CPUC Docket: A.26-01-003 et al.
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Ex. TURN-09

SDG&E responses to TURN DR 9, Questions 1-4

San Diego Gas & Electric Company's (SDG&E) responses are as follows:

Fund shifting and unspent funds

1. Page 10 of SDG&E's Rebuttal Testimony states, "TURN incorrectly assumes that temporary underspending reflects a reduced need for authorized funding. Year-to-year spending fluctuations are a normal feature of a multi-year program and do not demonstrate that funds will not be required in subsequent years. Absent evidence that Commission-approved goals can be achieved with reduced funding, annual spending variances provide no reasonable basis for restricting access to previously authorized portfolio funding. SDG&E's proposed approach better balances ratepayer interest with program flexibility by allowing funds that are ultimately not needed to offset future collections while preserving the ability to use authorized funding where needed to achieve portfolio objectives over the full program cycle."

    a. Please provide a list of the instances when SDG&E needed higher ESA portfolio budgets in a plan year than what was initially approved. Please describe the causes of each of these instances.

SDG&E Response to Q.1.a:

For the purpose of this response, SDG&E has reviewed the past ten years of ESA Program budgets. During this time, there has not been an instance in which SDG&E needed higher portfolio budgets than were approved. However, annual spending levels have varied from year to year, reflecting normal fluctuations in program implementation over the course of a multi-year portfolio cycle.

    b. Please identify which of these instances required an increase in the ESA portfolio budget in excess of 10 percent of future year budgets.

SDG&E Response to Q.1.b:

SDG&E has not experienced an instance requiring an increase to the ESA portfolio budget in excess of 10 percent of the applicable future-year budget.

2. Page 11 of SDG&E's Rebuttal Testimony states, "SDG&E proposes a Mid-Cycle Advice Letter (MCAL) adjustment process that would allow portfolio budgets to be increased or decreased by up to five percent based on actual implementation experience and updated study results. In addition, SDG&E proposes that unspent and uncommitted funds that are ultimately not needed to achieve Commission authorized portfolio goals be used to offset future collections. Together, these proposals provide reasonable mechanisms to align funding with program needs and ensure that excess funds are returned to ratepayers."

    a. Please describe why SDG&E is more amenable to a five percent increase or decrease in portfolio budgets as compared to TURN's recommendation of up to a 10 percent increase in future portfolio budgets.

i. What are the key differences that make SDG&E's proposal better?

SDG&E Response to Q.2.a.i:

SDG&E's proposal is preferable because it provides the flexibility necessary to manage a six-year portfolio while preserving appropriate ratepayer protections. SDG&E's proposal would allow a one-time adjustment to the total authorized portfolio budget of five percent during the Mid-Cycle Advice Letter (MCAL) process, based on updated evaluation results and actual implementation experience. This differs from TURN's proposal, which would limit budget transfers between program years to 10 percent. SDG&E is not proposing a limit on shifting funds between years within the portfolio cycle. Instead, it seeks flexibility to move funds as needed across years, provided that the overall portfolio budget is not exceeded.

TURN's proposal would require unspent and uncommitted funds to be returned at the end of each year to offset collections and would limit borrowing from future-year budgets to 10 percent of authorized funding. While this approach prioritizes the annual return of funds, it does not adequately account for the inherent uncertainty associated with administering a multi-year portfolio where customer demand, measure costs, market conditions, and implementation challenges can fluctuate significantly over time. TURN's proposal of a 10 percent borrowing limit and an annual offset requirement would constrain portfolio management flexibility and reduce the ability to respond effectively to changing conditions.

By contrast, SDG&E's proposal allows funding to be shifted across program years within the portfolio cycle so that available funds can be directed where they are needed most to achieve Commission authorized goals. This flexibility reduces the risk that cost-effective opportunities will be missed in one year simply because funds are restricted to a particular program budget year. It also provides the operational flexibility needed to manage expenditures while remaining within the approved portfolio budget. At the same time, SDG&E's proposal does not permit utilities to retain excess funds indefinitely. Any unspent and uncommitted funds ultimately determined to be unnecessary to achieve Commission authorized portfolio goals would be used to offset future collections and returned to ratepayers. SDG&E's MCAL proposal ensures that any budget adjustment receives Commission review and is supported by evidence, while the fund-shifting proposal provides operational flexibility. Thus, SDG&E's proposal balances implementation flexibility with ratepayer protection.

ii. How did SDG&E arrive at its five percent proposal? What is this proposal based on?

SDG&E Response to Q.2.a.ii:

SDG&E's proposed five percent threshold is based on the Commission's prior determination in D.16-11-022, as modified by D.17-12-009, which authorized budget and savings target adjustments of up to five percent through a Tier 2 Advice Letter process based on

the results of evaluation results.[1] Therefore, SDG&E's proposal builds on this established Commission framework and reflects the Commission's prior determination that a five percent adjustment provides reasonable and prudent budget flexibility while maintaining appropriate oversight.

b. Please define 'unspent and uncommitted funds that are ultimately not needed to achieve Commission authorized portfolio goals'. How does this differ from unspent and uncommitted funds?

SDG&E Response to Q.2.b:

Unspent and uncommitted funds that are ultimately not needed to achieve Commission authorized portfolio goals refers to funds that remain unspent after the utility has met or exceeded its approved therm and kWh savings goals and determined that the remaining funds are no longer necessary to achieve those goals.

In contrast, unspent and uncommitted funds alone do not necessarily indicate that the funds are no longer needed. If the utility has not yet achieved its Commission authorized goals, any available unspent and uncommitted funds would be used to continue implementing eligible measures and activities necessary to meet those savings goals. Therefore, the distinction is whether the remaining funds are necessary to achieve the Commission authorized portfolio goals.

Electrification pilot

3. Page 33 of SDG&E's Rebuttal Testimony states, "SDG&E believes requiring mandatory electrification whenever a bill impact analysis predicts bill neutrality or bill savings places excessive reliance on tools that are still under development and/or have yet to be fully validated, potentially putting customers at risk."

   a. Please explain what SDG&E means by the term 'fully validated'.

SDG&E Response to Q.3.a:

SDG&E uses the term "fully validated" to mean the estimated customer bill impacts produced by the forecasting tools have been tested against actual customer outcomes and are considered reasonably accurate. Validation assesses whether a forecast from a model being used by the tool is reliable and suitable for its intended purpose. To be fully validated, the model utilized by the tool should be tested with enough real-world observations to provide a statistically meaningful level of confidence in the results. This is particularly important where customer affordability may be affected.

[1] D.17-12-009, Finding of Fact 13 and Ordering Paragraph 3.

b. Please describe what process SDG&E envisions would achieve full validation of a customer bill impact analysis.

SDG&E Response to Q.3.b:

The process to achieve full validation would include evaluating the tool's accuracy by comparing forecasted bill impacts against actual participant outcomes. This could include analyzing changes in participants' energy consumption following measure installation and comparing those results to the bill impacts estimated by the model or to a post-installation billing analysis. These comparisons will help determine whether the tool reasonably predicts actual customer bill impacts and can be relied upon for program decision-making.

The forecasted bill impacts should be compared with participant consumption and billing data following measure installation, using a sufficient sample size to support statistically meaningful conclusions and a pre/post installation time period that allows for an appropriate assessment. The analysis should also account for factors that may affect customer bills independent of the measure installation, such as weather variation, rate changes, fuel prices, and changes in household occupancy or usage patterns. The validation should assess tool performance across relevant customer segments and quantify the degree of error between projected and actual outcomes. If material discrepancies are identified, the tool should be updated and retested before being relied upon for future customer bill impact estimates.

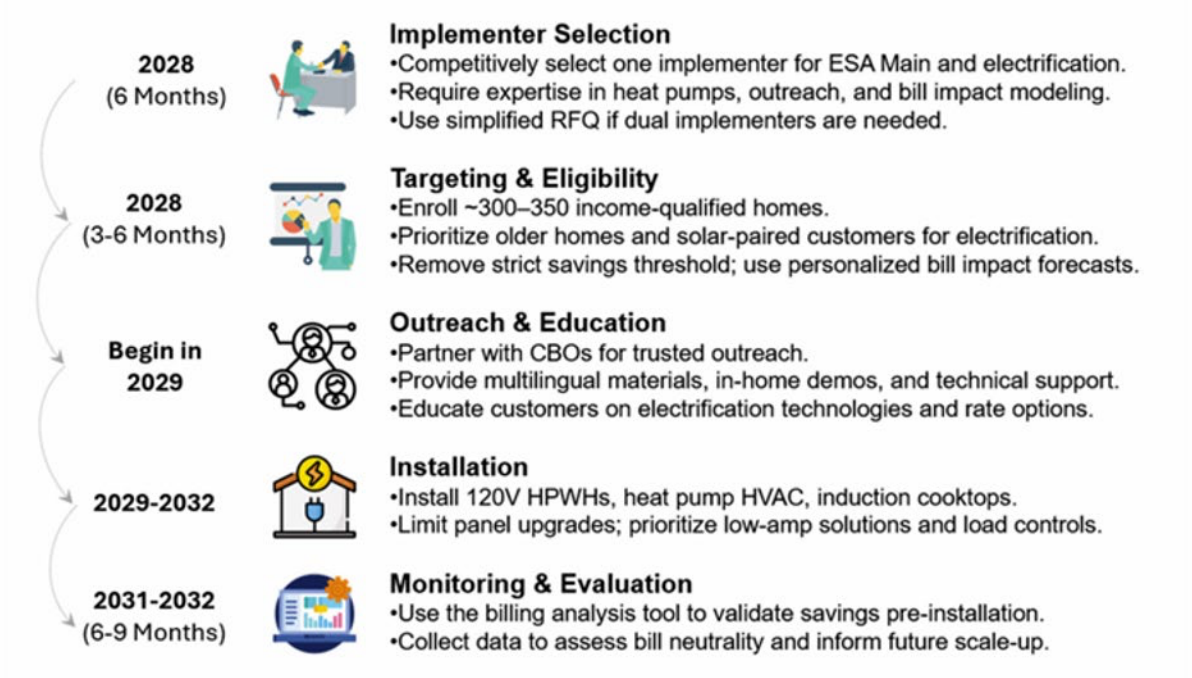
4. Page 40 of SDG&E's Rebuttal Testimony states, "Additionally, the SDG&E's pilot will generate insights regarding bill analysis methodologies, remediation requirements, cost-effectiveness, contractor readiness, workforce training needs, and the scalability of program delivery specifically for SDG&E. These considerations cannot be resolved based solely on experiences of other utilities. The differences in operating environments, including customer populations, housing stock, climate zones, market conditions, and program structures limit the transferability and drive the variation in ESA measure mixes, costs, and administrative and implementation challenges across IOU programs. Accordingly, SDG&E proposes a measured approach to evaluating electrification within its own service territory before pursuing broader deployment."

   a. How soon does SDG&E plan to begin to apply 'insights regarding bill analysis methodologies, remediation requirements, cost-effectiveness, contractor readiness, workforce training needs, and the scalability of program delivery specifically for SDG&E'? What factors are driving this timing?

SDG&E Response to Q.4.a:

As discussed in SDGE-03 at ESA-96, SDG&E plans to begin applying insights once the monitoring and evaluation phase of the pilot is complete, which is estimated to be in 2031 – 2032. The factors driving this timing are shown below in Figure 12 from SDGE-03 at ESA-96.

Figure 12: Key Pilot Milestones



b. Can the proposed time period for the pilot be expedited? If so, how? If not why not?

SDG&E Response to Q.4.b:

The proposed pilot timeline could potentially be expedited if implementation activities occur sooner than is currently anticipated. For example, an earlier implementer selection and onboarding process, faster customer enrollment, and more rapid completion of installations could accelerate data collection and allow the evaluation phase to begin earlier. However, any reduction in the overall schedule would depend on achieving adequate participation levels and collecting sufficient data to support a robust and statistically meaningful pilot evaluation.

c. How soon does SDG&E plan to pursue 'broader deployment'?

SDG&E Response to Q.4.c:

SDG&E plans to pursue broader deployment after the pilot evaluation. The timing and scope of broader deployment will be informed by evaluation results, lessons learned during implementation, and recommendations regarding program design, cost effectiveness, customer participation, and scalability.

d. Can the proposed time period for broader deployment be expedited? If so, how? If not why not?

SDG&E Response to Q.4.d:

The proposed time period for broader deployment may be expedited if key pilot milestones and evaluation activities are completed sooner than anticipated. As discussed in SDGE-03 at ESA-98, the pilot evaluation includes assessing customer selection criteria, customer acceptance, bill impact analysis tools and methodologies, workforce availability and implementation logistics, customer bill impacts, environmental impacts, and measure costs, including remediation costs. If sufficient data can be collected and these evaluation elements can be analyzed on an accelerated schedule while maintaining the rigor necessary to support reliable conclusions, broader deployment could be considered earlier. However, any acceleration would depend on obtaining adequate data to support informed decisions regarding program design, operational feasibility, cost-effectiveness, customer participation, and scalability.

END OF RESPONSE