

Application: 00-05-

Exhibit No: (SDG&E-1)

Witnesses: Athena M. Besa
Dean A. Schiffman, Ph. D.

TESTIMONY
OF
ATHENA M. BESA
DEAN A. SCHIFFMAN, PH. D.

May 1, 2000

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA

Application 00-05-___

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2000 ANNUAL EARNINGS ASSESSMENT PROCEEDING
TESTIMONY
OF
SAN DIEGO GAS & ELECTRIC COMPANY

May 1, 2000

BEFORE THE PUBLIC UTILITIES COMMISSION

OF THE STATE OF CALIFORNIA

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1 **TESTIMONY OF SAN DIEGO GAS & ELECTRIC COMPANY'S**
2 **REGARDING 1995 DEMAND-SIDE MANAGEMENT PROGRAM, 1998**
3 **LOW-INCOME PROGRAM, AND 1999 ENERGY EFFICIENCY AND**
4 **LOW-INCOME PROGRAMS**

5 **2000 ANNUAL EARNINGS ASSESSMENT PROCEEDING**
6 **APPLICATION 00-05 _____**

7 **I.**

8 **SDG&E SHAREHOLDER EARNINGS CLAIM FROM SDG&E'S**
9 **1995 DSM PROGRAMS**

10 **A. INTRODUCTION**

11 The document entitled "Protocols and Procedures For the Verification of Costs, Benefits,
12 and Shareholder Earnings From Demand-Side Management Programs" ("Protocols"),¹ identifies
13 the protocols and procedures currently used by the four major California investor-owned utilities
14 to document and verify the costs and benefits of demand-side management ("DSM") program
15 activities. San Diego Gas and Electric Company ("SDG&E") has followed the Protocols in the
16 preparation of this year's Demand-Side Management Annual Summary and Technical Appendix
17 ("DSM Annual Summary") and Energy Efficiency Programs Annual Summary and Technical
18 Appendix ("EE Annual Summary") which are included with, and made a part of, SDG&E's 2000
19 Annual Earnings Assessment Proceeding ("AEAP") Application as Exhibit SDG&E-2 and
20 SDG&E-3, respectively. Section VIII of the DSM Annual Summary addresses SDG&E's
21 shareholder earnings claims related to the performance of SDG&E's 1995 DSM programs. Said

¹ As adopted by California Public Utilities Commission Decision 93-05-063; revised January 1997 pursuant to Decisions 94-05-063, 94-10-059, 94-12-021, 95-12-054, 96-12-079, 99-06-052.

1 Section VIII has been prepared in accordance with the Sixth Edition of the DSM Reporting
2 Requirements Manual dated December 1996, and the Protocols.

3 Pursuant to Tables 1, 2, and 10 of the Protocols, the shareholder incentive claim which
4 SDG&E is making in this 2000 AEAP is for the third earnings claim for the performance of its
5 Program Year ("PY95") DSM programs.

6 The PY95 third earnings claim represents the third installment of the updated projected
7 lifecycle shareholder earnings that may be claimed by SDG&E for its performance of 1995 DSM
8 programs. The projected lifecycle shareholder earnings for PY95 were updated as a result of the
9 Third/Fourth Year Retention and Performance Studies performed in compliance with the
10 requirements of the Protocols Table 8A, and submitted to the Office of Ratepayer Advocates
11 ("ORA") on March 1, 1999.

12 The third earnings claim for SDG&E's 1995 DSM program's performance, as verified by
13 SDG&E's Third/Fourth Retention and Performance Studies, results in a revised 1995 DSM pro-
14 gram performance projected lifecycle shareholder earnings of \$36,962,473, producing a third
15 earnings claim in this 1999 AEAP of \$9,477,192 (75% of \$36,962,473 less the combined first
16 and second earnings claim for 1995 DSM programs of \$18,244,663.)

17 Therefore, in this Application, SDG&E seeks the California Public Utilities
18 Commission's ("CPUC" or "Commission") approval of SDG&E's request of \$9,477,192, for its
19 third earnings claim from PY95. SDG&E further requests that interest be accrued on the third
20 earnings claim for PY95 beginning July 1, 1996 (as stipulated in Decision (D.) 94-10-059, page
21 113). SDG&E also requests an additional sum for franchise fees and uncollectibles related to the
22 claim. Accordingly, the total requested for SDG&E's PY95 programs in this 2000 AEAP is
23 \$12,309,491 (includes interest, franchise fees, and uncollectibles of \$2,832,299).

1 **B. SUMMARY OF PY95 PROGRAMS AND PERFORMANCE**

2 Included in Appendix A of SDG&E's Application are PY95 earnings claim summary
3 tables E-1, E-2, and E-3 pertaining to SDG&E's third earnings claim. Dean A. Schiffman, Ph.D.
4 is sponsoring the DSM Annual Summary (Exhibit SDG&E-2) to the extent it supports those
5 earnings claim summaries. The 1995 DSM incentive mechanisms were adopted by D. 94-10-
6 059, entitled "Interim Opinion on DSM Shareholder Incentives: Implementation Phase." The
7 requirements of the mechanisms and the calculation of the shareholder awards pursuant to each
8 mechanism are described in Section VIII of the DSM Annual Summary.

9 In compliance with the requirements of the Measurement and Evaluation ("M&E")
10 Protocols Table 8A, the following Third/Fourth Retention/Performance Studies were submitted
11 to the ORA on March 1, 1999:

- 12 • 1994 & 1995 Residential Appliance Efficiency Incentives - Refrigerators, Study ID
13 No. 915;
- 14 • 1994 & 1995 Residential Appliance Efficiency Incentives - Lighting, Study ID
15 No. 921;
- 16 • 1994 & 1995 Residential Weatherization Retrofit Incentives, Study ID No. 957;
- 17 • 1994 & 1995 Commercial Energy Efficiency Incentives Program, Study ID Nos. 924
18 & 960;
- 19 • 1994 & 1995 Industrial Energy Efficiency Incentives Program, Study ID Nos. 927 &
20 963;
- 21 • 1994 & 1995 Agricultural Energy Efficiency Incentives Program, Study ID Nos. 930

1 & 966;

- 2 • 1994 & 1995 Nonresidential New Construction Program, Study ID No. 933; and
- 3 • 1994 & 1995 Nonresidential New Construction Program, Study ID Nos. 936 & 972.

4 In addition to these retention studies, SDG&E jointly filed with Pacific Gas & Electric
5 Company ("PG&E"), Southern California Edison Company ("SCE"), and Southern California
6 Gas Company ("SoCalGas") Study ID Nos. 2023P, 2027P, 2028P, and 2030P, a set of
7 performance studies used to adjust the lifecycle benefits of a specific set of measures.

8 SDG&E's third earnings claim for its 1995 DSM programs represents the third
9 installment of the projected lifecycle shareholder earnings for those programs as revised, based
10 upon SDG&E's Third/Fourth Retention and Performance Studies which verified measure lives
11 and technical degradation factors. These studies were provided to the ORA by March 1, 1999, as
12 specified in Table 1 of the Protocols. These were submitted for review and consideration in the
13 1999 AEAP in support of the PY94 third earnings claim. SDG&E has incorporated ORA's
14 recommendations based on these studies in the calculation of its third earnings claim for PY95.

15 Those programs for which shareholder incentive earnings are claimed are: Residential
16 Appliance Efficiency Incentives; Residential New Construction; Commercial/Industrial/
17 Agricultural Energy Efficiency Incentives; and Nonresidential New Construction.

18 Therefore, SDG&E's third earnings claim for the PY95 DSM programs is \$9,477,192,
19 plus interest from July 1, 1996 through December 2000, franchise fees, and uncollectibles in the
20 amount of \$2,832,299.

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II.

**SDG&E PERFORMANCE INCENTIVE CLAIM FROM SDG&E'S
1998 AND 1999 LOW-INCOME ENERGY EFFICIENCY PROGRAMS**

A. PY98 LOW-INCOME ENERGY EFFICIENCY PROGRAMS

SDG&E filed Advice Letter ("AL") 1047-E/1068-G requesting approval of its 1998 LIEE program plans and budgets. The Commission approved SDG&E's advice letter through Resolution E-3515. Subsequently, the Commission issued D. 98-06-063, which modified Resolution E-3515.

SDG&E's PY98 low-income energy efficiency ("LIEE") lifecycle earnings claim is \$85,314. The incentives are earned on the non-mandatory Direct Assistance ("DAP") program of the LIEE program, subject to meeting the minimum performance threshold for the mandatory portion of the program. SDG&E weatherized 8717 homes in 1998, which exceeded the forecast of 8500 homes.

The 1999 AEAP Case Management Statement of ORA, PG&E, SDG&E, SCE, SoCalGas, and Residential Energy Efficiency Clearing House, Inc. ("REECH") filed on November 2, 1999 with the Commission describes the agreement of the aforementioned parties regarding the collection of the PY98 LIEE shareholder incentives. The parties agreed that the PY98 utility shareholder incentives would be collected in two installments: 50% to be authorized by the 1999 AEAP for collection in rates in 2000; and the remaining 50% to be authorized after the completion of the PY98 first year statewide load impact evaluation and submitted in the 2000 AEAP for collection in rates in 2001.

1 SDG&E jointly filed with PG&E, SCE, and SoCalGas the first-year load impact
2 evaluation of the PY98 LIEE program on April 17, 2000.

3 Therefore, consistent with the 1999 AEAP Case Management Statement, SDG&E's
4 second earnings claim for the PY98 LIEE program is \$42,657, plus interest from July 1, 1999
5 through December 2000, franchise fees, and uncollectibles in the amount of \$4,885.

6 **B. PY99 LOW-INCOME ENERGY EFFICIENCY PROGRAMS**

7 SDG&E filed AL 1124-E/1119-G requesting approval of its 1999 LIEE program plans and
8 budgets. The Commission approved SDG&E's advice letter through Resolutions E-3583, E-3585
9 and E-3586.

10 The PY99 LIEE program lifecycle earnings claim is \$78,765. The incentives are earned
11 on the non-mandatory component of the LIEE program, subject to meeting the minimum
12 performance threshold for mandatory portion of the program. SDG&E weatherized 7861 homes,
13 which exceeds the minimum requirement of achieving 75% of the forecast of 8500 weatherized
14 homes.

15 SDG&E proposes to collect the PY99 LIEE earnings in two earnings claims: 50% to be
16 authorized by the 2000 AEAP for collection in rates in 2001 and the remaining 50% to be
17 authorized in the 2001 AEAP for collection in rates in 2002. This two-year collection proposal is
18 consistent with the "Joint Recommendation On The Program Year 2000 Low-Income Energy
19 Efficiency Shareholder Incentive Mechanism" submitted on November 10, 1999 and identified
20 as Exhibit 66 in Phase 2 of the 1999 AEAP. Although both the 1999 AEAP Case Management
21 Statement and the Joint Recommendation on the PY2000 LIEE shareholder mechanism require
22 the submission of a study on the respective program years for the second-year claim, SDG&E

1 does not believe that there would be any benefits by requiring that an additional study be
2 completed for PY99.

3 Therefore, SDG&E's first earnings claim for the PY99 LIEE program is \$39,383, plus
4 interest from July 1, 2000 through December 2001, franchise fees, and uncollectibles in the
5 amount of \$2,099.

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III.
SDG&E PERFORMANCE INCENTIVE CLAIM FROM SDG&E'S
1999 ENERGY EFFICIENCY PROGRAMS

A. INTRODUCTION

SDG&E filed Advice Letter ("AL") 1132-E/1124-G requesting approval of its 1999 Energy Efficiency program plans, budgets, and performance incentive award mechanism on November 16, 1998 as required by the Assigned Commissioner's Ruling in Rulemaking 98-07-037 dated September 23, 1998. In order to avoid any disruption in program delivery due to the potential delay in the approval of its proposed PY99 programs, SDG&E filed AL 1133-E/1125-G, which requested authorization to continue in 1999 the Residential Audit Services, Residential Lighting Fixtures program, Nonresidential New Construction program, and to continue program planning and design activities for the 1999 programs. Resolution E-3581, issued December 17, 1998, granted authorization to undertake these activities through the end of February 1999.

On December 17 and 21, 1998, respectively, the California Board for Energy Efficiency ("CBEE") filed preliminary and final recommendations and comments on its review of the utilities' advice letters on their PY99 Energy Efficiency program proposals. Subsequently, the utilities submitted comments in response to the CBEE's filings and provided an alternate performance incentive award mechanism on January 13, 1999.

On February 18, 1999, the Commission issued Resolution E-3589 authorized month-to-month funding and program delivery, and permitted pre-implementation tasks necessary for timely deployment of the 1999 programs. In addition, the Commission authorized the implementation of the large Standard Performance Contracting ("SPC") strategy by March 23, 1999 and the small customer SPC strategy that was fully operational by April 2, 1999.

1 SDG&E's AL 1133-E/1125-G PY99 program area budget and revised program budget
2 and the January 13, 1999 alternative performance incentive award mechanism for PY99 Energy
3 Efficiency programs were authorized by Resolution E-3578 issued on March 18, 1999. In
4 addition, the resolution adopted uncontested Policy Rule changes as Interim, and also ordered the
5 utilities to file supplemental advice letters providing additional details on the program
6 descriptions by March 25, 1999.

7 Resolution E-3592, issued on April 1, 1999, adopted the final PY99 utility programs,
8 including plans, budgets, and incentive mechanisms. Furthermore, it adopted other changes to
9 the Policy Rules. The resolution, however, did not authorize the market assessment and
10 evaluation ("MA&E") expenditures until the utilities filed additional information on the MA&E
11 activities. Because of the delay in the authorization of the PY99 MA&E expenditures, SDG&E,
12 in its May 5, 1999 Supplemental Advice Letter 1132-E-B/1124-G-B, requested an extension to
13 the submission dates for its Market Effects/ Market Changes baseline study milestones. A letter
14 from the Energy Division dated June 7, 1999 informed the utilities that the Supplemental Advice
15 Letters were considered compliant with Resolution E-3592, with an effective date of June 14,
16 1999.

17 **B. PY99 ENERGY EFFICIENCY PROGRAMS**

18 SDG&E's total performance incentive award for PY99 is \$3,522,850. This incentive
19 award is a result of SDG&E achieving the Level 1 award for its Base, Market Changes/Market
20 Effects, and Administrative milestones, and the Aggressive Implementation award for the
21 Residential and New Construction program areas. The following is a description of SDG&E's
22 performance incentive award mechanism and a discussion of its accomplishments. SDG&E's
23 1999 performance incentive award mechanism as approved by Resolution E-3578 is included in
24 Appendix A.

1 SDG&E's incentive structure provides milestones in four areas:

- 2 • **Base Award** – Milestones in this section focus on the timing of the roll-out of
3 programs, particularly statewide efforts.
- 4 • **Market Changes/Market Effects** – Milestones are provided for five
5 programs to measure changes in the market associated with program activities.
- 6 • **Administrative Award** – Milestones in this section address performance in
7 processing program activities and results achieved in certain programs.
- 8 • **Aggressive Implementation** – This milestone is based on the amount of
9 authorized funds that are spent or committed during 1999.

10 Two levels for results (Timing/Activity) were provided for each milestone, with
11 corresponding awards for each level. If a milestone was reached in fewer days than the lower
12 number of days in Level 2, then the Level 1 goal has been reached. If a milestone was reached in
13 more days than the higher number of days in Level 2, then the award is zero for the milestone.
14 The total award amount for Level 1 awards is set at 105% of the awards cap, and the total award
15 amount for Level 2 awards is set at 70% of the awards cap. Unless otherwise indicated, the
16 number of days used in the Timing/Activity levels refers to calendar days.

17 For purposes of determining energy savings for certain milestones and accounting for
18 expenditures/commitments for the Aggressive Implementation award, SDG&E included the
19 savings and costs associated with all activities conducted in 1999, except for those related to
20 1998 programs (commitments for multi-year 1998 programs and close-out/reporting of 1998
21 programs). This is consistent with Resolution E-3589, Ordering Paragraph 9, which states:

1 “SoCalGas, SDG&E, PG&E and SCE are authorized to receive award credit for
2 achievement of proposed performance incentive milestones during the bridge period
3 pending our adoption of approved milestones in a subsequent Resolution.”

4 The following activities in 1999 are therefore included for energy savings under certain
5 milestones and for costs to meet the Aggressive Implementation requirements and awards: (1)
6 the 1999 program planning conducted under “bridge funding”; (2) the 1999 program operation
7 after Commission approval of 1999 proposals. This included instances where current programs
8 were operated until the new programs were operational (such as Nonresidential New
9 Construction and Energy Star), as provided for in 1999 program proposals and program
10 descriptions; and (3) the 1998 programs operated in 1999 under “bridge funding”: Residential
11 Audits, Small Commercial Audits, Residential Lighting Fixtures, and Nonresidential New
12 Construction.

13 To be eligible for the base award, the following criteria were met:

14 **Program Definitions:** For its November 16, 1998 Advice Letter, SDG&E utilized the
15 CBEE’s new program definitions (program areas, programs, program elements, and intervention
16 strategies). These new definitions were used to report on and track the programs throughout the
17 year.

18 SDG&E provided revised program descriptions using the CBEE’s new program
19 definitions to the Energy Division, the CBEE, and the public on March 24, 1999.

20 **Reporting:** Program activities, status reports, etc., were to be reported in the following
21 matters: (1) Using two systems—the “old” program definitions used for 1998 programs, and the
22 CBEE’s new program definitions; (2) Administration vs. implementation—program expenditures
23 would be tracked using these categories, once definitions were determined that were clear and

1 consistent for the programs; and (3) Outsourcing – SDG&E would track expenditures that were
2 associated with outsourcing program activities.

3 SDG&E provided its PY99 quarterly status reports, which included descriptions of
4 program progress and expenditures, to the CBEE using the CBEE’s new program definitions. In
5 addition, SDG&E has reported its PY99 program accomplishments in its 2000 EE Annual
6 Summary, using the program definitions for the 1998 programs consistent with SDG&E’s 1999
7 EE Annual Summary.

8 The Energy Division conducted a workshop on March 8 and 9, 1999, to address revisions
9 to the existing Reporting Requirements Manual, including the definition of “administration vs.
10 implementation” costs. The workshop report issued on April 2, 1999 did not include
11 recommendations to clearly define “administration” and “implementation” costs. Therefore,
12 SDG&E did not track program expenditures according to these categories. SDG&E’s program
13 costs, however, are reported according to the current program costs categories consistent with the
14 Reporting Requirements Manual in its 2000 EE Annual Summary, which includes categories for
15 “administration,” “program incentives,” and “other.”

16 SDG&E has tracked its expenditures associated with the outsourcing of program
17 activities. These costs are reported in its 2000 Energy Efficiency Annual Summary.

18 **1. Base Award Milestones**

19 Milestones in this section focus primarily on the timing of the roll-out of programs,
20 particularly statewide efforts. SDG&E achieved the Level 1 award total of \$1.223 million for its
21 Base Award Milestones.

22 **a. Residential Lighting: Statewide Upstream Program**

23 SDG&E, PG&E, and SCE coordinated a statewide upstream program for residential

1 lighting. The milestones for this program are tied to: 1) issuing the Request for Proposals
2 (“RFP”) and selecting the short list of bidders, and 2) signing a contract with the winning bidder.
3 Less weight was placed on contract signing, to avoid placing the utilities in the position of being
4 adversely impacted if they chose to forego the award for this milestone to avoid signing an
5 unacceptable agreement.

6 The utilities issued the RFP and selected the short list of bidders by April 13, 1999, which
7 was within 45 days of Resolution E-3578 issued on March 18, 1999. The contract with the
8 winning bidder was signed on June 8, 1999 which was within 120 days after the resolution.
9 Therefore, SDG&E has achieved the Level 1 award of \$101,000 for these milestones.

10 **b. Residential Appliances: Statewide Upstream Program**

11 The milestones for this program are the same as for the Residential Lighting Statewide
12 program described above.

13 The utilities issued the RFP and selected the short list of bidders by April 13, 1999, which
14 was within 45 days of Resolution E-3592 issued on April 1, 1999. The contract with the winning
15 bidder was signed on June 8, 1999, which was within 120 days after the resolution. Therefore,
16 SDG&E has achieved the Level 1 award of \$101,000 for these milestones.

17 **c. Residential Lighting Program**

18 SDG&E operated an interim lighting program while the statewide program was being
19 competitively bid. SDG&E contracted with a lighting consulting team involved in its 1998
20 Lighting Fixtures program to develop and operate the interim program.

21 In order to achieve the Level 1 award, SDG&E was required to sign a contract with its
22 lighting consulting team within 15 days after the resolution. The contract with the lighting

1 consulting team was signed on April 1, 1999. Therefore, SDG&E has achieved the Level 1
2 award of \$37,000 for this milestone.

3 **d. Residential Retrofit & Renovation: Residential Contractor Program**

4 In this statewide program, the utilities proposed to conduct workshops and field a
5 questionnaire to obtain public input on the CBEE-adopted Residential Contractor program
6 development guidelines. After receiving public input, the utilities were to develop a draft
7 statewide program by the specified dates. In order to achieve Level 1, the utilities needed to
8 complete the draft program design based on the public input received within 60 days after the last
9 public workshop or March 15, 1999, whichever was sooner.

10 SDG&E and the other utilities provided a draft program to the Energy Division, the
11 CBEE, and the public on March 15, 1999. Therefore, SDG&E has achieved the Level 1 award of
12 \$155,000 for this milestone.

13 A second milestone for this program related to having the program available for
14 participation. To achieve this milestone, SDG&E should have been able to accept and begin
15 processing projects from program applicants. A Level 1 award was merited if the program was
16 available by May 1, 1999. SDG&E conducted the program kick-off meeting with contractors on
17 April 28, 1999. SDG&E had the program information available on its website and program
18 applications were also available on May 1, 1999. Therefore, SDG&E achieved the Level 1
19 award of \$33,000 for this milestone.

20 **e. Residential Heating & Cooling: Residential HVAC Training**

21 SDG&E operated a new program in which it would work with local contractors and
22 supply houses to promote high efficiency cooling systems. In this program, SDG&E provided
23 training on proper sizing and system optimization to local contractors. The milestone is

1 associated with implementation of this program, which involved conducting at least one training
2 session for contractors within the specified timeframes. In order to achieve a Level 1 award, the
3 training program needed to be implemented within 30 days after the resolution.

4 SDG&E conducted its first training session on April 16, 1999. Therefore, SDG&E has
5 achieved the Level 1 award of \$49,000 for this milestone.

6 **f. Large Nonresidential Comprehensive Retrofit: Large SPC**

7 In order to achieve Level 1 of this milestone, the following was to be in place within 5
8 days of Resolution E-3589 issued on February 18, 1999, when SDG&E's program was open to
9 take applications:

- 10 • A revised procedures manual incorporating program changes adopted by the
11 Commission.
- 12 • A system consistent across the utilities to track customer applications and monitor
13 corporate parent information.
- 14 • A statewide contract for project sponsors to be used by each of the utilities.

15 SDG&E had a revised program procedures manual, which incorporated the program
16 changes adopted by the Commission, available on its website and/or in person at SDG&E on
17 March 23, 1999. In addition, a system consistent across the utilities to track customer
18 applications, and SDG&E provided notification to the Energy Division, the CBEE, and the
19 public that the materials were available and that the program was open to accept applications on
20 March 23, 1999. Therefore, SDG&E has achieved the Level 1 award of \$224,000 for this
21 milestone.

1 **g. Small Nonresidential Comprehensive Retrofit: Small/Medium SPC**

2 In order to achieve a Level 1 award for this milestone, the following was to be in place
3 within 15 days after Resolution E-3589 issued on February 18, 1999, when SDG&E's program
4 was open to take applications:

- 5 • A procedures manual incorporating the Commission-adopted program guidelines and
6 design elements (such as pricing and participation limits).
- 7 • A streamlined set of measurement and verification ("M&V") protocols appropriate
8 for this size of customer.

9 SDG&E had a revised program procedures manual for the Small Business SPC program,
10 which incorporated the program changes adopted by the Commission, available on its website
11 and/or in person at SDG&E on April 2, 1999. In addition, SDG&E provided notification to the
12 Energy Division, the CBEE, and the public that the materials were available on its website and
13 that the program was open to accept applications on April 2, 1999. Therefore, SDG&E has
14 achieved the Level 1 award of \$224,000 for this milestone.

15 **h. Small Nonresidential Comprehensive Retrofit: Small/Medium**
16 **Rebates**

17 To achieve this rollout milestone, the statewide program design was to be developed and
18 the program opened to process rebates within 30 days after Resolution E-3578. SDG&E,
19 together with the other utilities, had developed a statewide rebate program for small/medium
20 nonresidential customers. SDG&E had the program available on its website and/or in person at
21 SDG&E and conducted a "kick-off" workshop with potential program participants on April 7,
22 1999. In addition, SDG&E provided notification to the Energy Division, the CBEE, and the
23 public that the materials were available and that the program was open to accept applications on

1 April 14, 1999. Therefore SDG&E has achieved the Level 1 award of \$102,000 for this
2 milestone.

3 **i. Residential New Construction**

4 SDG&E has three baseline milestones associated with this program. The utilities worked
5 on a statewide effort to have window/duct training available in this program. SDG&E would
6 achieve the first milestone for this program by conducting at least one training session within 60
7 days after Resolution E-3578. SDG&E conducted the first training session on May 11, 1999.
8 Therefore, SDG&E has achieved the Level 1 award of \$29,000 for this milestone.

9 The utilities were also to develop a statewide Builder Guide Book. The second milestone
10 is based on completion of this guide within 120 days after Resolution E-3578 and having it
11 available for builders in SDG&E's service territory. The "Builder's Resource Guide" was
12 completed and available on July 16, 1999. Therefore, SDG&E has achieved the Level 1 award
13 of \$29,000 for this milestone.

14 SDG&E operated a program with ConSol based on the "ComfortWise" program operated
15 by ConSol in 1998 as a third-party initiative. The Level 1 award for the third milestone would be
16 achieved if the new program was open to accept applications within 60 days after
17 Resolution E-3578. The contract with ConSol was signed by April 12, 1999. A "kick-off
18 meeting" with participating builders was held on May 7, 1999. Therefore, SDG&E has achieved
19 the Level 1 award of \$49,000 for this milestone.

20 **j. Commercial/Industrial & Agricultural New Construction**

21 There were a number of significant changes to the Title 24 nonresidential building
22 standards in the 1998 Title 24 code revisions and these changes were not expected to be in place
23 until May 1999; the new statewide program was not operational until the California Energy

1 Commission ("CEC") formally adopted the revised standards. SDG&E operated its 1998 new
2 construction program, "Savings through Design" until the revised standards were adopted and
3 the new "Savings by Design," program could be implemented.

4 The milestone for this program was associated with implementing the new statewide
5 program, incorporating the new Title 24 standards. The milestone date was estimated to occur
6 only a few weeks after the expected adoption date of the new standards. To achieve the Level 1
7 award for this milestone, SDG&E would begin accepting applications in its service territory
8 under the new statewide program within 90 days after Resolution E-3578 or 30 days after the
9 new CEC standards were adopted. SDG&E had the "Savings by Design" program available on
10 its website and/or in person at SDG&E on June 15, 1999. The new Title 24 standards went into
11 effect on July 1, 1999. In addition, SDG&E provided notification to the Energy Division, the
12 CBEE, and the public that the materials were available and that the program was open to accept
13 applications on June 15, 1999. Therefore, SDG&E has achieved the Level 1 award of \$90,000
14 for this milestone.

15 **2. Market Changes/Market Effects Milestones**

16 Milestones were provided for five programs to measure changes in the market associated
17 with program activities. All statistically significant increases contained in the milestones in this
18 section were to be at the 90% confidence level. SDG&E achieved the Level 1 award total of
19 \$600,000 for its Market Changes/Market Effects Milestones Award Milestones.

20 **a. Residential Heating & Cooling: Residential HVAC Training**

21 For the first milestone, SDG&E was to conduct a baseline analysis to establish the size of
22 the target market for this program. In addition, the post-measurement plan for the program's
23 market change would be determined. In order to achieve the Level 1 award for this milestone,
24 the baseline study needed to be completed by September 15, 1999. The "1999 SDG&E

1 Upstream HVAC Program & Training Baseline Analysis Report” was prepared by Proctor
2 Engineering and completed on August 25, 1999. Therefore, SDG&E has achieved the Level 1
3 award of \$40,000 for this milestone.

4 For the second milestone, SDG&E had to show that the program training resulted in a
5 statistically significant increase of 30% from the baseline number of contractors who employ the
6 methods learned from the training in order for SDG&E to achieve the Level 1 award. A survey
7 of participating contractors prior to the training seminars revealed that only 15% of the
8 contractors were employing industry standards for HVAC installation. After the training
9 seminars, follow-up surveys showed that 91% of the contractors were using the methods taught
10 at the seminars. This represents an increase that is greater than 30% in the number of contractors
11 using the methods taught at the seminar. Therefore, SDG&E has achieved the Level 1 award of
12 \$80,000 for this milestone.

13 **b. Residential Lighting**

14 For the first milestone, SDG&E was to conduct a baseline analysis of Energy Star
15 lighting fixtures (hardwired fixtures and portable torchieres) in its service territory. In addition,
16 an analysis of the market share of Energy Star lighting shipment data from SDG&E’s 1998
17 residential lighting program was to be completed to establish a baseline indicator for use in
18 estimating the level of market change influenced by the program. In order to achieve the Level 1
19 award for this milestone, the baseline study needed to be completed by September 15, 1999.
20 Xenergy prepared for SDG&E a description and quantification of the lighting target market and
21 completed the report on September 14, 1999. Therefore, SDG&E has achieved the Level 1
22 award of \$40,000 for this milestone.

23 To earn the Level 1 award for the second milestone, SDG&E had to show that the
24 combined efforts of its interim lighting fixture program and the statewide upstream lighting

1 program has led to an increase of 30% from the 1998 baseline in the number of Energy Star
2 lighting fixtures shipped to its service territory. In 1998, 91,886 qualified fixtures and torchieres
3 were shipped to local retailers in SDG&E's service territory. In 1999, this number increased to
4 120,656, which represents an increase of 31% in the number of Energy Star fixtures and
5 torchieres from 1998 to 1999. Therefore, SDG&E has achieved the Level 1 award of \$80,000 for
6 this milestone.

7 **c. Residential Appliances**

8 For the first milestone, SDG&E was to conduct a baseline analysis to describe and
9 quantify the market for Energy Star appliances in its service territory by September 15, 1999 for
10 a Level 1 award. In addition, the number of local Energy Star dealers who participated in the
11 1998 Energy Star program would be determined to establish the baseline for this program's
12 market change. A dealer is defined as an individual store. A chain of 20 stores would be
13 counted as 20 dealers. Xenergy prepared for SDG&E a description and quantification of the
14 lighting target market and completed the report on September 14, 1999. Therefore, SDG&E has
15 achieved the Level 1 award of \$40,000 for this milestone.

16 To earn the Level 1 award for the second milestone, SDG&E needed to demonstrate that
17 the combined efforts of its Energy Star program and the statewide upstream appliance program
18 led to an increase of 23% from the baseline in the number of participating local Energy Star
19 dealers. In 1998, 57 retailers participated in the SDG&E appliance program. By the end of
20 1999, a total of 81 retailers in the San Diego market were participating in SDG&E's program,
21 representing an increase of 42% of the number of local participating Energy Star dealers.
22 Therefore, SDG&E has achieved the Level 1 award of \$80,000 for this milestone.

23 **d. Small Nonresidential Comprehensive Retrofit: Small/Medium SPC**

24 For the first milestone Level 1 award, SDG&E was to conduct a baseline study to

1 describe and establish the size of the target market for this program. In addition, SDG&E would
2 develop a measurement plan designed to estimate any changes in this level of customer
3 awareness of performance contracting after the workshops were completed by September 15,
4 1999. The "Small Business Standard Performance Contract Program: Market Characterization"
5 report was prepared by RER and completed on September 15, 1999. Therefore, SDG&E has
6 achieved the Level 1 award of \$40,000 for this milestone.

7 For the second milestone, SDG&E had to show that these workshops resulted in a
8 statistically significant increase of 10% from the baseline number of workshop participants who
9 were willing to consider offers from performance contractors for future jobs involving the
10 installation of energy efficient measures in order to achieve the Level 1 award. These
11 percentages were based on feedback SDG&E has received from these customers indicating their
12 current resistance to performance contracting. Workshops were held for small/medium
13 customers (defined as those with an electric connected load of less than 500 kWh at a contiguous
14 site) to educate them on performance contracting options for installation of energy efficient
15 measures. A statistical analysis of the results obtained from the survey respondents indicated
16 that approximately 63% of customers would consider offers from contractors for future jobs
17 involving the installation of energy efficiency measures. Therefore, SDG&E has achieved the
18 Level 1 award of \$80,000 for this milestone.

19 **e. Commercial/Industrial & Agricultural New Construction**

20 For the Level 1 award for this milestone, SDG&E was to conduct a baseline study to
21 establish the current design practices for nonresidential new construction buildings and identify
22 potential success indicators in its service territory. In addition, the post-measurement plan for
23 this program's market change would be determined by September 15, 1999. The "SDG&E
24 Market Actors Study" was prepared by RLW Analytics and completed on July 28, 1999. The

1 market effects milestone plan was completed by September 14, 1999. Therefore, SDG&E has
2 achieved the Level 1 award of \$40,000 for this milestone.

3 SDG&E, together with the other utilities, conducted training workshops on the new Title
4 24 standards. For the second milestone, SDG&E had to demonstrate that these workshops
5 resulted in a statistically significant increase of 40% in the number of workshop participants who
6 indicate that they plan to increase the efficiency of their building designs by 10% over the new
7 Title 24 standards in order to achieve the Level 1 award. A statistical analysis of the results
8 obtained from the survey respondents indicates that approximately 67% of the workshop
9 participants would plan to increase the efficiency of their building designs by 10% over the new
10 Title 24 standards. Therefore, SDG&E has achieved the Level 1 award of \$80,000 for this
11 milestone.

12 **3. Administrative Program Process Award Milestones**

13 Milestones in this section address performance in processing program activities and
14 results achieved in certain programs. SDG&E achieved the Level 1 award total of \$1.222
15 million for its Administrative Award Milestones.

16 **a. Residential Retrofit & Renovation: Residential Contractor Program**

17 The utilities were to conduct six planning workshops for market participants throughout
18 the state to obtain input on the draft program. Some of these would be customer workshops
19 conducted by individual utilities, which were expected to be conducted in more of a focus group
20 format. For a Level 1 award, these workshops needed to be conducted within 45 days after the
21 resolution. The utilities conducted 4 contractor workshops and 8 residential customer focus
22 groups to obtain input on the draft RCP program. These workshops and focus groups were held
23 between January 14 and April 29 , 1999. Therefore SDG&E has achieved the Level 1 award of
24 \$61,000 for this milestone.

1 A second milestone for this program involves the number of contractors who participate
2 in SDG&E's new program. Less weight was given to this milestone because of the uncertainties
3 related to program design and timing. In order to achieve a Level 1 award for this program,
4 SDG&E needed to sign-up at least 8 contractors. By year-end, there were 21 participating
5 contractors in SDG&E's 1999 RCP program. Therefore, SDG&E has achieved the Level 1
6 award of \$37,000 for this milestone.

7 **b. Residential Appliances**

8 SDG&E planned to provide incentives for the purchase of high efficiency appliances
9 while the statewide upstream appliance program was competitively bid. SDG&E's program was
10 then to be incorporated into the statewide program. SDG&E needed to provide incentives to
11 produce a threshold number of high efficiency clothes washer sales to receive the award for this
12 milestone. In order to achieve a Level 1 award, SDG&E had to provide incentives for at least
13 1450 washers. SDG&E provided incentives for 3456 clothes washers in 1999. Therefore,
14 SDG&E has achieved the Level 1 award of \$81,000 for this milestone.

15 **c. Large Nonresidential Comprehensive Retrofit: Large SPC**

16 The processing milestones are not significantly different from the processing elements of
17 SDG&E's 1998 SPC performance incentives structure. These milestones required SDG&E to
18 meet specified dates for inspections and payments for SPC projects. The timing was based on a
19 simple average of all projects inspected or paid for both the 1998 and 1999 programs. In order to
20 achieve a Level 1 award for this milestone, inspections and payments needed to be made within a
21 simple average of 15 working days to inspect/make payments. As of December 31, 1999,
22 SDG&E's average processing time was as follows: (1) 7 days in conducting pre-installation
23 inspections of both the PY98 and PY99 projects; (2) 8 days in conducting post-installation
24 inspections of both the PY98 and PY99 project; and (3) 8 days in providing payment after the

1 complete invoice was received and approved. Therefore, SDG&E has achieved the Level 1
2 award of \$417,000 for this milestone.

3 **d. Small Nonresidential Comprehensive Retrofit: Small/Medium SPC**

4 The processing milestones are similar to those for the Large SPC program. The number
5 of days specified for inspections was greater than for the Large SPC program because of the
6 higher volume of inspections that were expected to occur. The type of inspection would be
7 determined as the program design was finalized. In order to achieve a Level 1 award for this
8 milestone, inspections and payments needed to be made within a simple average of 21 working
9 days to inspect and 15 working days to make payments. As of December 31, 1999, SDG&E's
10 average processing time was as follows: (1) 7 days in conducting pre-installation inspections of
11 PY99 projects; and (2) 5 days in providing payment after the complete invoice was received and
12 approved. Therefore, SDG&E has achieved the Level 1 award of \$130,000 for this milestone.

13 **e. Small Nonresidential Comprehensive Retrofit**

14 SDG&E was to conduct workshops for its small/medium nonresidential customers to
15 provide them with information on the new Small/Medium SPC and Rebate programs. In these
16 workshops, all services available to these customers would be covered. The administrative
17 milestone Level 1 award for this program required that two workshops be held 30 days after
18 Resolution E-3578 and a third workshop by August 31, 1999 be completed. SDG&E conducted
19 three workshops that provided SPC and Rebate program information to customers on the
20 following dates: April 20, 1999, April 21, 1999, and August 24, 1999. Therefore, SDG&E has
21 achieved the Level 1 award of \$65,000 for this milestone.

1 **f. Commercial Remodeling/Renovation**

2 SDG&E obtained commitments (through signed contracts with customers or builders) for
3 gross energy savings associated with remodeling and renovation projects. These projects
4 involved commitments of savings in the same manner as new construction projects, since they
5 require meeting Title 24 standards. These projects are currently part of SDG&E's new
6 construction program, and savings from projects committed under bridge funding in 1999 would
7 be counted toward this milestone. *Ex ante* assumptions for energy savings estimates would be
8 used to determine estimated savings. In order to achieve the Level 1 award for this milestone,
9 SDG&E must have achieved at least 5 million kWh of committed gross energy savings by
10 December 31, 1999. SDG&E achieved a total of 8.5 million kWh of committed gross energy
11 savings by December 31, 1999. Therefore, SDG&E has achieved the Level 1 award of \$114,000
12 for this milestone.

13 **g. Residential New Construction**

14 The first milestone for this program involves obtaining a specified number of homes that
15 qualify for the "ComfortWise" program home rating based on meeting program requirements. In
16 order to achieve the Level 1 award, at least 2,000 homes needed to be committed to participate in
17 1999. As of December 31, 1999, there were 2016 homes committed to participate in the
18 "ComfortWise" program. Therefore, SDG&E has achieved the Level 1 award of \$41,000 for this
19 milestone.

20 SDG&E and the other utilities were to conduct a market assessment of the manufactured
21 housing market. Completion of the study by the specified dates would demonstrate achievement
22 of the second milestone. At the completion of the study, the utilities were to make a
23 recommendation regarding any future program or program design. This study needed to be
24 completed by September 15, 1999 to qualify for the Level 1 award. The "Manufactured Housing

1 Characterization Final Report” conducted by Quantum Consulting was completed by August 12,
2 1999. The study includes a section on the recommendations for any future program or program
3 design. Therefore, SDG&E has achieved the Level 1 award of \$16,000 for this milestone.

4 **h. Commercial/Industrial & Agricultural New Construction**

5 In order to achieve the Level 1 award for this milestone, SDG&E must have achieved at
6 least 9 million kWh of committed gross energy savings by December 31, 1999. SDG&E
7 achieved approximately 19 million kWh of committed gross energy savings by December 31,
8 1999. Therefore, SDG&E has achieved the Level 1 award of \$102,000.

9 **i. Third Party Initiatives (“TPI”)**

10 SDG&E included third-party initiatives in the residential, nonresidential, and new
11 construction program areas in its PY99 program plans. This milestone involved defining the
12 programs to be targeted and conducting the third party solicitations. A Level 1 award for this
13 milestone required at least one TPI in each of the 3 program areas: residential, nonresidential and
14 new construction. The following are the three TPIs that SDG&E selected in 1999: “Residential
15 Heating & Cooling Training & Equipment Demonstration/Sales” (Residential), “Small Cities
16 Energy Efficiency Retrofit Demonstration” (Nonresidential), “Residential Designed Savings”
17 (New Construction). Therefore, SDG&E has achieved the Level 1 award of \$77,000 for this
18 milestone.

19 **j. MA&E Statewide Studies**

20 SDG&E was to have issued RFP(s) for and manage statewide MA&E projects in
21 cooperation with the CBEE. For a Level 1 award, SDG&E must have issued RFPs and be
22 managing 2 MA&E projects. SDG&E is managing two statewide MA&E projects. The first
23 MA&E project is the “Market Effects Study of Statewide Lighting and Appliance Programs”.

1 This study is being conducted by Xenergy. The second MA&E project is the “Statewide
2 Residential Lighting and Appliances Inventory Study.” This study is being conducted by RLW
3 Analytics, Inc. Therefore, SDG&E has achieved the Level 1 award of \$77,000 for this
4 milestone.

5 **4. Aggressive Implementation**

6 SDG&E would earn its award in this section by incurring program expenditures and
7 commitments by the end of 1999. Commitments are defined as follows: (a) Funds committed to
8 customers or project sponsors in multi-year programs; (b) Funds identified for administrative
9 activities occurring in future years associated with projects accepted or contracts signed in 1999
10 in multi-year programs, such as New Construction and SPC programs; (c) Commitments to
11 contractors or suppliers for services or products where all or the large majority of services are
12 provided in 1999, but paid for in early 2000; (d) Commitments under contracts to third parties to
13 manage or implement programs for services provided during 1999, such as the statewide
14 Residential Lighting and Appliance programs and the Third Party programs; (e) As discussed
15 earlier under “General”, expenditures and commitments for all 1999 activities except those
16 related to 1998 programs (commitments for multi-year 1998 programs and close-out/reporting of
17 1998 programs) would be counted towards the requirements and achievements for this award; (f)
18 Authorized program funding or budgets as used in this description would be the budgets adopted
19 by the Commission in its resolution on SDG&E’s November 16, 1998 Advice Letter. SDG&E’s
20 total award achieved for the Aggressive Implementation milestones is \$500,000.

- 1 • The award for this area is calculated as follows:
- 2 ➤ Maximum award for Aggressive Implementation (\$952,000) is 25% of total awards cap
3 of \$3.806 million.
- 4 ➤ The \$952,000 maximum award for Aggressive Implementation is allocated to the three
5 program areas based on each program area's percentage of the total adjusted program
6 budget. For the Residential and New Construction program areas, total adopted program
7 budgets for each area is used.
- 8 ➤ The Nonresidential program area authorized budget is adjusted to take out estimated
9 administrative costs for the Large Nonresidential Comprehensive Retrofit and the Small
10 Nonresidential Comprehensive Retrofit programs. The administrative costs removed
11 include a portion of future estimated administrative costs to process projects in the Large
12 SPC intervention strategy and estimated future administrative costs to process projects in
13 the Small/Medium SPC intervention strategy. These future administrative costs are
14 estimated for the purposes of determining the adjusted Nonresidential program area
15 budget only for this portion of the performance incentives structure. SDG&E has
16 determined actual amounts to be committed for future administrative activities for the
17 SPC programs based on the volume and type of projects received in those programs
18 during 1999. The following Table summarizes SDG&E's Aggressive Implementation
19 achievements:

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Program Area	Adjusted Program Budget	% of Total Budget	Aggressive Implementation Award Cap	Achieved Incentive Awards
Residential	\$12,150,000	38%	\$362,000	\$357,000
Nonresidential	\$14,880,000	47%	\$447,000	\$0
New Construction	\$4,800,000	15%	\$143,000	\$143,000
Total	\$32,500,000	100%	\$952,000	\$500,000

2 SDG&E's 1999 Residential Program area expenditures total \$10.6 million, which is 87%
3 of its total authorized budget. Each program in the Residential Program area spent at least 74%
4 of its budget. Therefore, SDG&E's total award for this program area for aggressive
5 implementation is \$357,000.

6 SDG&E's 1999 Nonresidential Program area expenditures total \$10.2 million, which is
7 68% of its total adjusted authorized budget. SDG&E did not meet the threshold requirement of
8 70% in this program area. Therefore, SDG&E does not claim an incentive award for this
9 aggressive implementation milestone.

10 SDG&E's 1999 New Construction Program area expenditures total \$4.8 million, which is
11 100% of its total authorized budget. Each program in the New Construction Program area spent
12 at least 89% of its budget. Therefore, SDG&E's total award for this program area for aggressive
13 implementation is \$143,000.

14 Therefore, SDG&E's performance incentive award for the PY99 EE programs is
15 \$2,959,194 from public goods charge ("PGC") funds and \$563,656 from gas rates for a total of

- 1 \$3,522,850. An additional \$31,485 in interest from July 1, 2000 through December 2000,
- 2 franchise fees, and uncollectibles is also requested for the gas incentive award^{2/}.

^{2/} As adopted by California Public Utilities Commission Decision 97-12-103, Ordering Paragraph 10, which indicates that utility shareholder incentives associated with gas energy efficiency activities be recovered consistent with past practices and that utility shareholder incentives associated with PGC-funded energy efficiency activities be funded with PGC funds authorized for energy efficiency programs.

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IV.
CONCLUSION

In conclusion, SDG&E respectfully requests the Commission find reasonable and authorize SDG&E's incentives claims and other relief requested herein become effective January 1, 2001, and issue its decision:

1) Finding that under the DSM shareholder incentive mechanisms in effect for the 1995 programs, SDG&E's revised projected lifecycle shareholder earnings claim is \$36,962,473, resulting in a third earnings claim for SDG&E's 1995 DSM programs of \$12,309,491 including interest from July 1, 1996, franchise fees, and uncollectibles; finding that under the 1999 energy efficiency incentives mechanism, SDG&E's claim is \$3,554,335, including gas interest from July 1, 2000, franchise fees and uncollectibles; finding that under the 1999 mechanism for the PY99 LIEE program, SDG&E's claim is \$41,482, including interest from July 1, 2000, franchise fees and uncollectibles; and finding that under the 1998 mechanism, SDG&E's incentives for the LIEE program is \$47,542 including interest from July 1, 1999, franchise fees and uncollectibles; and

2) Authorizing the recovery of the PY95, PY98, and PY99 electric and gas awards of \$15,952,850 through SDG&E's electric and gas Rewards and Penalties Balancing Accounts and the transfer of \$2,959,194 of electric revenues from the Public Purpose Program Balancing Account to the RPBA's for SDG&E's 1999 EE programs, all as proposed in this application;

(1) and Penalties Balancing Account effective January 1, 2001.

1 V.

2 QUALIFICATIONS OF

3 ATHENA M. BESA

4 My name is Athena M. Besa. My business address is 8330 Century Park Court, Suite
5 3200, San Diego, California 92123-1593. I am employed by San Diego Gas & Electric
6 Company ("SDG&E") as the Planning and Analysis Manager in the Consumer Programs and
7 Services Department. In my current position, I am responsible for the measurement and analysis
8 of demand-side management ("DSM") programs, and the planning and measurement of Energy
9 Efficiency programs.

10 I attended the University of the Philippines in Quezon City, Philippines. I graduated with
11 a Bachelor of Science degree in Statistics in 1983, and a Master of Science degree in Statistics in
12 1986. I have completed coursework at the University of California, Davis, towards a Doctorate
13 degree in Statistics. I was hired by SDG&E in 1990 in the Load Research Section of the
14 Marketing Department. Since that time I have held positions of increasing responsibility in the
15 Department. I have been in my present position for one year. I have previously testified before
16 this Commission in the 1996 AEAP, 1997 AEAP, 1998 AEAP, 1999 AEAP, and PY2000/2001
17 Energy Efficiency Programs Application Proceeding.

18 The purpose of my testimony is to sponsor SDG&E's second earnings claim for the PY98
19 LIEE programs and the earnings claim for PY99 Energy Efficiency programs in the AEAP.

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VI.
QUALIFICATIONS OF
DEAN A. SCHIFFMAN, PH.D.

My name is Dean A. Schiffman. My business address is 8330 Century Park Court, Suite 3200, San Diego, California 92123-1593. I am employed by San Diego Gas & Electric Company ("SDG&E") as a Senior Economic Analyst in the Consumer Marketing and Public Policy Department. I develop and implement methods for the measurement of demand-side management programs.

I attended the University of California, San Diego, from which I received a Ph.D. in Economics in 1983. I was hired by SDG&E in 1979 and again in 1991 in the Marketing Department. I have previously testified before this Commission on issues of useful lives for book depreciation and the revenue implications of nuclear decommissioning.

The purpose of my testimony is to sponsor SDG&E's PY95 third earnings claim for the 2000 Annual Earnings Assessment Proceeding.

Appendix A

San Diego Gas & Electric Company's

1999 Energy Efficiency Program Milestones and Award Levels

SDG&E's 1999 MILESTONES AND AWARD LEVELS

Program	Milestone	Activity/Timing	Award	Activity/Timing	Award
BASE AWARD Qualifying Criteria		LEVEL 1		LEVEL 2	
To be Eligible for Base Award:	Program definitions	ongoing		ongoing	
	Reporting: 2 systems, admin/imp, outsourcing	ongoing		ongoing	
	Program descriptions	ongoing		ongoing	
Base Award					
Residential Lighting: Statewide	1) Select short list of bidders for lighting	within 45 days after resolution	\$77,000	within 46-75 days after resolution	\$51,000
	2) Sign contract	within 120 days after resolution	\$24,000	within 121-150 days after resolution	\$16,000
Residential Appliances: Statewide	1) Select short list of bidders for appliances	within 45 days after resolution	\$77,000	within 46-75 days after resolution	\$51,000
	2) Sign contract	within 120 days after resolution	\$24,000	within 121-150 days after resolution	\$16,000
Residential Lighting	Sign contract for interim lighting program to operate while statewide program is competitively bid	within 15 days after resolution	\$37,000	within 16-45 days after resolution	\$24,000
Res Retrofit & Renovation--Res Contractor Program	1) Complete draft statewide program design based on input from public workshop	within 60 days after last workshop or March 15, 1999 whichever is sooner	\$155,000	within 61-90 days after last workshop or April 15, 1999 whichever is sooner	\$101,000
	2) Have program available for participation	by May 1	\$33,000	by June 1	\$21,000
Res Heating & Cooling--Res HVAC Training	Implement training program	within 30 days after resolution	\$49,000	within 31-45 days after resolution	\$32,000
Large Nonres Comp Retrofit--Large SPC	Have program open to accept applications, including: statewide	within 5 days after resolution	\$224,000	within 6-35 days after resolution	\$147,000

Program	Milestone	Activity/Timing	Award	Activity/Timing	Award
		LEVEL 1		LEVEL 2	
	procedures manual; a system consistent across the utilities to track customer applications; statewide contract				
Small Nonres Comp Retrofit— Small/Medium SPC	Have program open to accept applications, including: statewide procedures manual; statewide M&V procedures	within 15 days after resolution	\$224,000	within 16-45 days after resolution	\$147,000
Small Nonres Comp Retrofit— Small/Medium Rebates	Develop statewide program and have program available for participation	within 30 days after resolution	\$102,000	within 31-60 days after resolution	\$67,000
Residential New Construction	1) Have window/duct training available	within 60 days after resolution	\$29,000	within 61-90 days after resolution	\$19,000
	2) Complete statewide Builder Guide Book	within 120 days after resolution	\$29,000	within 121-180 days after resolution	\$19,000
	3) Have ComfortWise program available to builders	within 60 days after resolution	\$49,000	within 61-90 days after resolution	\$32,000
Commercial/Industrial & Agricultural New Construction	Develop statewide program and have program open to accept applications.	within 90 days after resolution or 30 days after new CEC standards adopted	\$90,000	within 91-120 days after resolution OR 31-45 days after new CEC standards adopted	\$59,000
Base Award Total			\$1,223,000		\$802,000
Market Changes/Market Effects					
Res Heating & Cooling Res HVAC Training	1) Conduct baseline analysis to describe target market, quantify number of key actors, and design measurement plan 2) Increase number of trained contractors who employ the methods learned from training	by September 15	\$40,000	by December 15	\$30,000
Residential Lighting	1) Conduct baseline analysis to describe and quantify target market for hardwired fixtures and torchieres and design pre- and post-measurement	increase by 30% over baseline by September 15	\$80,000	increase by 20% over baseline by December 15	\$50,000
			\$40,000		\$30,000

Program	Milestone	Activity/Timing	Award	Activity/Timing	Award
		LEVEL 1		LEVEL 2	
	plans				
	2) Increase number of participating Energy Star lighting fixtures and torchieres shipped to local retailers	Increase by 30% over baseline	\$80,000	Increase by 20% over baseline	\$50,000
Residential Appliances	1) Conduct baseline analysis to describe target market quantify number of key actors, and design measurement, plan	by September 15	\$40,000	by December 15	\$30,000
	2) Increase number of local participating Energy Star dealers	Increase by 30% over baseline	\$80,000	Increase by 20% over baseline	\$50,000
Small Nonres Comp Retrofit-- Small/Medium SPC	1) Conduct baseline analysis to describe target market, quantify number of key actors, and design measurement plan	by September 15	\$40,000	by December 15	\$30,000
	2) Increase awareness of performance contracting of the workshop participants	Increase by 10% over baseline	\$80,000	Increase by 5% over baseline	\$50,000
Commercial/Industrial & Agricultural New Construction	1) Conduct baseline analysis to describe target market, quantify number of key actors, and design measurement plan	by September 15	\$40,000	by December 15	\$30,000
	2) Demonstrate that a number of participants in Title 24 training will increase the efficiency of their designs by 10% over new standards	40% of participants indicate they plan to increase efficiency of designs	\$80,000	20% of participants indicate they plan to increase efficiency of designs	\$50,000
Market Changes / Market Effects Subtotal			\$600,000		\$400,000
Administrative/Process					
Res Retrofit & Renovation-- Res Contractor Program	1) Conduct 6 planning workshops throughout the state	within 45 days after resolution	\$61,000	within 46-60 days after resolution	\$40,000
	2) Have specified number of participating contractors by 12/31/99	8 participating contractors	\$37,000	5 participating contractors	\$24,000
Residential Appliances	Provide incentives for specified number of high efficiency clothes washers	1450 washers	\$81,000	1200 washers	\$53,000

Program	Milestone	Activity/Timing	Award	Activity/Timing	Award
Large Nonres Comp Retrofit-- Large SPC	1) Conduct pre-installation inspections of both 1998 and 1999 programs within specified number of working days after complete detailed application is received 2) Conduct post-installation inspections of both 1998 and 1999 programs within specified number of working days after complete installation report is received 3) Provide payment within specified number of working days after complete invoice is received for approved 1998 and 1999 projects	LEVEL 1 within a simple average of 15 working days	\$139,000	LEVEL 2 within a simple average of 16-30 working days	\$91,000
		within a simple average of 15 working days	\$139,000	within a simple average of 16-30 working days	\$91,000
		within a simple average of 15 working days	\$139,000	within a simple average of 16-30 working days	\$91,000
Small Nonres Comp Retrofit-- Small/Medium SPC	1) Conduct inspections (for a statistically significant number, but no less than 20%) within specified number of working days after complete detailed application or installation report is received 2) Provide payment within specified number of working days after complete invoice is received	within a simple average of 21 working days	\$106,000	within a simple average of 22-33 working days	\$69,000
		within a simple average of 15 working days	\$24,000	within a simple average of 16-30 working days	\$16,000
Small Nonres Comp Retrofit	Conduct workshops on Small/Med SPC, Rebate, and other programs for small/medium customers	2 workshops within 30 days of SPC program implementation plus a 3rd workshop by August 31	\$65,000	2 workshops within 31-60 days of SPC program implementation	\$43,000
Com Remodeling / Renovation	Obtain commitments for specified levels of gross energy savings from non-SPC remodeling/renovation projects by 12/31/99	5 million kWh	\$114,000	4 million kWh	\$75,000
Residential New Construction	1) Obtain commitments for specified number participating homes of 2) Complete market assessment study for manufactured housing	2000 homes	\$41,000	1500 homes	\$27,000
		by August 15	\$16,000	by September 1	\$11,000

Program	Milestone	Activity/Timing	Award	Activity/Timing	Award
		LEVEL 1		LEVEL 2	
Commercial/Industrial & Agricultural New Construction	Obtain commitments for specified levels of gross energy savings	9 million kWh	\$102,000	6 million kWh	\$67,000
Third Party Initiatives	Conduct specified number of third party solicitations	1 residential, 1 nonresidential, and 1 new construction	\$81,000	1 residential and 1 nonresidential	\$53,000
MA&E	For specified number of statewide MA&E projects, issue RFPs and manage projects	2 projects	\$77,000	1 project	\$51,000
Administrative & Program Process Subtotal			\$1,222,000		\$802,000
Aggressive Implementation					
Residential Programs	Spend or commit specified percentage of authorized program area budget by 12/31/99	spend/commit 90%	\$362,000	spend/commit 70%	\$253,400
Non Residential Programs	Spend or commit specified percentage of adjusted program area budget by 12/31/99	spend/commit 90%	\$447,000	spend/commit 70%	\$312,900
New Construction Programs	Spend or commit specified percentage of authorized program area budget by 12/31/99	spend/commit 90%	\$143,000	spend/commit 70%	\$100,100
Aggressive Implementation Subtotal			\$952,000		\$666,400
Total Incentives			\$3,997,000		\$2,670,400

Appendix B

**PY99 Energy Efficiency Program Milestone Verification
Documentation**

San Diego Gas and Electric Company

**Verification Documentation for the
PY99 Energy Efficiency Performance Incentives**

The following is a copy of SDG&E's PY99 performance incentive mechanism and the specific documentation for each milestone that is available to be used to verify SDG&E's performance incentives claim.

GENERAL

SDG&E's proposed alternative incentives structure provided milestones for four areas as defined by the CBEE:

- **Base Award** – Milestones in this section focused on the timing of the roll-out of programs, particularly statewide efforts.
- **Market Changes/Market Effects** – Milestones were provided for five programs to measure changes in the market associated with program activities.
- **Administrative Award** – Milestones in this section addressed performance in processing program activities and results achieved in certain programs.
- **Aggressive Implementation** – This section of the structure was based on the amount of authorized funds that were spent or committed during 1999.

Two levels for results (Timing/Activity) were provided for each milestone, with corresponding awards for each level. If a milestone were reached in fewer days than the lower number of days in Level 2, then the Level 1 goal has been reached. If a milestone was reached in

more days than the higher number of days in Level 2, then the award is zero for the milestone. The total award amount for Level 1 awards is set at 105% of the awards cap, and the total award amount for Level 2 awards is set at 70% of the awards cap.

Unless otherwise indicated, number of days used in the Timing/Activity levels refers to calendar days. All milestones associated with MA&E or market effects studies assumed that SDG&E has adequate funding for these activities.

Small/medium nonresidential customers are defined as those with connected electric loads of less than 500 kW at a contiguous site.

For purposes of determining energy savings for certain milestones and accounting for expenditures/commitments for the Aggressive Implementation award, SDG&E included the savings and costs associated with all activities conducted in 1999, except for those related to 1998 programs (commitments for multi-year 1998 programs and close-out/reporting of 1998 programs). The following activities in 1999 were therefore included for energy savings under certain milestones and for costs to meet the Aggressive Implementation requirements and awards:

- 1999 program planning conducted under “bridge funding”.
- 1999 program operation after Commission approval of 1999 proposals. This included instances where current programs are operated until the new programs were operational (such as Nonresidential New Construction and Energy Star), as provided for in 1999 program proposals and program descriptions.
- 1998 programs operated in 1999 under “bridge funding”: Residential Audits, Small Commercial Audits, Residential Lighting Fixtures, and Nonresidential New Construction.

BASE AWARD

QUALIFYING CRITERIA

To be eligible for the base award, the following criteria must have been met:

- **Program Definitions:** For its November 16, 1998 Advice Letter, SDG&E utilized the CBEE's new program definitions (program areas, programs, program elements, intervention strategies). These new definitions were used to report on and track the programs throughout the year.

Verification:

SDG&E provided revised program descriptions using the CBEE's new program definitions, to the Energy Division, the CBEE, and the public on March 24, 1999.

- **Reporting:** Program activities, status reports, etc., were to be reported in the following manners:
 - Using two systems – the “old” program definitions used for 1998 programs, and the CBEE's new program definitions.
 - Administration vs. implementation – program expenditures were to be tracked using these categories, once definitions were determined that were clear and consistent for the programs.
 - Outsourcing – SDG&E tracked expenditures that were associated with outsourcing program activities.

Verification:

SDG&E has provided this information in its Energy Efficiency Programs Annual Summary and Technical Appendix, 1999 Results and 2000 Plans. In addition, SDG&E has provided the CBEE, the Energy Division, and the public with copies of its PY99 Programs Quarterly status updates.

- **Program Descriptions:** SDG&E agreed to provide the CBEE with more information on its 1999 proposals through program descriptions to be submitted January 1999. These descriptions followed a format agreed to by the CBEE and addressed plans at the program element and implementation strategy levels.

Verification:

SDG&E provided revised program descriptions using the CBEE's new program definitions, to the Energy Division, the CBEE, and the public on March 24, 1999.

BASE MILESTONES

RESIDENTIAL LIGHTING: STATEWIDE

SDG&E and the other electric utilities coordinated a statewide upstream program for residential lighting. The milestones for this program are tied to 1) issuing the RFP and selecting the short list of bidders, and 2) signing a contract with the winning bidder. Less weight was placed on contract signing, to avoid placing the utilities in the position of being adversely impacted if they chose to forego the award for this milestone to avoid signing an unacceptable agreement.

Level 1: within 45 days after resolution

Level 2: within 46-75 days after resolution

Verification:

- 1) SDG&E will provide copies of letters (and Fed Ex receipts) sent to bidders selected to the short list.
- 2) SDG&E will provide a copy of the cover page and signature page of the signed contractor agreement. The entire agreement will be available upon request.

RESIDENTIAL APPLIANCES: STATEWIDE:

The milestones for this program are the same as for the Residential Lighting Statewide program described above.

Level 1: within 45 days after resolution

Level 2: within 46-75 days after resolution

Verification:

- 1) SDG&E will provide copies of letters (and Fed Ex receipts) sent to bidders selected to the short list.
- 2) SDG&E will provide a copy of the cover page and signature page of the signed contractor agreement. The entire agreement will be available upon request.

RESIDENTIAL LIGHTING:

SDG&E operated an interim lighting program while the statewide program was being competitively bid. SDG&E worked with the consulting team involved in its 1998 Lighting Fixtures program to develop and operate the interim program.

Level 1: within 15 days after resolution

Level 2: within 16-45 days after resolution

Verification:

SDG&E will provide a copy of the cover page and signature page of the signed agreement with the consulting team to develop and operate the interim program. The entire agreement will be available upon request.

RESIDENTIAL RETROFIT & RENOVATION: RESIDENTIAL CONTRACTOR PROGRAM:

In this statewide program, the utilities proposed to conduct workshops and field a questionnaire to obtain public input on the recently CBEE-adopted Residential Contractor program development guidelines. After receiving public input, the utilities developed a draft statewide program by the specified dates.

Level 1: within 60 after last workshop or March 15, whichever is sooner

Level 2: within 61-90 after last workshop or April 15, whichever is sooner

Verification:

SDG&E and the other utilities provided a draft program to the Energy Division, the CBEE and public on March 15, 1999. A copy of the letter and attachment will be provided.

A second milestone was included for this program related to having the program available for participation, assuming no protests. Due to the uncertainties associated with this program, the utilities were cautious about an exact date when the new program can be on the street. Therefore, this milestone carried a lower value than the milestone for the draft program development. To achieve this milestone, SDG&E should have been able to accept and begin processing projects from participants.

Level 1: by May 1.

Level 2: by June 1.

Verification:

- 1) SDG&E will provide a dated screen print log from its website indicating that the program was open for participation on May 1, 1999.
- 2) SDG&E will also provide lists of contractors attending the program kick-off meeting.

RESIDENTIAL HEATING & COOLING: RESIDENTIAL HVAC TRAINING:

SDG&E operated a new program in which it worked with local contractors and supplied houses to promote high efficiency heating and cooling systems. In this program, SDG&E provided training on proper sizing and system optimization to local contractors. The milestone is associated with implementation of this program, which involved conducting at least one training session for contractors within the specified timeframes.

Level 1: within 30 days after resolution

Level 2: within 31-45 days after resolution

Verification:

SDG&E will provide a copy of the training solicitation letter and a dated list of contractors attending the training. A copy of the training materials will be available upon request.

LARGE NONRESIDENTIAL COMPREHENSIVE RETROFIT: LARGE SPC:

In order to achieve this milestone, the following was be in place when SDG&E's program opened to take applications:

- A revised procedures manual incorporating program changes adopted by the Commission.
- A system consistent across the utilities to track customer applications and monitor corporate parent information.
- A statewide contract for project sponsors to be used by each of the utilities.

Level 1: within 5 days after resolution

Level 2: within 6-35 days after resolution

Verification:

- 1) SDG&E had a revised program procedures manual, which incorporated the program changes adopted by the Commission, available on its website and/or in person at SDG&E on March 23, 1999.
- 2) SDG&E provided notification to the Energy Division, the CBEE and the public that the materials were available and that the program was open to accept applications. Copies of notification will be provided.

SMALL NONRESIDENTIAL COMPREHENSIVE RETROFIT: SMALL/MEDIUM SPC:

In order to achieve this milestone, the following had to be in place when SDG&E's program was open to take applications:

- A procedures manual incorporating the Commission-adopted program guidelines and design elements (such as pricing and participation limits).
- A streamlined set of M&V protocols appropriate for this size of customer.

Level 1: within 15 days after resolution

Level 2: within 16-45 days after resolution

Verification:

- 1) SDG&E had a program procedures manual, which incorporated the program guidelines and design elements adopted by the Commission, available on its website and/or in person at SDG&E on April 2, 1999.
- 2) SDG&E provided notification to the Energy Division, the CBEE, and the public that the materials were available and that the program was open to accept applications. Copies of notification will be provided.

SMALL NONRESIDENTIAL COMPREHENSIVE RETROFIT: SMALL/MEDIUM REBATES:

The utilities were developing a statewide rebate program for small/medium nonresidential customers. To achieve this rollout milestone, the statewide program design had to be developed and SDG&E had to have its program open to process rebates by the dates specified.

Level 1: within 30 days after resolution

Level 2: within 31-60 days after resolution

Verification:

- 1) SDG&E will provide copies of the kick-off workshop notices and a dated list of contractors/customers in attendance. A copy of the workshop materials will be available upon request.
- 2) Invoices for printing rebate applications and other program material will be provided.

RESIDENTIAL NEW CONSTRUCTION:

The utilities were working on a statewide effort to have window/duct training available in this program. SDG&E achieved the first milestone for this program by conducting at least one training session within the specified timeframes.

Level 1: within 60 days after resolution

Level 2: within 61-90 days after resolution

Verification:

SDG&E will provide a copy of the workshop notice(s) and a dated list of contractors attending the training. A copy of the training materials will be available upon request.

The second milestone involved the development of a Builder Guide Book: The second milestone was based on completion of this book by a specified date and having it available for builders in SDG&E's service territory.

Level 1: within 120 days after resolution

Level 2: within 121-180 days after resolution

Verification:

SDG&E will provide a date-stamped copy of the guide book.

For the third milestone, SDG&E operated a program with ConSol based on the "ComfortWise" program operated by ConSol in 1998 as a third party initiative. The third milestone was achieved when the new program was open to accept applications.

Level 1: within 60 days after resolution

Level 2: within 61-90 days after resolution

Verification:

SDG&E will provide a copy of the cover page and signature page of the signed agreement with ConSol to operate and make the "ComfortWise" program available to builders. The entire agreement will be available upon request.

COMMERCIAL/INDUSTRIAL & AGRICULTURAL NEW CONSTRUCTION:

Since there were a number of significant changes to the Title 24 nonresidential building standards and these changes were not expected to be in place until May, 1999, the new statewide program cannot be operational until the CEC formally adopts the revised standards. SDG&E operated its 1998 new construction program until the new program can begin.

The milestone was associated with the new statewide program, incorporating the new Title 24 standards. The milestone date was estimated to occur only a few weeks after the expected adoption date of the new standards. To achieve this milestone, SDG&E needed to begin accepting applications in its service territory under the new statewide program.

Level 1: within 90 days after resolution or 30 days after the new CEC standards are adopted

Level 2: within 91-121 days after resolution or 31-45 days after the new CEC standards are adopted

Verification:

SDG&E will provide date stamped copies of program materials and a copy of the notice sent to inform potential participants that the program is open to accept applications.

MARKET CHANGES/MARKET EFFECTS MILESTONES

All statistically significant increases contained in the milestones in this section will be at the 90% confidence level.

RESIDENTIAL HEATING & COOLING : RESIDENTIAL HVAC TRAINING:

For the first milestone, SDG&E conducted a baseline analysis to establish the size of the target market for this program. In addition, the post-measurement plan for the program's market change was determined.

Level 1: by September 15

Level 2: by December 15

Verification:

The report and measurement plan will be available on request.

For the second milestone, SDG&E needed to show that the program training resulted in a statistically significant increase of 20% from the baseline number of contractors who employ the methods learned from the training in order for SDG&E to achieve the Level 2 award. A statistically significant increase of 30% merited the Level 1 award.

Verification

The report and measurement plan will be available on request.

RESIDENTIAL LIGHTING:

For the first milestone, SDG&E conducted a baseline analysis of Energy Star lighting

fixtures (hardwired fixtures and portable torchieres) in its service territory. In addition, an analysis of the market share of Energy Star lighting shipment data from SDG&E's 1998 residential lighting program was completed to establish a baseline indicator for use in estimating the level of market change influenced by the program.

Level 1: by September 15

Level 2: by December 15

Verification

The report and measurement plan will be available on request.

To earn the Level 2 award for the second milestone, SDG&E needed to show that the combined efforts of its interim lighting fixture program and the statewide upstream lighting program has led to an increase of 20% from the 1998 baseline in the number of Energy Star lighting fixtures shipped to its service territory. An increase of 30% above the baseline merited the Level 1 award.

Verification

The report will be available on request.

RESIDENTIAL APPLIANCES:

For the first milestone, SDG&E conducted a baseline analysis to describe and quantify the market for Energy Star appliances in its service territory. In addition, the number of local Energy Star dealers who participated in the 1998 Energy Star program was determined to establish the baseline for this program's market change. A dealer was defined as an individual store. A chain of 20 stores was counted as 20 dealers.

Level 1: by September 15

Level 2: by December 15

Verification:

The report and measurement plan will be available on request.

To earn the Level 2 award for the second milestone, SDG&E demonstrated that the combined efforts of its Energy Star program and the statewide upstream appliance program led to an increase of 20% from the baseline in the number of participating local Energy Star dealers. An increase of 30% above the baseline merited the Level 1 award.

Verification:

The report and measurement plan will be available on request.

SMALL NONRESIDENTIAL COMPREHENSIVE RETROFIT: SMALL/MEDIUM SPC:

Workshops were held for small/medium customers (defined as those with an electric connected load of less than 500 kWh at a contiguous site) to educate them on performance contracting options for installation of energy efficient measures. For the first milestone, SDG&E conducted a baseline study to describe and establish the size of the target market for this program. In addition, SDG&E developed a measurement plan designed to estimate any changes in this level of customer awareness of performance contracting after the workshops were completed.

Level 1: by September 15

Level 2: by December 15

Verification:

The report and measurement plan will be available on request.

For the second milestone, SDG&E needed to show that these workshops resulted in a statistically significant increase of 5% from the baseline number of workshop participants who are willing to consider offers from performance contractors for future jobs involving the installation of energy efficient measures in order to achieve the Level 2 award. A statistically significant increase of 10% above the baseline merited the Level 1 award. These percentages were based on feedback SDG&E had received from these customers indicating their current resistance to performance contracting.

Verification:

The report and measurement plan will be available on request.

COMMERCIAL/INDUSTRIAL & AGRICULTURAL NEW CONSTRUCTION:

SDG&E conducted a baseline study to establish the current design practices for nonresidential new construction buildings and identify potential success indicators in its service territory. In addition, the post-measurement plan for this program's market change was determined.

Level 1: by September 15

Level 2: by December 15

Verification:

The report and measurement plan will be available on request.

SDG&E, together with the other utilities, conducted training workshops on the new Title

24 standards. For the second milestone, SDG&E demonstrated that these workshops resulted in a statistically significant increase of 20% in the number of workshop participants who indicated that they planned to increase the efficiency of their building designs by 10% over the new Title 24 standards in order to achieve the Level 2 award. A statistically significant increase of 40% of the workshop participants indicating that they planned to increase the efficiency of their designs by 10% over the new Title 24 standards merited the Level 1 award.

Verification:

The report and measurement plan will be available on request.

ADMINISTRATIVE PROGRAM PROCESS MILESTONES

RESIDENTIAL RETROFIT & RENOVATION: RESIDENTIAL CONTRACTOR PROGRAM:

The utilities will conduct six planning workshops for market participants throughout the state to obtain input on the draft program. Some of these will be customer workshops conducted by individual utilities, which are expected to be conducted in more of a focus group format.

Level 1: within 45 days after resolution

Level 2: within 46-60 days after resolution

Verification:

- 1) For workshops, the utilities will provide a copy of workshop notice(s) and dated lists of attendees.
- 2) For focus groups, a copy of the focus group summary report will be available upon request.

A second milestone for this program involved the number of contractors who participated

in SDG&E's new program. Less weight was given to this milestone because of the uncertainties related to program design and timing. Based on its knowledge and experience in this area and the uncertainties, SDG&E believed that having eight participating contractors in its service territory is an aggressive goal.

Level 1: 8 participating contractors

Level 2: 5 participating contractors

Verification:

SDG&E will provide the names of contractors that have either: 1) paid a screening fee and requested to be screened by the League of California Homeowners to participate in the program; or 2) previously been screened by the League of California Homeowners and participated in training offered by SDG&E under the program; or 3) submitted a BPA under the multifamily element of the program. Contractors meeting any of the above three criteria are considered participating contractors.

RESIDENTIAL APPLIANCES:

SDG&E provided incentives for the purchase of high efficiency appliances while the statewide upstream appliance program was competitively bid. SDG&E's program was incorporated into the statewide program. SDG&E provided incentives to produce a threshold number of high efficiency clothes washer sales to receive the award for this milestone. The numbers of washers for the two levels were determined based on the expected timing associated with this effort and SDG&E's past experience.

Level 1: 1450 washers

Level 2: 1200 washers

Verification:

SDG&E will provide a summary of the incentives paid.

LARGE NONRESIDENTIAL COMPREHENSIVE RETROFIT: LARGE SPC:

The processing milestones were not significantly different from the processing elements of SDG&E's 1998 SPC performance incentives structure. These milestones required SDG&E to meet specified dates for inspections and payments for SPC projects. The timing was based on a simple average of all projects inspected or paid for both the 1998 and 1999 programs.

Level 1: a simple average of 15 working days to inspect/make payments

Level 2: a simple average of 16-30 working days to inspect/make payments

Verification:

SDG&E will provide a detailed summary of each task. Back-up data will be available upon request.

SMALL NONRESIDENTIAL COMPREHENSIVE RETROFIT: SMALL/MEDIUM SPC:

The processing milestones were similar to those for the Large SPC program. The number of days specified for inspections was greater than for the Large SPC program because of the higher volume of inspections expected to occur. The type of inspection was determined as the program design was finalized.

Level 1: a simple average of 21 working days to inspect and /15 working days to make payments

Level 2: a simple average of 22-33 working days to inspect and /16-30 working days to make payments

Verification:

SDG&E will provide a detailed summary of each task. Back-up data will be available upon request.

SMALL NONRESIDENTIAL COMPREHENSIVE RETROFIT:

SDG&E conducted workshops for its small/medium nonresidential customers to provide them with information on the new Small/Medium SPC and Rebate programs. In these workshops, all services available to these customers were covered. The milestone was based on the number and timing of workshops.

Level 1: 2 workshops within 30 days after resolution and an additional workshop by 8/31

Level 2: 2 workshops within 31-60 days after resolution

Verification:

SDG&E will provide a copy of workshop notices and dated lists of attendees. A copy of workshop materials will be available upon request.

COMMERCIAL REMODELING/RENOVATION:

SDG&E obtained commitments (through signed contracts with customers or builders) for gross energy savings associated with remodeling and renovation projects. These projects involved commitments of savings in the same manner as new construction projects, since they required meeting Title 24 standards. They were currently part of SDG&E's new construction program, and savings from projects committed under bridge funding in 1999 were counted toward this milestone. *Ex ante* assumptions for energy savings estimates were used to determine estimated savings.

Level 1: 5 million kWh of committed gross energy savings

Level 2: 4 million kWh of committed gross energy savings

Verification:

SDG&E will provide a summary listing of commitments. A detailed summary will be available upon request.

RESIDENTIAL NEW CONSTRUCTION:

The first milestone for this program involved obtaining a specified number of homes that qualify for the "ComfortWise" program home rating based on meeting program requirements.

Level 1: 2,000 homes committed to participate

Level 2: 1,500 homes committed to participate

Verification:

SDG&E will provide a summary listing of commitments. A detailed summary will be available upon request.

SDG&E and the other utilities conducted a market assessment of the manufactured housing market. Completion of the study by the specified dates demonstrated achievement of the second milestone. At the completion of the study, the utilities made a recommendation regarding future program or program design.

Level 1: by September 15

Level 2: by December 15

Verification:

SDG&E will provide a summary of the market assessment analysis. The detailed analysis will be available upon request.

COMMERCIAL/INDUSTRIAL & AGRICULTURAL NEW CONSTRUCTION:

SDG&E obtained commitments (through signed contracts with customers or builders) for gross energy savings associated with new construction projects. *Ex ante* assumptions for energy savings estimates were used to determine estimated savings. Committed savings associated with all new construction contracts signed in 1999 (under bridge funding and under the 1999 program, both before and after new Title 24 standards go into effect) were counted toward this milestone.

Level 1: 9 million kWh of committed gross energy savings

Level 2: 6 million kWh of committed gross energy savings

Verification:

SDG&E will provide a summary listing of commitments. A detailed summary will be available upon request.

THIRD PARTY INITIATIVES:

SDG&E included in its 1999 proposals targeted third party solicitations in the residential, nonresidential, and new construction program areas. This milestone involved defining the programs to be targeted and conducting the third party solicitations.

Level 1: Conduct 1 residential, 1 nonresidential and 1 new construction TPI

Level 2: Conduct 1 residential, and 1 nonresidential TPI

Verification:

SDG&E will provide a summary of each project, a copy of the cover page and signature page of each signed TPI agreement. Each agreement will be available upon request.

MA&E:

SDG&E issued RFP(s) for and managed statewide MA&E projects in cooperation with the CBEE.

Level 1: Issue RFPs and Manage 2 MA&E projects

Level 2: Issue RFPs and Manage 1 MA&E project

Verification:

SDG&E will provide a summary of each project, a copy of the cover page and signature page of each signed agreement. Each agreement will be available upon request.

AGGRESSIVE IMPLEMENTATION

SDG&E earned its award in this section by incurring program expenditures and commitments by the end of 1999. Commitments are defined as follows:

- Funds committed to customers or project sponsors in multi-year programs, where installations or other activities can occur in future years for projects accepted or contracts signed in 1999, such as New Construction and SPC programs.
- Funds identified for administrative activities occurring in future years associated with projects accepted or contracts signed in 1999 in multi-year programs, such as New Construction and SPC programs, except for such future administrative activities in the Large

Nonresidential Comprehensive Retrofit and Small Nonresidential Comprehensive Retrofit programs.

- Commitments to contractors or suppliers for services or products where all or the large majority of services are provided in 1999, but paid for in early 2000. This mainly occurred for services or products provided in 1999 but invoiced late in the year or early the next year.
- Commitments under contracts to third parties to manage or implement programs for services provided during 1999, such as the statewide Residential Lighting and Appliance programs and the Third Party programs.
- As discussed earlier under "General", expenditures and commitments for all 1999 activities except those related to 1998 programs (commitments for multi-year 1998 programs and close-out/reporting of 1998 programs) were counted towards the requirements and achievements for this award.
- Authorized program funding or budgets as used in this description were the budgets adopted by the Commission in its resolution on SDG&E's November 16, 1998 Advice Letter. These budgets would have change only if the Commission adopted revised budgets during 1999, in which case all requirements and calculations would have incorporate the new revised budgets adopted by the Commission.

The award for this area was calculated as follows:

- Maximum award for Aggressive Implementation (\$952,000) was 25% of total awards cap of \$3.806 million.
- The \$952,000 maximum award for Aggressive Implementation was allocated to the three program areas based on each program area's percentage of the total adjusted program budget.

For the Residential and New Construction program areas, total adopted program budgets for each area was used.

- The Nonresidential program area authorized budget was adjusted to take out estimated administrative costs for the Large Nonresidential Comprehensive Retrofit and the Small Nonresidential Comprehensive Retrofit programs. The administrative costs removed included a portion of future estimated administrative costs to process projects in the Large SPC intervention strategy and estimated future administrative costs to process projects in the Small/Medium SPC intervention strategy. These future administrative costs were estimated for the purposes of determining the adjusted Nonresidential program area budget only for this portion of the performance incentives structure. SDG&E determined actual amounts to be committed for future administrative activities for the SPC programs based on the volume and type of projects received in those programs during 1999.

Program Area	Adjusted Program Budget	% of Total Budget	Aggressive Implementation Award Cap
Residential	\$12,150,000	38%	\$362,000
Nonresidential	\$14,880,000	47%	\$447,000
New Construction	\$4,800,000	15%	\$143,000
Total	\$32,500,000	100%	\$952,000

- In order to allow SDG&E to manage its expenditures so that the awards can be achieved without exceeding authorized budgets, for each program area 100% of the Aggressive Implementation award can be earned once 90% of the adjusted program budget was spent/committed.
- For each program area there was a threshold requirement of 70% of the adjusted program area budget to be expended/committed. If the 70% threshold is not met, there will be no

Aggressive Implementation award for that program area only. Once the 70% threshold was met, SDG&E earned awards on the total expenditures/commitments incurred for that program area based on the table below. This table was developed by using a simple linear interpolation of the values in one percent increments between 70% and 90%, where 90% equals 100% of the Aggressive Implementation award value.

% of Achieved Spending/ Commitments	% of Program Area Award	Residential Program Area Award	Non Residential Program Area Award	New Construction Program Area Award
70%	70%	\$253,400	\$312,900	\$100,100
71%	72%	\$258,830	\$319,605	\$102,245
72%	73%	\$264,260	\$326,310	\$104,390
73%	75%	\$269,690	\$333,015	\$106,535
74%	76%	\$275,120	\$339,720	\$108,680
75%	78%	\$280,550	\$346,425	\$110,825
76%	79%	\$285,980	\$353,130	\$112,970
77%	81%	\$291,410	\$359,835	\$115,115
78%	82%	\$296,840	\$366,540	\$117,260
79%	84%	\$302,270	\$373,245	\$119,405
80%	85%	\$307,700	\$379,950	\$121,550
81%	87%	\$313,130	\$386,655	\$123,695
82%	88%	\$318,560	\$393,360	\$125,840
83%	90%	\$323,990	\$400,065	\$127,985
84%	91%	\$329,420	\$406,770	\$130,130
85%	93%	\$334,850	\$413,475	\$132,275
86%	94%	\$340,280	\$420,180	\$134,420
87%	96%	\$345,710	\$426,885	\$136,565
88%	97%	\$351,140	\$433,590	\$138,710

% of Achieved Spending/ Commitments	% of Program Area Award	Residential Program Area Award	Non Residential Program Area Award	New Construction Program Area Award
89%	99%	\$356,570	\$440,295	\$140,855
90%	100%	\$362,000	\$447,000	\$143,000

To ensure minimum levels of activity in each of the fourteen programs, the following will also be applied to the Aggressive Implementation award:

- For each program area, an adjustment was made to the Aggressive Implementation award for that program area if 50% of authorized funding for each program within that program area is not spent/committed.
- For each program within a program area where the 50% level is not achieved, the Aggressive Implementation award for that program area only will be reduced by 10%.

Verification:

SDG&E will provide a summary of the expenditure by program area.