentation, SCE sought questions from workshop stakeholders. Below is the list of questions received and a summary of SCE's responses at the workshop.

Question: Please describe the third-party start-up funds.

This reflects a set-aside in our budget to prepare for start-up costs associated with the new third-party solicitations.

Question: How much is allocated for start-up funds?

Approximately \$6 million dollars.⁵

Question: How has SCE been able to drive and get its claimed savings to closely match its forecasted savings consistently?

SCE tries to forecast as accurately as possible based on the best available information.

Question: Other utilities show differences between forecasted TRC and claimed TRC, but SCE's seems to be the same. What *[sic]* historically has the portfolio done, what has it's been able to do, to get claimed savings? What have you found is the key to your success?

SCE hopes to continue to be able to have its forecasted savings align with its claimed savings, but there's no silver bullet to guarantee that will always be achieved.

Question: SCE's budgets seem to reflect savings decreases in the industrial sector and there doesn't seem to be a huge ramp in the industrial sector in future years, but there seems to be potential with NMEC (Normalized Metered Energy Consumption). Do you see a ramp up in savings on the C&I sectors due to NMEC?

SCE recently filed for its Market Based Incentive (MBI) pilot to see if there are other opportunities. There's been significant reductions over the last few years in non-res. SCE is hoping to get cost-effective ideas through the third-party solicitations. Just because our forecast is low in the industrial sector, these forecasts are not set and we still hope to get great programs in the industrial sector that can exceed these amounts. There are opportunities with NMEC and we're trying to capture all the available EE savings; it's where the state wants to go. Capturing carbon savings and other energy benefits.

⁵ At the workshop, SCE indicated that approximately \$6 million dollars were allocated for the start-up of new third-party programs. SCE actually allocated \$6.8 million dollars, of which approximately \$6.5 million has been budgeted for direct implementation, associated with the start-up of new third-party programs.

VI. Next Steps

Pursuant to D.18-05-041, parties may file comments on SCE 2019 EE ABAL workshop report within 20 days. SCE will review stakeholders' feedback and develop a draft framework or proposal for making portfolio improvements to ensure the portfolio is on track to meet the ABAL review criteria in future program years.

APPENDIX A

SCE's 2019 Energy Efficiency Annual Budget Advice Letter Workshop Presentation



2019 Annual Budget Advice Letter Workshop

May 14, 2019

Safety

- Call 911 – Tory Weber
- Inform Guard and Meet 1st Responders – Aimee Wong
- CPR – Eric Lee
- AED – Cody Taylor

Please sign-in to be used for roll-call in case of emergency.

Pre-Meeting Safety Procedure

Best Practice:

- Assign someone to call 911.
- Assign someone to inform the guard of the emergency.
- Ask who is CPR certified.
- Participants, please take note of who is sitting on both sides of you.

Evacuation:

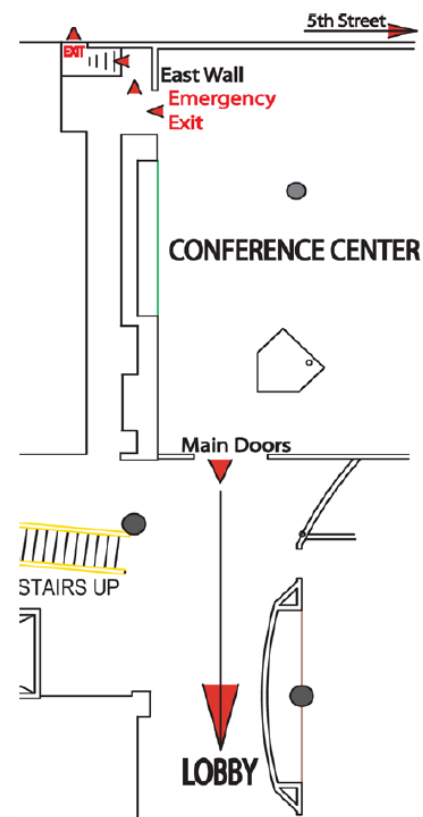
- Exit the doors at the rear of the room.
 - Go straight through the lobby out the front doors to Howard St. turn right.
 - Proceed down Howard St. to the gathering spot at 4th St.
- OR
- Exit the doors near the windows (east wall).
 - Turn right, down six steps and exit to the alley (Tehama St.) behind the PEC, go straight down Gallagher, left on Clementina, left on 4th.
 - Proceed on 4th to the gathering spot at 4th St. and Howard St.

Gathering Spot:

- On the corner of 4th and Howard Streets at the Carrousel.
- Check to see if the persons that were sitting next to you are present. If not, immediately inform a PEC staff member.
- Await further instructions.

Earthquake:

- "Duck - Cover - Hold". Get under a table to protect yourself from falling objects.
- Stay under the table until the shaking stops.
- Stay away from windows.
- Do not leave the building until instructed to do so.



ENERGY EFFICIENCY EDUCATION, TOOLS, AND ADVICE

WWW.PGE.COM/PEC

Before we begin, please sign in and if there are any CPUC decision makers in attendance, please raise your hand and identify yourself so we may comply with any ex-parte rules if needed.

Thank you!

Agenda

- Overview of SCE's 2019 EE ABAL Filing
 - SCE's 2019 portfolio budget, forecasted savings, program changes and closures
 - Difference Between ABAL and Annual Report (e.g. Filed vs. Reported)
 - Meeting the 1.0 TRC on Evaluated Basis
 - Administrative Costs
 - Cap and Targets
- Transition Plan for 3rd Parties
- Q&A

2019 Portfolio Budget & Cost Effectiveness

Sector	Program Year (PY) Budget	PA PY FORECAST ENERGY SAVINGS (Net)		
		PA forecast kWh	PA forecast kW	PA forecast therms (MM)
Residential	\$ 96,819,285	398,397,813	73,086	-
Commercial	\$ 48,787,134	61,306,840	10,995	-
Industrial	\$ 20,352,822	32,425,639	3,418	-
Agriculture	\$ 2,943,042	804,930	92	-
Emerging Tech	\$ 10,579,964	na	na	na
Public	\$ 24,215,749	28,353,549	687	-
WE&T	\$ 5,571,814	na	na	na
Finance	\$ 1,968,842	-	-	-
CBF Loan Pool	\$ -	na	na	na
IOU Subtotal	\$ 211,238,652	521,288,771	88,280	-
ESA Savings		33,957,000	4,410	-
IOU Total Program Savings (w/out C&S)		555,245,771	92,690	-
CPUC Program Savings Goal		442,000,000	91,000	-
Forecast savings as % of CPUC Program Savings Goal		126%	102%	0%
Codes and Standards	\$ 8,939,320	680,471,989	155,537	
IOU EM&V	\$ 9,995,849			
IOU PY Spending Budget Request¹	\$ 230,173,822			
(LESS) IOU Uncommitted and Unspent Carryover Balance ²	\$ 157,004,440			
IOU PY Budget Recovery Request³	\$ 73,169,382			
IOU Authorized PY Budget Cap (D.18-05-041)	\$ 253,364,000			
Lancaster CCA PY Budget Recovery Request (excl. CCA Uncommitted/Unspent Carryover) ⁴	\$ 401,318			
3CREN PY Budget Recovery Request (excl. REN Uncommitted/Unspent Carryover) ⁴	\$ 2,051,754			
SoCalREN PY Budget Recovery Request (excl. REN Uncommitted/Unspent Carryover) ⁴	\$ 17,269,325			
Total PA (IOU+CCAs+RENs) PY Recovery Budget⁵	\$ 92,891,778			
IOU Forecast PY TRC⁶	1.20			
IOU Forecast PY PAC⁶	1.49			
For reference only				
SoCalREN EM&V PY Budget	\$ 197,878			
3CREN EM&V PY Budget	\$ 23,510			
Lancaster CCA EM&V PY Budget	\$ 4,598			
EM&V PY PA Budget total	\$ 9,769,863			
PA Unspent Committed funds (from all prior PY through December 31, 2018)	\$ 250,924,059			

2019-2025 Portfolio Budget & Cost Effectiveness

Annual Rolling Portfolio Budget Forecast - True-up											
Sector	2018 ¹	2019	2020	2021	2022	2023	2024	2025	Total		
Residential	\$ 86,729,073	\$ 96,819,285	\$ 99,167,981	\$ 97,200,134	\$ 100,069,314	\$ 103,024,578	\$ 106,068,906	\$ 109,204,557	\$ 798,283,830		
Commercial	\$ 66,759,793	\$ 48,787,134	\$ 90,536,375	\$ 89,138,580	\$ 91,769,796	\$ 94,479,958	\$ 97,271,796	\$ 100,147,384	\$ 678,890,816		
Industrial	\$ 23,443,501	\$ 20,352,822	\$ 29,433,552	\$ 28,849,495	\$ 29,701,082	\$ 30,578,220	\$ 31,481,792	\$ 32,412,469	\$ 226,252,932		
Agriculture	\$ 4,112,448	\$ 2,943,042	\$ 3,289,198	\$ 3,223,930	\$ 3,319,095	\$ 3,417,115	\$ 3,518,089	\$ 3,622,092	\$ 27,445,008		
Emerging Tech	\$ 5,638,909	\$ 10,579,964	\$ 7,961,948	\$ 7,803,958	\$ 8,034,317	\$ 8,271,588	\$ 8,516,009	\$ 8,767,763	\$ 65,574,456		
Public	\$ 22,973,406	\$ 24,215,749	\$ 20,186,685	\$ 20,149,735	\$ 20,744,521	\$ 21,357,151	\$ 21,988,245	\$ 22,638,270	\$ 174,253,763		
Codes and Standards	\$ 5,662,538	\$ 8,939,320	\$ 6,028,843	\$ 5,909,211	\$ 6,083,641	\$ 6,263,304	\$ 6,448,381	\$ 6,639,011	\$ 51,974,249		
WE&T	\$ 6,020,788	\$ 5,571,814	\$ 5,159,707	\$ 5,057,322	\$ 5,206,606	\$ 5,360,368	\$ 5,518,764	\$ 5,681,912	\$ 43,577,282		
Finance	\$ 1,302,632	\$ 1,968,842	\$ 1,666,795	\$ 1,633,720	\$ 1,681,945	\$ 1,731,616	\$ 1,782,785	\$ 1,835,488	\$ 13,603,825		
OBFL Loan Pool	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
Subtotal ²	\$ 222,643,089	\$ 220,177,973	\$ 263,431,085	\$ 258,966,085	\$ 266,610,316	\$ 274,483,898	\$ 282,594,768	\$ 290,948,947	\$ 2,079,856,160		
IOU EM&V ⁶	\$ 10,011,570	\$ 9,995,849	\$ 11,817,461	\$ 11,634,728	\$ 11,973,000	\$ 12,321,395	\$ 12,679,162	\$ 13,047,679	\$ 93,480,844		
Lancaster CCA Programs	\$ 372,341	\$ 401,318	\$ 401,338	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,174,996		
SoCalREN Program	\$ 15,536,447	\$ 17,269,325	\$ 17,632,329	\$ 18,005,324	\$ 18,389,142	\$ 18,782,951	\$ 19,185,086	\$ 19,599,710	\$ 144,400,313		
3CREN Program	\$ -	\$ 2,051,754	\$ 2,154,341	\$ 2,262,059	\$ 2,352,541	\$ 2,446,641	\$ 2,520,041	\$ 2,595,643	\$ 16,383,021		
Total Portfolio Program Year PA Budget	\$ 248,563,447	\$ 249,896,218	\$ 295,436,553	\$ 290,868,196	\$ 299,324,998	\$ 308,034,885	\$ 316,979,058	\$ 326,191,979	\$ 2,335,295,333		
Total Authorized Portfolio PY Budget Cap	\$ 248,673,631	\$ 272,684,179	\$ 291,638,971	\$ 287,071,205	\$ 295,526,649	\$ 304,235,713	\$ 313,181,388	\$ 322,393,219	\$ 2,335,404,955		
IOU Portfolio PY Budget Request ⁴	\$ 233,027,000	\$ 230,575,139	\$ 275,649,883	\$ 270,600,813	\$ 278,583,316	\$ 286,805,293	\$ 295,273,930	\$ 303,996,626	\$ 2,174,512,000		
IOU Authorized PY Budget Cap ⁴	\$ 233,027,000	\$ 253,364,000	\$ 271,852,000	\$ 266,803,000	\$ 274,785,000	\$ 283,007,000	\$ 291,476,000	\$ 300,198,000	\$ 2,174,512,000		
Forecast Portfolio PY TRC (through 2022) ⁵	1.00	1.20	1.20	1.22	1.24	1.25+	1.25+	1.25+			
Forecast Portfolio PY PAC (through 2022) ⁵	1.23	1.49	1.49	1.51	1.53	1.25+	1.25+	1.25+			

Adopted Program Level Changes

- SCE's adopted portfolio is designed to maximize cost-effectiveness while also managing towards budget and energy savings goals
- SCE was approved to close a number of low-performing programs

Programs Approved for Closure:

- Energy Upgrade California
- Sustainable Communities
- Cool Planet
- Cool Schools
- Commercial Utility Building Efficiency
- IDEEA365 Program
- Commercial and Agriculture-Continuous Energy Improvement

Sub-Programs Approved for Closure:

- American Reinvestment Recovery Act (ARRA)-Originated Financing.
- WE&T Planning
- WE&T – Mobile Energy Unit
- WE&T – Community Language Efficiency Outreach
- Lighting Innovation
- Lighting Market Transformation

2019 Portfolio TRC

- 1.20 TRC (without Codes & Standards)
 - In support of the customer agreements, SCE included grandfathered streetlights
 - TRC would be slightly higher (1.23) if the grandfathered streetlights were removed from cost effectiveness calculations, as approved in the December 2018 ED non-standard disposition letter
- SCE plans to reach a forecasted portfolio TRC of 1.25 by 2023 ABAL
 - Much of this will be dependent on the 3rd party solicitations (both local and statewide)
 - Continue to review our internal administrative costs
 - Continue to review and optimize our program and measure offerings

Difference between ABAL and Annual Report (Claimed Savings)

- SCE uses a bottom up approach to plan its ABAL
 - Each resource program provides savings, measures, and incentives resulting from the 2019 budgets, regardless of timing of energy efficiency measure installations
 - Each program provides non-labor budgets
 - Supporting labor is allocated to programs
- ABAL and Annual Report do not necessarily correlate
 - Custom measures take multiple years to plan and install
 - Deemed measures generally have shorter timelines/updated workpapers

Meeting the TRC 1.0 on Evaluated Basis

- Cost-effectiveness is our highest priority
- SCE is committed to continually evaluate its own program costs and headcount
- Even as it solicits for new, cost-effective program ideas, SCE will continue to focus on improving its portfolio
 - Responding to DEER updates and dispositions that change cost-effectiveness values
 - Continuous improvement project
 - Continue to manage portfolio to savings and cost-effectiveness metrics

Administrative Costs

- Advice Letter 3859-E-A (attachment B) outlines the decreases in administrative costs SCE included in its budget
- SCE budgeted an administrative cost reduction of ~35% (compared to 2018)
 - Largest portion of the reduction (40%) was a result of the elimination of 17 FTEs in labor
 - Also reduced \$1.47M from IT systems, associations and memberships, consultant costs

Table 1 – Administrative Cost Comparison

Admin Budget	2018 ABAL (AL 3654-E) [A]	2019 ABAL (AL 3859-E) [B]	Reduction [A - B]
G&A Labor	\$6,605,753	\$5,789,583	\$ 816,170
G&A Non-Labor and Consultant	\$3,284,223	\$1,904,412	\$1,379,811
IOU Program Labor	\$2,336,952	\$ 995,569	\$1,341,383
IOU Program Non-Labor	\$ 317,059	\$ 292,159	\$ 24,900
3TP/Partners	\$2,523,540	\$ 821,113	\$1,702,427
Total	\$15,067,527	\$9,802,836	\$5,264,691

Cap & Targets for SCE

- Advice Letter 3859-E-A (Attachment G) includes SCE's cap & target calculations
- SCE is within its EM&V and Admin caps
- SCE is within its marketing cost target
- SCE is slightly over its direct implementation (DI) non-incentive cost target
 - Due to the inclusion of costs associated with Home Energy Reports

Transition Plan for 3rd Parties

- SCE continues to serve non-residential customers through its Core programs during this transition period to the new 3rd party programs
- The programs listed below were approved to stop accepting new enrollments for 2019, but will continue to be funded to complete any committed projects
 - Healthcare EE
 - Lodging EE
 - Oil Production
 - Data Center EE
 - Food & Kindred
 - Midsize Industrial Customer
- The programs listed below were approved for continuation in 2019, with a focus on improving cost-effectiveness
 - Comprehensive Chemical Products
 - Primary and Fabricated Metals
 - Non-Metallic Minerals & Products
 - Comprehensive Petroleum
 - Enhanced Retro-Commissioning
- In 2019 SCE budgeted startup funds for new 3rd Parties resulting from solicitations

Q&A