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Energy Division Tariff Unit
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, California 94102

Re: *San Diego Gas & Electric's Comments on Draft Resolution E-4518*

Dear Energy Division:

San Diego Gas & Electric Company (SDG&E) hereby submits the following comments on Draft Resolution E-4518 (the Draft Resolution), which is scheduled to appear on the Commission's August 2, 2012, agenda.

SDG&E takes no position on whether or not it would be appropriate for MEA to undertake the EE role the draft Resolution contemplates, nor does it make any predeterminations regarding MEA's future EE role in 2013-2014.

SDG&E is concerned, however, that the process the draft resolution followed is inadequate, particularly in addressing: (1) the statutory requirements of Sections 381.1 and 399.4 for community choice aggregators (CCA) EE program administration and after-the-fact performance oversight; and (2) the potential for creating inconsistency and/or duplication of MEA's financing proposal with the ongoing statewide efforts.

State law requires the Commission to certify CCA eligibility to administer EE funds, and find that the CCA EE plan meets specific statutory requirements. In fact, the June 20, 2012 "*Administrative Ruling Regarding Procedures for Local Government Regional Energy Network Submissions for 2013-2014 and for Community Choice Aggregators to Administer Energy Efficiency Programs*" acknowledges the Commission's obligation to adhere to all the requirements of Section 381.1 (a) through (g). The draft Resolution, however, fails to provide a comprehensive analysis of the proposal and demonstrate the proposal's compliance with these requirements.

1. The Energy Efficiency portfolio should be cost-effective.

The draft Resolution claims to have reviewed the proposal using the criteria specified in statute. That review, however, is based solely on the untested assertions of the proponent. And even under that limited review, as discussed below, the draft

Resolution acknowledges that the proposal fails to meet the critical test of cost effectiveness, a requirement repeated many times in Section 381.1¹, required for the approval of an EE portfolio of programs.

2. *There should be adequate provisions to ensure proper after-the-fact performance oversight.*

The totality of the proponent's plan with respect to auditing and reporting is discussed in 8 lines of its plan, one of which contends that the reports are "for informational purposes only". Section 399.4 requires the Commission to continue to oversee energy efficiency program administration. SDG&E recommends that the Resolution provide provisions that comport with Decision (D.)09-05-037 (at pages 8-9), which directs the Energy Division to manage EE program evaluations.² Similarly *ex ante* measure assumptions should be consistent with D.11-07-030 Attachment B for custom projects and the November 18, 2009 ALJ Ruling regarding non-DEER measure *ex ante* assumptions. The MEA proposal³ briefly states its intent to use DEER deemed savings and develop its own plan for verifying savings, using its simplified methods. The MEA "EM&V" proposal is inconsistent with the current procedures required for determining *ex ante* savings which require that Energy Division review and approve all workpapers for non-DEER savings and the use of the Custom Project Process described in D.11-07-030 Attachment B.

The Draft Resolution does not assess the nature of the audit reports, and does not direct that the reports contain any specific information. SDG&E recommends that the Resolution include similar provisions as provided for by D.09-09-047 which states: "We also adopt the DRA and TURN recommendation to require a full audit of the utilities' administrative and other costs in order to understand the changes in characterization of costs in the revised applications and to ensure accountability of the amount, allocation and composition of the total administrative costs for this portfolio timeframe. We authorize Commission staff to hire contractors to conduct the audit using EM&V funding."⁴

3. *MEA financing proposal should be consistent with the Commission's direction in D.12-05-015.*

The Draft Resolution would authorize MEA to begin working on a multi-family on-bill repayment (OBR) effort. This authorization seems inconsistent with financing effort recently delineated by the CPUC in D.12-05-015, which requires the development of 4 new pilots associated with the concept of OBR,⁵ one of which is a multi-family pilot.

¹ Section 381.1 (a), (a)(2), (c), (d), (e), (f)(2), and (g).

² : "We therefore removed EM&V responsibility from the IOUs and directed our staff to develop an EM&V program that used expert analysis and sound technical methodologies to count energy savings from ratepayer funded energy efficiency programs. Our goal was to establish an independent system that was free of the inherent conflict of interest presented in IOU EM&V and from external pressures that would compromise the integrity of the EM&V results."

³ MEA draft proposal available on

http://www.marinenergyauthority.com/PDF/6.20.12_Special_Meeting_Packet.pdf, page 22.

⁴ D.09-09-047, page 56

⁵ D.12-05-015, page 108.

These pilots are to be developed by an “expert financing consultant” that is to be hired by SoCalGas (by August 1, 2012). Lastly, D.12-05-015 also defines financing as a “statewide” program. Therefore, SDG&E recommends that the Resolution require MEA to participate in the stakeholder process for the development of an OBR effort to avoid inconsistencies or duplicative local efforts with the broader statewide financing effort.

SDG&E appreciates the opportunity to provide these comments to Draft Resolution E-4518.

Respectfully submitted,

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Director – Regulatory Affairs

cc: President Michael R. Peevey
Commissioner Mark J. Ferron
Commissioner Timothy A. Simon
Commissioner Michel P. Florio
Commissioner Catherine J.K. Sandoval
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Interested Parties in Rulemaking 03-10-003
Interested Parties in Rulemaking 09-11-014