

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

Application of Pacific Gas & Electric  
Company for Approval of the 2009-2011  
Low Income Energy Efficiency and  
California Alternate Rates for Energy  
Program and Budget (U39 M)

And Related Matters.

Application 08-05-022  
(Filed May 15, 2008)

Application 08-05-024  
Application 08-05-025  
Application 08-05-026

**THE REPORT OF SAN DIEGO GAS & ELECTRIC COMPANY TO COMPLY WITH  
ORDERING PARAGRAPH 3 OF THE DECEMBER 30, 2011 ADMINISTRATIVE LAW  
JUDGE'S RULING GRANTING SAN DIEGO GAS & ELECTRIC COMPANY  
AUTHORITY TO SHIFT FUNDS FROM THE PROGRAMMABLE  
COMMUNICATING THERMOSTAT PILOT TO THE IN-HOME DISPLAY PILOT**

Kim F. Hassan  
Attorney for:  
SAN DIEGO GAS & ELECTRIC  
COMPANY  
555 West Fifth Street, GT14E7  
Los Angeles, CA. 90013  
Telephone: (213) 244-3061  
Email: khassan@semprautilities.com

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**I. INTRODUCTION**

In the *Administrative Law Judge’s Ruling Granting San Diego Gas & Electric Company Authority to Shift Unspent Funds from Programmable Communicating Thermostat Pilot to the In-Home Display Pilot* (Ruling), dated December 30, 2011, San Diego Gas & Electric Company (SDG&E) was authorized to shift \$40,000 in unspent electric department funds from the 2010 Energy Savings Assistance Program and \$60,000 in electric department funds from the Programmable Communicating Thermostat Pilot Program (PCT) to the In-Home Display Pilot (IHD). In Ordering Paragraph (OP) 2 of the Ruling, SDG&E was directed to prepare and submit a report on: 1) how it will tighten its pilot management program protocols to deliver reliable projections and estimate; 2) provide timely and ongoing oversight; and, 3) actively and responsibly manage the pilot programs going forward. SDG&E submits this Report in accordance with OP 2 of the Ruling.

## **II. SDG&E PILOT REPORT**

### **A. Background**

SDG&E proposed two pilots as part of its Low Income Energy Efficiency Program<sup>1</sup> in its Program Year (PY) 2009-2011 Low Income Program Application. The IHD Pilot was designed to test technology that could provide real-time energy use and billing information to qualified low income customers. The PCT Pilot was designed to provide customers with the technology to reduce both electric energy consumption and peak demand. The Commission authorized both pilot programs in Decision (D.) 08-11-031.

### **B. Pilot Issues and Modifications**

In 2008 when SDG&E filed for the IHD & PCT pilots, the devices that were available to test at the time were used to develop the budgets. SDG&E utilized the best information available at that time. From 2008-2011, as SDG&E's Smart Meter deployment continued to change the way in which SDG&E connected with its customers, technology manufacturers also began producing more innovative devices to provide additional customer benefits, such as direct communication between the devices and the Smart Meter providing energy related information. These features were an improvement on the earlier technology.

In order to deliver a pilot experience that was at the forefront of technology market trends and that were customer-focused, SDG&E partnered with Tendril, a business entity that had both the products and experience in the Smart Grid/Meter technology market. In order to provide low-income customers with Home Area Network (HAN) devices that were compatible with the new Smart Meter technology, Tendril provided an Information Technology (IT) platform for all of the SDG&E's HAN pilots which included a Customer Portal, Enrollment Site, and Program

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<sup>1</sup> In 2011, the Low Income Energy Efficiency Program name was changed to the Energy Savings Assistance Program.

Site. As the Smart Meter software and firmware continued to evolve, Tendril's IT platform had to adapt to these changes to keep the HAN devices functional. By early 2011, the pilots were approaching their launch dates and the IT platform with a monthly subscription fee, IT support, device installation, devices, and enrollment website development had all evolved in a more costly manner than was anticipated and planned for when SDG&E developed its IHD pilot.

These software and hardware enhancements were imperative to provide customers with an IHD or PCT that was simple to understand, functional and useful, while leveraging the investment in Smart Meters. Without these pilot enhancements, SDG&E would not have been able to measure whether or not the IHD and PCT have the capability to change customer energy consumption behavior.

Because these enhancements allowed SDG&E to successfully conduct the pilots, SDG&E was able to put together an evaluation plan to understand the customer experience, their engagement with the devices, and the Demand Response impacts of these devices. The final Pilot reports are expected to be completed in the first quarter of 2012. Both of these pilot results will provide invaluable information on how SDG&E will continue to shape the way customers use and save energy, and the benefits that customers will receive from the technology supported by SDG&E.

The expenses that caused the IHD Pilot to exceed its original budget include: 1) marketing due to the development of a detailed and customer friendly enrollment site; 2) the program site and customer portal; 3) installation and maintenance costs; and, 4) service costs which were not foreseen as a part of the 2008 proposed budget.

## **1. IHD Overages**

Installation: When estimating the budget for installation in 2008, the program was not yet partnered with the installation vendors, and there was not an accurate understanding of what the actual installation costs would be.

Data collection and Analysis: In order to effectively evaluate the IHD pilot SDG&E developed a series of surveys to gauge customer feedback throughout the pilot process. The initial budget estimates from 2008 did not anticipate four different groups (information only, device only, device and information, and control) to be evaluated. This additional layer of complexity drove costs slightly higher.

## **2. New Expenses**

Software License & Customer Support: In 2008 while developing the budget it was not possible to anticipate the type of devices and the software required to support these devices in a customer focused pilot. In addition Tendril offered phone support to customers to assist in any issues with their device. SDG&E did not have the resources available internally to offer the technical support to customers throughout the pilot.

Recruitment: In 2008 when developing a preliminary budget estimate for the IHD pilot the customer recruitment cost was not anticipated. SDG&E believed at the time that the pilot would be promoted by the Energy Savings Assistance Program outreach specialists at the time of customer enrollment. Once the Tendril product offering was developed, this approach was not feasible due to the complexity and uniqueness of the technology being offered. The outreach specialist did not have the technical expertise to discuss the product with customers.

Marketing – Enrollment / Program Site: Software development costs associated with the IHD pilot were not anticipated when developing the budget. The main unanticipated costs in this category came from the development of the Customer Portal, Enrollment Site, and Program Site.

**C. Pilot Budget**

D.08-11-031 approved the IHD budget of \$145,000 and the PCT budget of \$230,000. Based on the cost overages and new and unanticipated costs, SDG&E projected that it would require an additional \$100,000 to fund the IHD pilot. While SDG&E agrees that the Commission staff should have been notified earlier that the IHD Pilot costs would exceed its original budget estimate, it believes that the cost overages and unanticipated costs for the IHD pilot were reasonable and necessary in order to not only conduct the pilot, but more importantly to determine the effectiveness of the pilot that SDG&E would offer to customers. The initial cost estimates were created prior to knowing what more advanced technology would be available in the market place and a management decision was made to utilize the more advanced technology in order to report better information on the pilot results.

**D. Pilot Management and Oversight Corrective Actions**

Currently, SDG&E's program management staff has several processes and safeguards in place to prevent under/over spending of authorized program funds. These processes and safeguards include:

SDG&E has contractor management tools in which:

- SDG&E's Electronic Contract Management system (ECM) requires several levels of review and approval for each contract. The level of review and approval is associated with the contract value. For example, the higher the contract value the

higher the level of management authority is required to approve invoices in accordance with SDG&E's Corporate Commitment and Approval Policy.

- SDG&E's ECM system notifies program staff if the contractor's contract value is within 20% of the total contract limit.
- SDG&E's financial accounts payable system has specific approval checks requiring several layers of reviews and approvals prior to paying an invoice.
- SDG&E's financial accounts payable system has a block mechanism in place which would prevent any invoices to be paid if a contractor's contract value has reached its limit.

With respect to program management expenditure review, each month SDG&E program staff is required to do the following:

- Review monthly expenditure reports to monitor budget and accuracy of expenditures in each budget category including contractor services expensed.
- Review and monitor all program related invoices including non contracted invoices prior to approving for payment in SDG&E's financial accounts payables system.
- Identify incorrect charges to the program and request journal entries to correct errors as necessary.
- Research invoices to ensure cost, Internal Orders and Cost Elements were correctly posted.
- Certify that expenditures have been reviewed and are appropriate.
- Review budget categories monthly and notify management of status and possibilities of exceeding categories.

SDG&E's program management staff will continue to utilize these processes when monitoring the budgets and pilot program costs.

For future pilots, SDG&E program staff will take a more active role in the implementation of the pilots, especially when other departments at SDG&E are actively involved in the pilot's implementation. A project manager will be assigned from the Low Income group to monitor pilot scope, schedule and budgets. They will also be responsible to more effectively communicate to the other departments the authorized Pilot Implementation Plan, the regulatory requirements for revising the Pilot Implementation Plans and Budgets, if needed, and to obtain necessary internal and external approvals in advance of implementing any changes to the Pilots. In addition, Low Income program management staff will be required to take a Project Management; Budget Management training or other refresher courses; and additional training on compliance with and understanding of Commission directives, as needed.

### **III. CONCLUSION**

SDG&E again thanks the Commission for approving its request to shift funds to finance the IHD pilot. As discussed above, SDG&E has developed and enhanced its processes and safeguards: 1) to improve pilot management program protocols to deliver reliable projections and estimate; 2) provide timely and ongoing oversight; and, 3) actively and responsibly manage the pilot programs going forward.

Respectfully submitted by:

By:           /s/ Kim F. Hassan            
Kim F. Hassan

Attorney for:  
SAN DIEGO GAS & ELECTRIC COMPANY  
555 West Fifth Street, GT14E7  
Los Angeles, CA. 90013  
Telephone: (213) 244-3061  
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