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September 12, 2011

ADVICE LETTER 2287-E/2059-G
(U902-M)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

SUBJECT: REQUEST FOR 2010-2012 ENERGY EFFICIENCY PROGRAM MODIFICATIONS AND FUND SHIFTING APPROVAL

San Diego Gas & Electric Company (SDG&E) hereby transmits to the California Public Utilities Commission (Commission) its requests for approval to shift funds between programs within its approved 2010-2011 Energy Efficiency (EE) program portfolio in compliance with Decision (D.) 09-09-047 and D.11-07-030.

PURPOSE

In compliance with D.09-09-047 and D.11-07-030, SDG&E requests authority, as described herein, to shift funds among a selected set of programs in order to support small business, schools and other customers in need of additional energy efficiency funding and to ensure a cost effective and successful portfolio. This filing will result in the rebalancing of SDG&E's 2010-2012 EE portfolio.

BACKGROUND

D.11-07-030 adopted changes to SDG&E's ex ante energy savings assumptions for key EE measures and a new process for customized EE projects for the 2010-2012 cycle. These changes significantly reduced the total energy savings and demand reduction that SDG&E can claim and reduced overall portfolio cost effectiveness. Given these modifications, D.11-07-030 directed the Investor-Owned Utilities (IOUs) to rebalance their portfolios within 60 days. It also specified that such changes should be, "consistent with the applicable Ordering Paragraphs of Decision 09-09-047 regarding fund shifting, program design, and reporting requirements."[1]

D.09-09-047 also provides fund shifting direction to govern the 2010-2012 EE programs, including the following:

[1] D.11-07-030, dated July 14, 2011, Ordering Paragraph (OP) 3.

> ". . . (the IOUs) shall file an Advice Letter for shifts of funds of more than 15% per annum within and between any of the twelve statewide energy efficiency programs, third-party programs, or governmental programs for the entire portfolio cycle."[2]

In addition, the economy has changed significantly since SDG&E's 2010-2012 EE Application was filed in 2009. As a result, some programs, including those that require higher up front capital investments, are not performing at forecasted levels. Other programs, including programs that assist small businesses and public schools, and loan programs, have experienced higher than projected demand. Given these factors, SDG&E proposes to shift funds in order to support small business, schools, and other customers in need of additional energy efficiency funding.

Impact of Senate Bill (SB) 87 on the natural gas EE portfolio

On September 2, 2011, the Commission issued a proposed decision (PD) and alternate decision (AD) that would provide further direction to SDG&E to modify its EE portfolio to address the impacts of SB 87,a bill that results in a significant funding reduction to SDG&E's natural gas EE programs. [3] The PD and AD provide guidance to SDG&E, Pacific Gas & Electric Company (PG&E) and Southern California Gas Company regarding priorities and financing for these gas utilities' on-going Public Purpose Programs (PPP). These potential changes have not been addressed in this advice letter. SDG&E anticipates, consistent with the anticipated Commission direction to address the impacts of SB87, it will file an Advice Letter to address any additional changes to its natural gas EE programs. This should result in a subsequent rebalancing of SDG&E's EE portfolio.

Therefore, pursuant to the above directives, SDG&E has rebalanced its 2010-2012 EE program portfolio to ensure that goals are met cost effectively, and that customer satisfaction and program quality are maintained. This Advice Letter requests fund shifts that cannot currently be made within existing IOU authority. SDG&E seeks authority to fully implement the specified changes to ensure a cost effective and successful portfolio and to prevent the disruption of successful programs.

EE PROGRAM FUND SHIFTING AMOUNTS

Consistent with D.09-09-047 OP 43, SDG&E proposes the following:

A. Transfer $8,389,200 from Industrial Calculated to:

1) Savings by Design (Non-Residential New Construction) - $5,500, 000
2) Third Party Non Residential Tune Up Quality Installation - $1,900,000
3) Third Party RCX Non Residential - $916,000
4) Third Party Quality Maintenance - $73,200

B. Transfer $500,000 from Local Strategic Development and Integration to:

5) Integrated Demand Side Management - $ 500,000

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[2] D.09-09-047, OP 43 b.

[3] A draft decision of Administrative Law Judge Farrar and Alternate of Commissioner Ferron was issued on September 2, 2011, for comment by parties.

EE PROGRAM FUND SHIFTING DETAILS

1) $5,500, 000 to Savings by Design (Non-Residential New Construction) from Industrial Calculated

SDG&E seeks additional funding of $5.5 million for the nonresidential new construction program Savings by Design ("SBD") Program in order to allow the program to remain operational for the remainder of the program cycle. Currently the program has committed or paid nearly all funding, and is projecting to far exceed energy savings goals with its current enrollments ("above goal"). , Additional customers are prepared to commit to the program when additional funds are available. If additional budget is not secured, the program expects to wrap up core operations by December 2011 – a full year early. This will create a significant gap in the San Diego New Construction market, and could disrupt the program in the future given the lengthy nature of the New Construction project cycle. That is, an inability to feed the "pipeline" now for projects that will install within the next two to four years will be an impediment to ultimately meeting the Commission's strategic plan and energy savings goals for the Commercial new construction market. Some of the driving factors behind this banner cycle for the SBD program are an unusually high construction activity for large institutional customers, in particular the amount of new construction taking place at its large military bases.

2) $1,900,000 to Third Party Non Residential Tune Up Quality Installation –from Industrial Calculated

SDG&E's third party Non Residential Tune Up Quality Installation Program is designed to achieve the market transformation objective and prepare for future integration points for comprehensive HVAC Quality HVAC service. This will entail: (a) revision of measures and incentives, (b) development of program policies, procedures, documentation; marketing materials, website; (c) development of quality assurance procedures; and (d) a significant increase to contractor training. SDG&E will require additional budget to complete these tasks to bring its current program in alignment with Southern California Edison Company's (SCE) and PG&E's statewide HVAC program offerings.

SDG&E proposes a funding increase of $1,900,000 in order to align current program efforts with the Statewide Commercial HVAC programs adoption of ANSI/ASHRAE/ACCA 180 Standard Section 4.2.2. The program must achieve the following market transformation goal in the California Long Term Energy Efficiency Strategic Plan (Strategic Plan) -- *"Quality installation and maintenance become the industry and market norm",* in addition to fulfilling SDG&E's SW HVAC Program Implementation Plan (PIP) filed for the 2010-2012 program cycle.

3) $73,200 to Third Party HVAC Quality Maintenance (QM) from Industrial Calculated

The Program, another component of the Statewide HVAC program, is designed to enable the market transformation objectives outlined in the Strategic Plan. The program design will include a new and standardized rigorous QM contractor field testing and repair protocol. This protocol, in order to drive continuous improvement and savings persistence, will be facilitated using wireless, web enabled, measurement, analytic and verification methodology. Phase I, "Short-term Development," will launch in late Q3 2011 in SDG&E's territory. Phase II, "Mid-term Development," will introduce premium measures for additional cost effective energy savings, and apply the advancements learned during Phase I of the program. In order to accomplish these tasks, an additional funding of $73,200 is required to continue the development of this program and align with the statewide HVAC program.

4) <u>$916,000 to Third Party RCX Non Residential Program from Industrial Calculated Program</u>

SDG&E's RCX Non-residential program offers large commercial customers services and incentives to support retrocommissioning of commercial buildings larger than 100,000 square feet. Currently the program has committed all funding, and is projecting to exceed energy savings goals with its current enrollments ("above goal"). The program projects "above goal" performance (aggregated over 20 projects). There are customers who are prepared to commit to the program should additional funds be available. SDG&E seeks additional funding of $916,000 for the RCx Program in order to allow the program to remain operational for the remainder of the program cycle. Without the additional budget, the program can expect to wrap up core operations by December 2011 – a full year early.

5) <u>$500,00 to Integrated Demand Side Management from Local Strategic Development and Integration</u>

Additional Funding is required to support the development of the Statewide Integrated Audit Tool (IAT) as required by D.09-09-047 OP 33.

This filing will not increase any rate or charge, cause the withdrawal of service, or conflict with any rate schedule or rule.

<u>EFFECTIVE DATE</u>

SDG&E believes that this filing is subject to Energy Division disposition and should be classified as Tier 2 (effective after staff approval) pursuant to GO 96-B. Therefore SDG&E respectfully requests that this advice letter become effective October 12, 2011, which is 30 calendar days after the date filed, to ensure the continuation of all its programs.

<u>PROTEST</u>

Anyone may protest this advice letter to the Commission. The protest must state the grounds upon which it is based, including such items as financial and service impacts, and should be submitted expeditiously. The protest must be made in writing and received within 20 days of the date this advice letter was filed with the CPUC, or October 2, 2011. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

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

Copies of the protest should also be sent via e-mail to the attention of Honesto Gatchallian (jnj@cpuc.ca.gov) and Maria Salinas (mas@cpuc.ca.gov) of the Energy Division. It is also requested that a copy of the protest also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Megan Caulson
Regulatory Tariff Manager
8330 Century Park Court, Room 32C
San Diego, CA 92123-1548
Facsimile No. (858) 654-1879
E-mail: MCaulson@semprautilities.com

NOTICE

A copy of this filing has been served on the utilities and interested parties shown on the attached list, including interested parties to service list A.08-07-022, by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by facsimile at (858) 654-1879 or by e-mail at SDG&ETariffs@semprautilities.com.

CLAY FABER
Director – Regulatory Affairs

(cc list enclosed)

CALIFORNIA PUBLIC UTILITIES COMMISSION

ADVICE LETTER FILING SUMMARY
ENERGY UTILITY

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

Company name/CPUC Utility No. **SAN DIEGO GAS & ELECTRIC (U 902)**

Utility type:	Contact Person: Megan Caulson
☒ ELC ☒ GAS	Phone #: (858) 654-1748
☐ PLC ☐ HEAT ☐ WATER	E-mail: MCaulson@SempraUtilities.com

EXPLANATION OF UTILITY TYPE

ELC = Electric GAS = Gas
PLC = Pipeline HEAT = Heat WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2287-E/2059-G

Subject of AL: Request for 2010-2012 Energy Efficiency Program Modifications and Fund Shifting Approval

Keywords (choose from CPUC listing): Compliance, Energy Efficiency

AL filing type: ☐ Monthly ☐ Quarterly ☐ Annual ☒ One-Time ☐ Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:
D.09-09-047 and D.11-07-030

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

Summarize differences between the AL and the prior withdrawn or rejected AL[1]: N/A

Does AL request confidential treatment? If so, provide explanation:

Resolution Required? ☐ Yes ☒ No Tier Designation: ☐ 1 ☒ 2 ☐ 3

Requested effective date: 10/12/2011 No. of tariff sheets: 0

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

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

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

Tariff schedules affected:

Service affected and changes proposed[1]: N/A

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

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

CPUC, Energy Division
Attention: Tariff Unit
505 Van Ness Ave.,
San Francisco, CA 94102
mas@cpuc.ca.gov and jnj@cpuc.ca.gov

San Diego Gas & Electric
Attention: Megan Caulson
8330 Century Park Ct, Room 32C
San Diego, CA 92123
mcaulson@semprautilities.com

[1] Discuss in AL if more space is needed.

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

cc: (w/enclosures)

Public Utilities Commission
DRA
S. Cauchois
R. Pocta
W. Scott
Energy Division
P. Clanon
S. Gallagher
H. Gatchalian
D. Lafrenz
M. Salinas
CA. Energy Commission
F. DeLeon
R. Tavares
Alcantar & Kahl LLP
K. Harteloo
American Energy Institute
C. King
APS Energy Services
J. Schenk
BP Energy Company
J. Zaiontz
Barkovich & Yap, Inc.
B. Barkovich
Bartle Wells Associates
R. Schmidt
Braun & Blaising, P.C.
S. Blaising
California Energy Markets
S. O'Donnell
C. Sweet
California Farm Bureau Federation
K. Mills
California Wind Energy
N. Rader
CCSE
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J. Porter
Children's Hospital & Health Center
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City of Chula Vista
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City of Poway
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J. Cervantes
G. Lonergan
M. Valerio
Commerce Energy Group
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Constellation New Energy
W. Chen
CP Kelco
A. Friedl
Davis Wright Tremaine, LLP
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Dept. of General Services
H. Nanjo
M. Clark
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D. Douglass
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Duke Energy North America
M. Gillette
Dynegy, Inc.
J. Paul
Ellison Schneider & Harris LLP
E. Janssen
Energy Policy Initiatives Center (USD)
S. Anders
Energy Price Solutions
A. Scott
Energy Strategies, Inc.
K. Campbell
M. Scanlan
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B. Cragg
J. Heather Patrick
J. Squeri
Goodrich Aerostructures Group
M. Harrington
Hanna and Morton LLP
N. Pedersen
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J.B.S. Energy
J. Nahigian
Luce, Forward, Hamilton & Scripps LLP
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Manatt, Phelps & Phillips LLP
D. Huard
R. Keen
Matthew V. Brady & Associates
M. Brady
Modesto Irrigation District
C. Mayer
Morrison & Foerster LLP
P. Hanschen
MRW & Associates
D. Richardson
OnGrid Solar
Andy Black
Pacific Gas & Electric Co.
J. Clark
M. Huffman
S. Lawrie
E. Lucha
Pacific Utility Audit, Inc.
E. Kelly
R. W. Beck, Inc.
C. Elder

School Project for Utility Rate Reduction
M. Rochman
Shute, Mihaly & Weinberger LLP
O. Armi
Solar Turbines
F. Chiang
Sutherland Asbill & Brennan LLP
K. McCrea
Southern California Edison Co.
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K. Cini
K. Gansecki
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R. Hunter
D. White
TURN
M. Florio
M. Hawiger
UCAN
M. Shames
U.S. Dept. of the Navy
K. Davoodi
N. Furuta
L. DeLacruz
Utility Specialists, Southwest, Inc.
D. Koser
Western Manufactured Housing Communities Association
S. Dey
White & Case LLP
L. Cottle
Interested Parties
A.08-07-022